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The United Kingdom (UK) High Commissioner to Zambia, Fergus Cochrane-Dyet, claims that local media outlets are distorting information to create differences between him and the Zambian government. Finance minister Margaret Mwanakatwe delays all planned borrowing indefinitely to slow the accumulation of new debt in response to debt distress worries. The permanent secretary for energy, Emelda Chola, states that the government has implemented the first phase of the migration to cost-reflective electricity tariffs by raising the price in 2017 and has launched an industry-wide cost of service study to determine future tariff adjustments.

UK envoy claims Zambian media distorting information to create political chaos

The **United Kingdom (UK)** High Commissioner to **Zambia**, **Fergus Cochrane-Dyet**, claims that local media outlets are distorting information to create differences between him and the **Zambian** government.¹ Zambia's foreign minister, **Joe Malanji**, summoned Cochrane-Dyet on 22 June regarding an article published on 20 June in **Zambian Watchdog** that focused on the UK's concern over growing corruption in Zambia.² Cochrane-Dyet had posted a Tweet on social media platform **Twitter** on 17 June underlining the need for the Zambian government to take Zambia's **Financial Intelligence Centre (FIC)** corruption allegations seriously. According to reports on 15 June, the **Anti-Corruption Commission** is investigating six cases arising of corruption, abuse of power and procurement irregularities from the 2017 FIC report.³



Fergus Cochrane-Dyet @ferguscd · Jun 17

Essential #Zambian Govt takes Financial Intelligence Centre allegations seriously. Evidence of serious corruption. Risk that political elite close ranks to hide their complicity?



Lusaka Times @lusakatimes

is.gd/17m3GP

ACC investigating six 'FIC Report cases' as Civil Societies submits report to State House

3 23 43

Zambian Watchdog, which has published several anti-government articles, may have tried to use Cochrane-Dyet's Tweet as evidence of large-scale corruption in Zambia to discredit the Lungu government. Cochrane-Dyet has posted many Tweets regarding the UK's concern about corruption, but he felt that the Zambian Watchdog story about his tweet "*creat[ed] a distorted story in a hope that it will cause a row.*"⁴

¹ Lusaka Times, 22 Jun 2018.

² Zambian Watchdog, 23 Jun 2018.

³ Lusaka Times, 15 Jun 2018.

⁴ Zambian Watchdog, 23 Jun 2018.

There are other recent instances of local media publishing information that could be seen as biased against either the government or other political parties. The **Zambian Eagle** contended on 20 April that President **Edgar Lungu** (2015-present) wanted **United Party for National Development (UPND)** leader **Hakainde Hichilema** arrested on several charges, including treason.⁵ The **Zambian Observer** stated that the arrest was intended to ensure that Hichilema was imprisoned “so that he does not qualify [to] contest elections in 2021”.⁶ The **Zambian Observer** reported the allegations were based on information from “senior police sources”.⁷

A similar story appeared on 17 June, when the **Zambian Observer** claimed that Zambian intelligence officials plan to arrest Hichilema before 2019 on treason charges and that Lungu directed the intelligence services to monitor Hichilema.⁸ Both of these narratives paint a picture of the government as authoritarian and fearful of Hichilema, which may cause some to rally to the UPND to stop these reported injustices. However, Hichilema remains free and was pictured shaking hands with Lungu at the funeral of freedom fighter **Daniel Munkombwe** on 20 June.⁹

While there are still issues between the government and the opposition, this ‘fake news’ media reporting exacerbates tension between the two sides. Zambian police officials arrested Hichilema in April 2017 on charges of treason and did not release him until the **Commonwealth** intervened (see *ARC Briefing Zambia August 2017*).¹⁰ Considering the increased support the arrest gave to Hichilema, it would be an odd political strategy for Lungu to arrest him again.

Although the next elections are still three years away, it appears that campaigning and political strategising have begun and both sides are using local media to further their ambitions. The state-owned **Zambia National Broadcasting Corporation** and the **Zambia Daily Mail** are unashamedly pro-government and the opposition may feel that it must counter these with anti-government media, such as the **Zambian Watchdog**. The increasing trend of using media to garner support and spread fabricated news will harm Zambia’s democracy, which is still not fully established. If the trend continues, ruling governments and ambitious opposition parties will not need to focus on sound policies and economic victories to win elections, but instead will attempt to control the media sphere from which the majority of the population obtains its information.

