

AFRICA RISK CONSULTING

Zambia Monthly Briefing August 2024

Zambia Summary 20 August 2024

Bank of Zambia (central bank) Monetary Policy Committee (MPC) breaks its almost two-year streak of raising interest rates, opting to maintain its benchmark policy rate at 13.5% on 14 August. Zambia on 12 August agrees to reopen trade with the Democratic Republic of Congo (DRC), a day after sealing its three common borders with its northern neighbour. President Hakainde Hichilema (2022-present) does not attend the Southern African Development Community (SADC) Heads of State and Government Summit in Zimbabwe on 17 August amid tensions between Zambia and Zimbabwe. Two mining bodies warn that Zambia will regress to long-term policy instability and mining investment stagnation if the proposed Minerals Regulation Commission Bill is not amended.

Bank of Zambia holds interest rates to support economy

At its meeting on 14 August, the **Bank of Zambia** (central bank) **Monetary Policy Committee (MPC)** ended its almost two-year streak of raising interest rates, deciding to maintain the benchmark policy rate at 13.5% to support Zambia's drought-stricken economy.

The MPC raised interest rates at its past six consecutive meetings to help offset inflationary pressures, with the latest being a 100-basis point hike in May and a 150-basis point increase in February (see *ARC Briefing Zambia May 2024*).¹ Inflationary pressures have not subsided and remain above the central bank target band of between 6% and 8%, but central bank governor **Denny Kalyalya** said the committee judged that the current monetary policy stance was appropriate.

Inflation has been rising since the middle of 2023, reaching 15.4% year-on-year in July driven mostly by the slump in the kwacha and the worst drought seen in the southern African region in decades.² The central bank now anticipates inflation will average 15.3% in 2024, up from the 13.7% forecast it gave at its May meeting.

Kalyalya added that the completion of Zambia's external debt restructuring and implementation of structural reforms remained critical to lower inflation.³ Weighed down by delays in restructuring talks and limited foreign-currency inflows, the kwacha hit repeated record lows against the **United States (US)** dollar between November and February and has been highly volatile since.

Adding to these issues, the 2025-2027 medium-term budget plan released on 16 July revealed that the country's domestic economic growth is expected to significantly decline to 2.3% in 2024 from 5.4% recorded in 2023. The budget plan, signed by the acting treasury secretary **NsandiManza**, says this development is a result of a reduction in economic activities in some key industries such as agriculture and electricity generation.⁴

Given the subdued economic activity, the rate hike in May was unexpected. However, it is expected that the central bank will keep its benchmark policy rate on hold at 13.50% over the

¹ Bloomberg, 14 Aug 2024

² Diggers, 26 Jul 2024

³ Reuters, 14 Aug 2024

⁴ Diggers, 23 Jul 2024

remainder of 2024. As such, monetary easing is not expected until 2024 when the central bank will likely cut the benchmark policy rate by year-end as inflation is expected to start moderating

Zambia ends border disputes with DRC, but trade risks linger

Zambia on 12 August agreed to reopen trade with the **Democratic Republic of Congo (DRC)**, a day after sealing its three common borders with its northern neighbour, blocking a key export route for DRC, the world's second-largest copper producer.⁵

The DRC announced in July a 12-month ban on the importation of beer, soft drinks, lime, earthenware and tiles from Zambia.⁶ DRC's trade minister **Julien Paluku** defended the ban on Zambian goods, saying DRC was looking to support local businesses and fight import fraud at its borders. Trade between DRC and Zambia is governed by a 2015 pact, which allows each country to "safeguard measures in respect of a product on conditions that it causes or threatens to cause serious injury to the domestic industry producing like or directly competitive products".⁷

The ban sparked protests among traders at the border, who make a living running goods between the two countries.⁸ Zambia responded by shutting down the three border crossings on 11 August citing the protests in the DRC. However, trade minister **Chipoka Mulenga** announced on 12 August the reopening of the borders effective 13 August after meeting Congolese officials in **Lubumbashi** (DRC):

*"It has been resolved that the government of the Republic of Zambia will open the closed border Posts at Sakania, Mokambo and Kasumbalesa while the DRC will lift all the trade restriction orders on Zambia, effective same date, (today)."*⁹

One of the borders affected, **Kasumbalesa**, is the **Southern African Development Community's (SADC)** second busiest border after **Zimbabwe's Beitbridge**. Kasumbalesa sits at a convergence point of the region's most important trade corridors - the **North-South Corridors, Dar es Salaam Development Corridor, Walvis Bay-Ndola-Lubumbashi Corridor, Beira Development Corridor and Lobito Development Corridor**. Kasumbalesa handles freight such as copper, minerals and manufactured goods from Zambia, Zimbabwe and **South Africa**.¹⁰

The border spat has once again highlighted how easily supply chains can be disrupted in the region at a time when SADC is trying to punt free trade. The two countries have said the trade deal is now being renegotiated, as part of efforts to end frequent disputes.

