

AFRICA RISK CONSULTING

Zambia Monthly Briefing April 2022

Zambia Summary 14 April 2022

The United Kingdom's minister for Africa, Vicky Ford, reveals that one of Zambia's creditors is delaying a decision on the country's proposed agreement with its lenders for the country's debt restructuring programme. Zambia's finance ministry announces that the country's debt load stood at \$31.74 billion at end-2021, up from \$26.96 billion in June 2021. The government says it has disbursed ZMW11.1 billion (\$640.8m) for March, with ZMW3.2 billion (\$183.8m) going towards servicing its debts. Zambia's inflation rate falls for the eighth consecutive month in March, to 13.1% compared to 14.2%, its lowest level since before the start of the Covid-19 pandemic in early 2020. Zambia Statistics Agency data show that Gross Domestic Product estimates for Q4 2021 reveal economic growth of 2.1%, compared to a contraction of 3.1% a year earlier. The Energy Regulation Board hikes fuel prices again, with energy minister Peter Kapala confirming that all fuel subsidies will fall away by June. Lumwana copper mine operator Zambia Barrick Gold Corp affirms its confidence in the potential of the Zambian mining sector. France-based Total Eren and Guernsey-headquartered Chariot Transitional Power agree to build a 430MW solar and wind-based renewable energy project in Zambia. The government's anti-corruption drive continues, despite growing scrutiny from various quarters. Covid-19 cases rise in April as the government further eases restrictions.

Debt consolidation drive sees delays

Zambia's debt restructuring programme is facing delays. The government has been attempting to restructure its foreign debt since becoming **Africa's** first sovereign country in the **Covid-19** pandemic-era to default on debt payments in November 2020 (see *ARC Briefing Zambia Nov 2020*).¹ **United Kingdom** minister for **Africa, Vicky Ford** divulged on 7 April that one of Zambia's international creditors was "taking a bit more time to make a decision" on the proposed agreement for debt restructuring.² Ford cautioned that the longer the process is delayed, the greater the impact of uncertainty "on people here".³

As part of its debt-restructuring efforts, Zambia has been seeking a new agreement with the **International Monetary Fund (IMF)**.⁴ The country reached a staff level agreement with the IMF on a \$1.4 billion, three-year credit facility in December; however, this is contingent on it also agreeing a deal with its creditors. Local media sources named **China** as the creditor that is delaying the agreement. However, following a visit to China by Zambian foreign affairs minister **Stanley Kakubo**, and **Treasury** secretary **Felix Nkulukusa** on 19 March, Nkulukusa said China had indicated that it was "coming on board" and "just making internal consultations".⁵ According to data released by the finance ministry on 23 March, Zambia's total debt burden stood at \$31.74 billion at end-2021, up from \$26.96 billion in June 2021. Chinese creditors held around \$5.78 billion of this debt.⁶

Finance minister **Situmbeko Musokotwane** stated in February that he expected the IMF programme to be concluded by June. However, Zambia's creditors have yet to establish a committee, raising questions about the feasibility of the government's timeline for ensuring a deal with its creditors to

¹ Bloomberg, 18 Nov 2020

² Bloomberg, 7 Apr 2022

³ Bloomberg, 7 Apr 2022

⁴ Zambian Observer, 13 Apr 2022

⁵ TODAY, 19 Mar 2022

⁶ Ministry of Finance and National Planning

enable it to secure the IMF programme. However, Musokotwane informed the Zambian parliament on 25 March that he expects to announce the creditor committee “*within the next few weeks*”.⁷

The ruling **United Party for National Development** government is facing mounting pressure from citizens to deliver on its campaign promises, which centred around increased employment and improved living standards. Presidential spokesperson **Anthony Bwalya** on 13 April described the government’s need to balance its debt servicing obligations with providing critical public services:

“That’s why it is important that we quickly anchor down that IMF deal so that those monthly payments - principal and interest - can be brought down to something that is within affordable margins.”⁸

The government announced plans on 5 March to include a further 1.02 million of Zambia’s vulnerable population in the **Social Cash Programme**, up from an increase of 973,323 in 2021, bringing the total number of people on the programme to 5.1 million.⁹ The government said on 23 March that it had disbursed ZMW11.1 billion (\$640.8m) in February, funded by revenues collected by the state of ZMW4.8 billion (\$277.1m) in tax and ZMW1.4 billion (\$80.8m) of non-tax revenue, with the deficit of ZMW4.9 billion (\$282.9m) financed through a mix of domestic funds and IMF special drawing rights allocation. Of the disbursed funds, ZMW3 billion (\$173.2m) was allocated to the public service wage bill, ZMW3.2 billion (\$184.7m) to debt servicing, and ZMW1.7 billion (\$98.1m) spent on grants and subsidies, with the remainder of K3.2 billion (\$184.7m) diverted to government programmes.¹⁰