Zambia delays borrowing plans indefinitely in attempt to reign in debt

Finance minister **Margaret Mwanakatwe** delayed all planned borrowing indefinitely on 14 June to slow the accumulation of new debt due to debt distress worries.¹¹ Mwanakatwe stated that the current debt risk is high and would need to be brought to a moderate level before more borrowing could occur.¹² Mwanakatwe did not give details on when borrowing would continue, but the freeze appears to be until at least 2020:

“We took a decision as [a] cabinet to stop borrowing any further for a good two-year moratorium.”¹³

The **International Monetary Fund (IMF)** has twice rejected borrowing proposals from Zambia in the past year due to its large debt, which as of March stands at \$9.3 billion – roughly 33% of gross domestic product. The IMF rejected Zambia’s most recent proposal on 16 February, saying its borrowing plans risked making it harder for the country to sustain its debt load.¹⁴

⁵ *Zambian Observer*, 20 Apr 2018.

⁶ *Zambian Observer*, 20 Apr 2018.

⁷ *Zambian Observer*, 20 Apr 2018.

⁸ *Zambian Observer*, 17 Jun 2018.

⁹ *Lusaka Times*, 23 Jun 2018.

¹⁰ *News24*, 16 Aug 2017.

¹¹ *Reuters*, 15 Jun 2018.

¹² *Reuters*, 15 Jun 2018.

¹³ *Engineering News*, 21 Jun 2018.

¹⁴ *Reuters*, 16 Feb 2018.

“Against this background, any future programme discussions can only take place once the Zambian authorities implement credible measures that ensure debt contraction is consistent with a key programme objective of stabilizing debt dynamics and putting them on a declining trend in the medium term.”¹⁵

Zambia Institute for Policy Analysis and Research director **Pamela Kabaso** states that Zambia needs 6 billion kwacha (\$597m) annually just for debt reservicing.¹⁶ The borrowing moratorium and debt reservicing thus risk stressing the treasury’s accounts, particularly considering the \$750m needed to repay the first **Eurobond** in 2022.¹⁷ Without further funds, Zambia may be at risk of default. **United States**-based risk consultancy **Eurasia Group** released a report in May that forecast Zambia would default on its debt by 2019 (see *ARC Briefing Zambia May 2018*):¹⁸

“The risk of default is low in 2018, but will increase substantially in 2019 and 2020 absent an [International Monetary Fund] IMF programme.”¹⁹

However, finance ministry spokesperson **Chileshe Kandeta** denied on 8 May that Zambia has defaulted on any Eurobond interest payments or that it intends to do so.²⁰ Kandeta said the finance ministry’s medium-term expenditure framework covers all economic and fiscal numbers over a three-year period, including debt service.²¹

There is also a risk that the government will not be able to pay public sector wages. Mwanakatwe plans to encourage private firms, such as those from **South Africa**, to invest in public projects in Zambia to balance the loss of new borrowing.²² Officials in **Lusaka** attest that the South African government and banks have drafted a plan to provide \$1.2 billion in infrastructure support, and Mwanakatwe hopes more private sector businesses will also invest in Zambia.²³

Zambia’s government will hope that its new debt management plan convinces the IMF officials that it can manage its borrowing and not accumulate debt, in order to qualify for a \$1.3 billion loan it seeks from the IMF. However, while the IMF is likely to welcome the government’s debt management plan, it will require more government action to stem its large expenditure plans. Mwanakatwe’s admission that the 2018 fiscal deficit is likely to be higher than the 6.1% projection²⁴ will not be helpful in convincing the IMF that there has been reform. **Africa Confidential** claims that the distance between the IMF and the Zambian government is too wide and that the decision of the **Bank of Zambia (BoZ)** (central bank) to delay the release of data on foreign reserves is “suspicious”.²⁵ These claims may represent further issues that prevent an IMF bailout.

Government plans to implement cost-reflective electricity tariffs

The permanent secretary for energy, **Emelda Chola**, stated on 21 June that the government has implemented the first phase of the migration to cost-reflective electricity tariffs. The government raised electricity tariffs in 2017 and has launched an industry-wide cost of service study to determine future tariff adjustments.²⁶ The tariff increase may increase the costs for mining firms in Zambia, which currently pay a flat price of \$0.930 per kilowatt hour (kWh) for electricity.²⁷

¹⁵ Reuters, 16 Feb 2018.

¹⁶ Diggers, 19 Jun 2018.

¹⁷ Diggers, 19 Jun 2018.