Hichilema skips SADC Summit on diplomatic tiff with Zimbabwe

President **Hakainde Hichilema's** (2022-present) absence at the **SADC Heads of State and Government Summit** held in **Harare** (Zimbabwe) on 17 August was notable as tensions continue rising between Zambia and neighbouring **Zimbabwe**. Hichilema reportedly cited safety concerns as his reason for staying away from the summit, further straining ties between the two countries.¹¹

Hichilema, who was the outgoing SADC organ on politics, defence and security cooperation (troika) chairperson, delivered his final report virtually on 16 August. During his address, he

⁵ Reuters, 12 Aug 2024

⁶ *Zambian Business Times*, 29 Jul 2024

⁷ *News24*, 12 Aug 2024

⁸ *Diggers*, 11 Aug 2024

⁹ *Newswire*, 13 Aug 2024

¹⁰ *The Herald*, 13 May 2024

¹¹ *Zimbabwean Mail*, 16 Aug 2024

struck a diplomatic tone endorsing all national elections that took place in the past year in the region. This was in contrast to the **SADC Election Observer Mission's (SEOM)** final report on Zimbabwe's August 2023 general election report which raised questions about the credibility of the country's vote.¹² Former Zambian vice president **Nevers Mumba** led the SEOM and was, deployed by Hichilema as chairperson of the troika. Zimbabwe did not take the report lightly and accused Zambia of being sponsored by the **West** to effect regime change in Zimbabwe.

The diplomatic rift between Zambia and Zimbabwe intensified further in June following remarks made by Zimbabwe's President **Emmerson Mnangagwa** (2017-present) during his visit to **Russia**. Mnangagwa alleged that Zambia is hosting a US military base as part of a broader US strategy to consolidate power in the region and isolate Zimbabwe.¹³

Hichilema denied the allegations of US militarisation in Zambia, clarifying that Zambia's military exchanges with various countries, including the US should not be misconstrued as the establishment of US military bases on Zambian soil.

Relations between the two countries have appeared strained since Hichilema was elected in 2022 as Zimbabwe's ruling **Zanu-PF** was perceived to be an ally of former president Edgar Lungu's (2015-2021) **PF Party**. Following Mnangagwa's comments in June, Zambia asked SADC to intervene and mediate the diplomatic tensions but it appears there has been little done.

Miners rail against new regulation bill

In a joint statement on 7 August, the **Association of Zambian Mineral Exploration Companies (AZMEC)** and the **Zambia Chamber of Mines (ZCM)** warned that Zambia will regress to long-term policy instability and mining investment stagnation if the country's proposed **Minerals Regulation Commission Bill** is not amended.¹⁴

Parliament is currently debating the bill, which seeks to "*regulate and monitor the development and management of mineral resources*".¹⁵ The bill would allow the government to acquire a shareholding in exploration areas before licences to search for minerals including copper are granted to investors.

AZMAC and ZCM in their statement said Zambia's exploration and mining risks are set to increase as the proposed minerals regulation law could deter investment and deliver a "*fatal blow*" to its goal of raising annual copper output to three million metric tonnes.¹⁶

*"(Unfortunately, due to...the prospect of forced 'free carry' acquisitions by the state of stakes in new ventures, this Bill will seriously undermine property rights."*¹⁷

The joint statement added that the bill also grants unaccountable and arbitrary discretionary decision-making powers to individual regulators, which present obvious future corruption risks.

Under Hichilema, the government has sought to repair the country's investment reputation and ramp up copper production, which was impacted by the previous administration's seizure of **Konkola Copper Mines** from **United Kingdom**-based **Vedanta** in 2019.¹⁸ The new government in 2023 agreed to hand the mine back to Vedanta, a move which improved

¹² News24, 13 Oct 2023

¹³ Africa Report, 18 Jun 2024

¹⁴ Reuters, 7 Aug 2024

¹⁵ Diggers, 4 Aug 2024

¹⁶ Diggers, 4 Aug 2024

¹⁷ News24, 7 Aug 2024

¹⁸ Reuters, 5 Sep 2024

sentiment around the sector, but without amendments, this bill threatens to push this momentum backwards.