The government also appears to be leveraging its diplomatic ties to reduce its debt burden. On 24 March, President **Hakainde Hichilema** (2021- present) hosted a delegation from **Saudi Arabia** led by Saudi **Royal Court** advisor **Ahmed Kattan**.¹¹ Hichilema requested the Kingdom to consider converting Zambia’s debt to the country into a grant.

Downtrend in inflation reaches pre-pandemic levels...

Exacerbating economic pressure on Zambia’s populace, the **Energy Regulation Board** announced further fuel price increases on 31 March, citing a continued strain in the global oil supply driven by the **Russia-Ukraine** conflict.¹² Adding to consumers’ woes, energy minister **Peter Kapala** announced on 12 April that the government would remove all fuel subsidies by June as they were no longer sustainable¹³

Despite rising fuel costs, Zambia’s inflation rate fell for the eighth consecutive month in March, to 13.1% compared to 14.2% in February, the country’s lowest level since January 2020.¹⁴ Finance minister Situmbeko Musokotwane expressed confidence that the rate of inflation will have decreased to single digit level by December,¹⁵ supporting the government’s target inflation rate of 6%-8% by mid-2023.

Gross domestic product (GDP) estimates for Q4 2021 show economic growth of 2.1%, compared to a contraction of 3.1% a year earlier. This performance was supported by growth in information & communication (18.3%), electricity (14.7%), transport & storage (12.7%) and public administration (12.1%) industries. However, declines were reported in agriculture, forestry & fishing (-20.8%), mining & quarrying (-5.7%) and financial & insurance activities (-5.7%).¹⁶

⁷ Reuters, 25 Mar 2022

⁸ Today, 13 Apr 2022

⁹ Xinhua, 5 Mar 2022

¹⁰ Zambia Daily Mail, 23 Mar 2022

¹¹ News Diggers, 25 Mar 2022

¹² Energy Regulation board

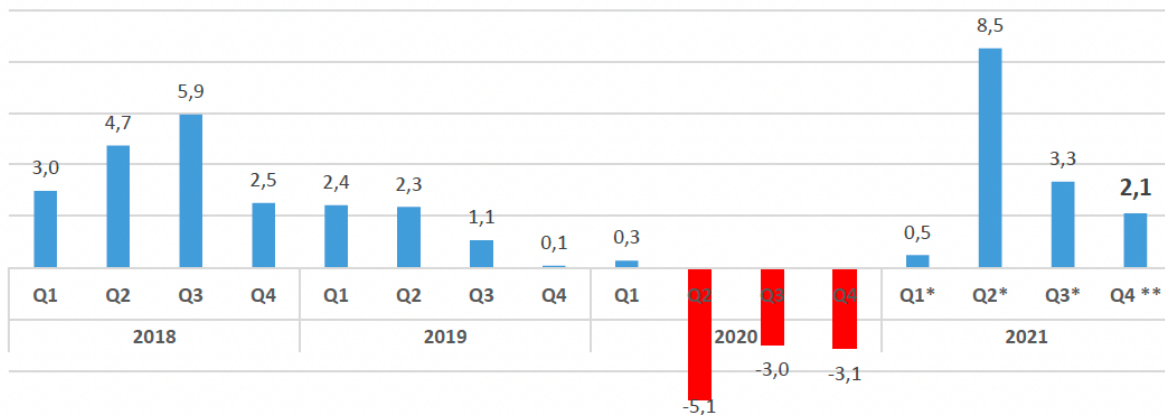
¹³ Zambian Observer, 12 Apr 2022

¹⁴ Bloomberg, 31 Mar 2022

¹⁵ ZAWYA.com, 7 Apr 2022

¹⁶ Zambia Statistics Agency Monthly Bulletin

Quarterly GDP Growth Rates at Constant 2010 Prices, Q1 2018 – Q4** 2021 (%) *



Source: ZamStats, National Accounts

However, quarter-on-quarter growth declined, from 8.5% in Q2 2021 and 3.3% Q3 2021. The muted growth reflects factors including heightened inflation levels during 2021, investor uncertainty during a presidential election year, as well as ongoing uncertainty in the mining sector. Over 2022, there is potential for growth to be supported by improved investor sentiment as Hichilema's government pursues debt consolidation and inches closer towards an agreement with the IMF, while the effects of the pandemic lessen as business activity and exports accelerate. However, near-term headwinds to growth persist from the ongoing conflict in Ukraine and rising fuel and food prices weakening consumer activity.

