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The Commonwealth special envoy for Zambia's political dialogue, Ibrahim Gambari, proposes a strategy that will guide the talks between President Edgar Lungu (2015-present) and opposition leader Hakainde Hichilema. Gambari says the Commonwealth can facilitate dialogue, but it is ultimately a "Zambian process" which the Zambia Center for Interparty Dialogue (ZCID) is to lead. Zambia's treasury secretary, Fredson Yamba, hopes Zambia will host an International Monetary Fund (IMF) mission before the end of 2017 and have a deal signed for a \$1.3 billion loan in place by early 2018. The World Bank estimates that Zambia's gross domestic product grew 3.8% in 2017, down from a previous forecast of 4.1%. Zambia's state-owned mining firm, Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH), wants to increase its stakes in Zambia's mines and expects to receive higher dividend payments from international mining companies.

Commonwealth envoy outlines strategy for political dialogue

The **Commonwealth** special envoy for **Zambia's** political dialogue, **Ibrahim Gambari**, said on 26 November that he had proposed a strategy to guide the talks between President **Edgar Lungu** (2015-present) and opposition leader **Hakainde Hichilema**.¹ Gambari said the dialogue process, initiated by the Commonwealth when Hichilema was released from prison on treason charges (see *ARC Briefing Zambia August 2017*), is scheduled to have agreed-upon structures by the end of December and is slated to formally begin in January 2018.² The proposed talks will encompass dialogue between Lungu and Hichilema, and between the ruling **Patriotic Front (PF)** party and the main opposition party, the **United Party for National Development (UPND)**, as well as within a broader working group comprising representatives of registered political parties, the **Electoral Commission of Zambia**, civil society, the church, police, parliament and the ministry of justice.³

The goal of the dialogue is to establish national peace architecture to prevent any future high-level conflict in Zambia,⁴ although Gambari did not provide details on what such architecture would include. A Zambian political analyst states that,

"...Gambari did not mean a unity government but a body that may be tasked after this dialogue process to deal with conflicts in the future. The country does not currently have such a structure that can effectively deal with this."⁵

Gambari worked with stakeholders during this visit, as well as his first visit to Zambia in September, to develop the dialogue strategy.⁶ He reiterated that the Commonwealth was there to facilitate dialogue, but that the process is ultimately a "Zambian process" to be led by locals, and that its success rests on the Zambian people:⁷

¹ Zimbabwe Herald, 28 Nov 2017.

² Zimbabwe Herald, 28 Nov 2017.

³ Source, political analyst, Lusaka

⁴ Zimbabwe Herald, 28 Nov 2017.

⁵ Source, political analyst, Lusaka

⁶ Zimbabwe Herald, 28 Nov 2017.

⁷ Zimbabwe Herald, 28 Nov 2017.

“The road ahead will be full of challenges, but I would like to encourage political leaders and other stakeholders, including the media, to remain focused, committed and supportive of an environment conducive to a constructive, results-driven dialogue process.”⁸

Gambari appointed the **Zambia Center for Interparty Dialogue (ZCID)** to spearhead the political dialogue.⁹ ZCID executive director **Monica Kanjimana** said the ZCID would work with the church, traditional leaders, interest groups and political parties to find a home-grown solution, adding that,

“[The ZCID] are excited about this process because it includes facilitation of political reforms and constitutional reforms so that political players are more tolerant of each other in order to ensure that Zambia develops.”¹⁰

Raphael Nakachinda, the national secretary of opposition party, the **Movement for Multi-party Democracy**, said on 28 November that the ZCID was the preferred avenue for talks and that Zambians did not need a referee to supervise the dialogue as Hichilema’s party, the UPND, was only using the dialogue to further its political agenda:¹¹

“[The UPND] are pushing an agenda of equating [Hichilema] and [Lungu] and give an impression that in the absence of President Edgar Lungu the only option is [Hichilema]. That type of cheap politics must be seen for what it is, and the Commonwealth must be warned that they risk being used for a very selfish and narrow political agenda.”¹²