Planner

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

13 Nov 2024 Lusaka **(Zambia) Bank of Zambia** (central bank) **Monetary Policy Committee** meets

2026 **(Zambia)** General election

Chronology

19 Aug 2024 **Lusaka (Zambia)** *New Zimbabwe*. Police arrest two **Chinese** nationals for smuggling 29kg of gold and \$200,000 in cash from **Zimbabwe** via the porous **Chirundu Border Post**;

17 Aug 2024 **Lusaka (Zambia)** *Bloomberg*. State-owned power utility **ZESCO** applies to the **Energy Regulation Board** to increase electricity tariffs by up to 156% as an emergency measure to cover drought-induced losses;

15 Aug 2024 **Lusaka (Zambia)** *Lusaka Times*. The **Zambia Gold Company (ZGC)** has approved a K42 million (\$1.6m) budget dedicated to remedial works at the **Kasenseli Gold Mine** as part of the preparations for the mine's reopening following the suspension of operations in 2021 due to a spate of fatalities linked to illegal mining activities;

15 Aug 2024 **Lusaka (Zambia)** *Lusaka Times*. President **Hakainde Hichilema** launches the high-resolution aerial geophysical survey, a mineral mapping exercise to generate data to be used in determining the country's full mineral potential;

14 Aug 2024 **Lusaka (Zambia)** *Lusaka Times*. President **Hakainde Hichilema** officially launches the 300MW **Maamba** thermal power expansion project, a \$400m investment set to double the plant's capacity to 600MW;

13 Aug 2024 Harare **(Zimbabwe)** *Diggers*. Police say three male illegal miners have died while digging for suspected gold at **Mulopwe Metal Mining Limited** in **Kasempa District (North-Western Province)**;

9 Aug 2024 **Lusaka (Zambia)** *Diggers*. **Zambezi River Authority** council of ministers chairperson **Edgar Moyo** says the rehabilitation works at the **Kariba Dam** are 99% complete with energy minister **Makozo Chikote** saying the rehabilitation works are a long-term solution to the country's power challenges;

6 Aug 2024 **Lusaka (Zambia)** *Diggers*. **Mopani Copper Mines (MCM)** says it is in the process of sinking three new shafts at its **Kitwe** and **Mufulira** mine sites, which will increase copper production to 225,000 tonnes annually once completed;

1 Aug 2024 **Lusaka (Zambia)** *Diggers*. State-owned power utility **ZESCO** says it will buy 218MW of electricity from **South Africa** and **Zimbabwe** to help ease its shortfall caused by reduced hydropower capacity;

30 Jul 2024 **Lusaka (Zambia)** *Diggers*. The **International Monetary Fund (IMF)** resident representative **Eric Lautier** says there is a need for Zambia to come up with more progressive tax policies to ensure it can repay its debt, emphasising that Zambia's debt is not forgiven but has just rescheduled;

29 Jul 2024 **Luanda (Angola) Diggers**. State-owned power utility **ZESCO**'s power generation director **Wesley Lwiindi** says the last time **Lake Kariba** recorded water levels as low as this year's was in 1995;

26 Jul 2024 **Lusaka (Zambia) Diggers**. Finance and national planning minister, **Situmbeko Musokotwane** says cabinet and parliament have approved K2 billion (\$76.9m) for the 'cash for work programme' as part of government's response to drought;

26 Jul 2024 **Livingstone (Zambia) Diggers**. The **Zambia Revenue Authority (ZRA)** commissioner general **Dingani Banda** says only six mines out of over 6,000 entities with mining licences in the country have contributed to revenue collection;

24 Jul 2024 **Lusaka (Zambia) Diggers**. The **Bank of Zambia** governor **Denny Kalyalya** says the central bank is not seeking a full-scale de-dollarisation but wants to minimise the use of **United States (US)** dollars as a medium of exchange in the country;

25 Jul 2024 **Lusaka (Zambia) Diggers**. The government says it projects spending K209.3 billion (\$8.05 billion) on debt service payments between 2025 and 2027, to pay for interest on domestic debt and external debt as well as for the principal repayments;

25 Jul 2024 **Lusaka (Zambia) BBC**. Police confirm they are investigating the abduction and murder of **Independent Broadcasting Authority (IBA)** director general **Guntilla Muleya**;

22 Jul 2024 **Lusaka (Zambia) Times of Zambia**. President **Hakainde Hichilema** reshuffles his cabinet, moving health minister **Sylvia Masebo** to the lands ministry with incumbent minister **Elijah Muchima** becoming health minister;

20 Jul 2024 **Lusaka (Zambia) Diggers**. Former energy minister **Peter Kapala** says the country has scaled back a total of 260MW from the 530MW on the export market;

19 Jul 2024 **Lusaka (Zambia) Bloomberg**. Zambia asks mining companies to double their power-saving efforts to 40% of normal demand, as the worst drought in decades negatively impacts hydroelectric generation;

19 Jul 2024 **Lusaka (Zambia) Diggers**. The **Energy Regulation Board (ERB)** says at its July licensing committee meeting, it approved 34 licence applications, and five construction permits in the renewable energy and petroleum sub-sectors with total investments worth K2.46 billion (\$98.4m);

18 Jul 2024 **Lusaka (Zambia) Mining Weekly**. **India's Vedanta Resources** confirms it has paid \$246m to creditors to regain control of the **Konkola Copper Mine**;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-

discovery, forensic accounting and whistle-blower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)

Africa Risk Consulting (ARC) Pty Ltd expressly forbids the collection of information and content from ARC Briefing as data to train generative artificial intelligence models.

© Africa Risk Consulting (ARC)