... as improved sentiment supports new investments

Zambia's mining sector is seeing renewed confidence. **Zambia Barrick Gold Corp**, which operates the **Lumwana** copper mine, has reiterated its view of the strong potential of the Zambian mining sector as global demand for copper continues to rise. Barrick Gold CEO **Mark Bristow** stated on 23 March that Barrick sees the **Central African** copper belt as "*offering significant opportunity for our copper initiative*", describing the new business-friendly government as "*a breath of fresh air*".¹⁷

Inward-bound investment is ramping up. In a positive development for greater use of green energy in the mining sector, France-based **Total Eren** and **Guernsey**-headquartered **Chariot Transitional Power** agreed on 22 March to build a 430MW solar and wind-based renewable energy project in Zambia.¹⁸ The project will cost \$500m and will be jointly operated by the parties on completion. It is expected to supply power for **Canada**-registered **First Quantum Mineral's Kansanshi** and **Sentinel** mines, which had a combined output of 434,847mt of copper in 2021.

Meanwhile, Zambian national power utility **ZESCO** signed an agreement with its **Namibian** counterpart, **Nampower**, for Zambia to begin exporting an additional 80 MW of electricity to Namibia. This adds to the 100 MW already being exported to the country, following the first agreement made between them in 2020.¹⁹ Zambia is leveraging its position as a member of the **Southern African Power Pool** to increase its revenues from the country's energy resources and boost its profile as an energy supplier for the region.

Anti-corruption drive under scrutiny

The UPND administration's anti-corruption drive is well underway in line with Hichilema's campaign promise to stem graft in the country. Notable members of the former ruling **Patriotic Front** party have found themselves in the crosshairs of anti-corruption authorities. On 21 March, the **Anti-**

¹⁷ Bloomberg, 23 Mar 2022

¹⁸ Power Technology, 22 Mar 2022

¹⁹ CGTN, 13 Apr 2022

Corruption Commission (ACC) arrested **Given Lubinda**, leader of the now-opposition PF, which was ousted from power in August. The ACC has charged him with the unlawful possession of a house worth \$260,000 as well as funds totaling \$539,000, suspected to be the proceeds of crime.²⁰ On 23 March, the **Drug Enforcement Commission** confiscated two helicopters and a hotel owned by former justice minister **Joseph Malanji**, suspected to have been acquired using state funds. The former minister is also accused of money laundering activities involving ZMW10m (\$573,000) and \$700,000 in funds.²¹

However, the proceedings have faced criticism from various quarters. The PF claims that the investigations are politically motivated, while **Germany**-based **Transparency International's** representative in Zambia, **Sampa Kalunga**, raised questions about the management of the government's anti-corruption programme, calling it "*disjointed*" and "*archaic*".²² **South Africa**-based poverty and injustice federation **Action Aid** called on the ACC on 24 March to return credibility to the fight against corruption, lamenting the government's continued announcement of large asset seizures and arrests but failure to secure adequate charges and convictions for the wrongdoers.²³

Covid cases see slight increase as restrictions are eased

Average daily numbers of confirmed new Covid-19 cases have increased slightly, reaching 309 as of 13 April, compared to 54 a month earlier.²⁴ The health ministry has recorded a total of 318,113 cases of Covid-19 in Zambia's population of roughly 18.9 million, with 313,194 recoveries and 3,969 Covid-19-related deaths as at 14 April.²⁵ Zambia exited the fourth wave of Covid-19 infections driven by the **omicron variant** in February. The health ministry has made slow progress in its Covid-19 vaccination campaign, with only 2.28 million people (12.3% of the population) fully vaccinated by 13 April.²⁶

Economic activity is picking up with more businesses adjusting their internal policies to enable a return to full capacity as well as the re-introduction of in-person meetings and conferences.²⁷ Bars, restaurants, clubs, casinos and churches are permitted to open without restrictions on hours or capacity. Public transport may also operate without capacity on restrictions.