¹⁸ Lusaka Times, 8 May 2018.

¹⁹ Bloomberg, 4 May 2018.

²⁰ Lusaka Times, 8 May 2018.

²¹ Lusaka Times, 8 May 2018.

²² Engineering News, 21 Jun 2018.

²³ Engineering News, 21 Jun 2018.

²⁴ Reuters, 15 Jun 2018.

²⁵ Africa Confidential, 1 Jun 2018.

²⁶ eNCA, 22 Jun 2018.

²⁷ eNCA, 22 Jun 2018.

Opinions differ on the new prices the study will determine for the mining industry. **Canada-based First Quantum Minerals** head of government relations, **John Gladston**, welcomed the study and believes that the current tariffs are higher than they should be:

*"[The current tariffs] fully disincentivise [investment] as they are unconscionably high."*²⁸

Vincent Nyirenda, head of business expansion projects of **Lusaka Stock Exchange**-listed electricity generation and transmission company **Copperbelt Energy Corporation**, agrees with Gladston that the cost of power could be much lower for fully operational projects. However, Nyirenda said the tariffs should be based on a case-by-case basis so some mining companies, particularly those in the early exploration phase, may pay more for electricity.²⁹

Zambia has struggled to maintain stable energy for mines and the population due to a high usage of hydropower, which is dependent on good rainfall.³⁰ In order to diversify its energy sources, the government needs to raise funding for new investment. The government has focused on solar electricity projects specifically, and shortlisted ten regional and international companies on 22 June to build a total of 100 megawatts of solar power projects by 2020.³¹

Considering Zambia's precarious economic position, it does not have the leverage to strong-arm major mining companies, such as **Switzerland-based Glencore**, **United Kingdom-based Vedanta Resources** or **Canada-based Barrick Gold Corp**, into accepting higher electricity tariffs. It is likely there will be individual negotiations over the tariffs for individual mines. The mining industry brings in 70% of Zambia's foreign exchange;³² the government should be careful not to attempt to increase its revenue from electricity at the risk of losing revenue from the mining sector.

Planner

20-21 Aug 2018 **Lusaka (Zambia) Bank of Zambia** scheduled **Monetary Policy Committee (MPC)** meeting

2021 **(Zambia)** Scheduled presidential elections;

Chronology

22 Jun 2018 **Lusaka (Zambia) eNCA**. Energy secretary **Emelda Chola** plans to introduce electricity tariffs that reflect the cost of production by the end of 2018, which could increase costs for mining firms;

20 Jun 2018 **Lusaka (Zambia) Reuters**. Finance minister **Margaret Mwanakatwe** urges South African businesses to invest in public projects in **Zambia**;

19 Jun 2018 **Lusaka (Zambia) News Diggers**. **Zambia Institute for Policy Analysis and Research** director **Pamela Kabaso** says that **Zambia** will need six billion kwacha (\$605m) annually for debt servicing;

18 Jun 2018 **Lusaka (Zambia) eNCA**. Intelligence officials warns that opposition leader **Hakainde Hichilema** will be arrested on a treason charge before the end of the year;

15 Jun 2018 **Lusaka (Zambia) africanews**. Health minister **Chitalu Chilufya** declares the cholera outbreak contained;

14 Jun 2018 **Lusaka (Zambia) Reuters**. Finance minister **Margaret Mwanakatwe** delays all planned borrowing indefinitely to slow down the accumulation of new debt;

²⁸ ESI Africa, 25 Jun 2018.

²⁹ ESI Africa, 25 Jun 2018.

³⁰ eNCA, 22 Jun 2018.

³¹ Engineering News, 22 Jun 2018.

³² Reuters, 21 Jun 2018.

13 Jun 2018 **Bulawayo (Zimbabwe)** *Newsday*. **Zambia-based Chingases Ltd** plans to invest \$15m in gases plants;

11 Jun 2018 **Lusaka (Zambia)** *Reuters*. **India-based mining company Vedanta Resources** plans to double copper production to 200,000 tonnes per year at its **Konkola Copper Mine**;

4 Jun 2018 **(Zambia)** *Lusaka Times*. Former finance minister **Alex Chikwanda** states that external debt could grow to \$13 billion by 2019 due to a potential doubling of debt-servicing charges,

30 May 2018 **(Zambia)** *Lusaka Times*. **South Africa-based private equity manager EXEO Capital** backs Zambia-based fish distributor, **Capital Fisheries** with \$6.4m in investment;