On 1 April, the Zambian government announced a further easing of Covid-19 restrictions supported by the sustained decline in new infections as well as hospitalisations. Under the new rules, fully vaccinated travellers need not produce a negative Covid-19 PCR test. However, unvaccinated travellers must produce evidence of a negative PCR test taken in the 72 hours prior to departure from the country of origin. Children under the age of twelve are exempt from this requirement. Anyone entering Zambia with a body temperature equal to or above 38.0 C will be tested for Covid-19 on arrival at their own cost, as will anyone with Covid-19 symptoms. Other arrivals may be randomly selected for testing. All airports are open to flights.²⁸

²⁰ US News, 21 Mar 2022

²¹ The East African, 23 Mar 2022

²² Africa News, 27 Mar 2022

²³ News Diggers, 24 Mar 2022

²⁴ Worldometers, accessed 14 Apr 2022

²⁵ Worldometers, accessed 14 Apr 2022

²⁶ Our World in Data, accessed 14 Apr 2022

²⁷ Source, analyst, Zambia

²⁸ Ministry of Health

Planner

9-12 May 2022 **Cape Town (South Africa)** President **Hakainde Hichilema** to attend **Mining Indaba 2022**

Chronology

13 Apr 2022 **Lusaka (Zambia)** *News Diggers*. Health minister **Sylvia Masebo** announces that the country has confirmed its first case of cholera at **Matero** level one hospital, and further cases are suspected;

13 Apr 2022 **Lusaka (Zambia)** *Today*. Treasury secretary **Felix Nkulukusa** says **China** is “coming on board” with Zambia’s debt restructuring proposal to its lenders;

13 Apr 2022 **Lusaka (Zambia)** *CGTN*. National power utility **ZESCO** and its **Namibian** counterpart, **Nampower**, sign a power supply agreement for Zambia to begin exporting an additional 80MW of electricity in addition to 100MW already being exported.

5 Apr 2022 **Lusaka (Zambia)** *The East African*. President **Hakainde Hichilema** hosts **Rwanda’s** President **Paul Kagame** on an official state visit to Zambia, and Zambia’s foreign affairs minister, **Stanley Kakubo**, and Rwandan counterpart **Vincent Biruta** sign seven cooperation agreements in the areas of investment, trade, agriculture, and migration;

7 Apr 2022 **Lusaka (Zambia)** *Bloomberg*. **United Kingdom’s** minister for **Africa**, **Vicky Ford**, reveals that one of Zambia’s international creditors is delaying its agreement on Zambia’s debt restructuring programme;

31 Mar 2022 **Lusaka (Zambia)** *Energy Regulation Board*. **Energy Regulation Board** announces further fuel price increases, citing continued strain in global oil supply driven by the **Russia-Ukraine** conflict;

23 Mar 2022 **Lusaka (Zambia)** *The East African*. **Drug Enforcement Commission** seizes a hotel and two helicopters owned by former justice minister **Joseph Malanji** and suspected to be the proceeds of crime;

23 Mar 2022 **Lusaka (Zambia)** *Ministry of Finance and National Planning*. Ministry of finance and national planning reveals that Zambia’s debt load stood at \$31.74 billion at end-2021, up from \$26.96 billion in June 2021;

23 Mar 2022 **Lusaka (Zambia)** *Zambia Daily Mail*. Government announces it has disbursed ZMW11.1 billion (\$640.8m) for the month of February, funded by revenues collected by the state of ZMW4.8 billion (\$277.1m) in tax and ZMW1.4 billion (\$80.8m) non-tax revenue, with the deficit of \$4.9 billion (\$282.9m) financed domestically and using the **International Monetary Fund** special drawing rights allocation;

22 Mar 2022 **Lusaka (Zambia)** *News Diggers*. President **Hakainde Hichilema** hosts a special envoy from the **Kingdom of Saudi Arabia**, led by the Saudi **Royal Court** advisor **Ahmed Kattan**, and asks Saudi Arabia to convert Zambia’s debt into a grant;

22 Mar 2022 **Lusaka (Zambia)** *News Diggers*. **Joint Investigative Team** seizes 31 vehicles suspected to be the proceeds of crime and found on a private property whose owner is yet to be established;

15 Mar 2022 **Johannesburg (South Africa)** *The Africa Report*. Lawyers pursuing a class action suit against **Anglo American South Africa** file evidence in a case which alleges that over 1,000 women and children in **Kabwe** were found with above-normal levels of lead in their blood as a result of the mine’s operations in the region.

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