Opposition leaders involved in the dialogue are reportedly unhappy with the ZCID and its ability to handle a potentially sensitive dialogue process:

“Apart from the centre’s lack of experienced manpower, capacities and competencies, there are also calls to have the current board of directors at the centre replaced because its mandate expired some time ago. In addition, some opposition parties perceive the ZCID as a compromised institution due to the fact that some of its funding is coming from the government.”¹³

Analysts agree with Nakachinda that Hichilema will use the dialogue to position himself politically. The UPND is the strongest opposition party in the national assembly, so Hichilema is at present the main actor to replace Lungu:

“Since the court denied him the right to be heard over his presidential petition, Hichilema is likely to use the dialogue platform to strongly bring out some of the issues regarding the operations of the judiciary, police and electoral commissions.”¹⁴

A Lusaka analyst says Lungu is using the dialogue to buy time until the 2021 presidential elections:

“Any attempt by Hichilema to be too vocal will be seen as undermining the dialogue process, so it will be more difficult to continue his grievances regarding the 2016 election.”¹⁵

While both sides are likely to use the dialogue for political gain, it is an important step towards political stability to prevent a recurrence of the crisis that occurred after the 2016 election. Political stability is needed to increase foreign investment, which would slow if it appeared that Zambia was headed towards a dictatorship, such as when security forces arrested Hichilema for treason (see *ARC Briefing Zambia May 2017*). Increased foreign investment may also signal to the **International Monetary Fund (IMF)** that Zambia is on the road to macroeconomic stability and lead to a bailout package (see below).

⁸ Zimbabwe Herald, 28 Nov 2017.

⁹ Times of Zambia, 28 Nov 2017.

¹⁰ Times of Zambia, 28 Nov 2017.

¹¹ Zambia Reports, 28 Nov 2017.

¹² Zambia Reports, 28 Nov 2017.

¹³ Source, political analyst, Lusaka

¹⁴ Source, political analyst, Lusaka

¹⁵ Source, political analyst, Lusaka

Zambia expects to host IMF mission before the end of 2017

Zambia's treasury secretary, **Fredson Yamba**, said on 28 November that he hopes Zambia will host an IMF mission before the end of 2017 and have a deal signed for a \$1.3 billion loan in place by early 2018.¹⁶ Yamba stated that Zambia was attempting to cut its debt but that the final IMF programme has taken a long time to be settled as parameters keep changing.¹⁷ Yamba added that the IMF wanted more details from Zambia regarding debt stock, creditors and servicing costs.¹⁸

The IMF has been concerned about the level of Zambia's debt. IMF representative **Alfredo Baldini**, stated that,

*"Zambia's public debt has been rising [at an] unsustainable pace and now there is a big risk of debt distress in Zambia which has been driven by the large fiscal deficits. Zambia's public debt is much higher than the rest of the countries in the region and its economic recovery is growing at a [much] lower pace, which is very worrying."*¹⁹

Despite this, Yamba was positive that a deal could be reached in early 2018, particularly if Zambia could operationalise a fund in 2018 to accumulate cash to repay \$2.8 billion in **Eurobonds** which were issued from 2012 to 2015.²⁰ Zambia hopes to refinance the Eurobonds by swapping for longer-dated issues or through a loan with banks in **China**.²¹ Yamba said this would only be done if Zambia obtained favourable terms.²² He did not say what yield level would be considered favourable:

*"We need to see how we can refinance them... Looking at the (2022) \$750m bond is critical. It's a bullet payment."*²³

However, analysts in Zambia are not as positive about the chances of an agreement in the near future:

*"The IMF has been categorical that Zambia is a high risk country and since Zambia's debt levels have reached stress levels, a bailout is not possible. Not only that, but the government has not been sincere with its exact debt stock ... and high levels of misuse and misappropriation of public funds by government officials ... could have also led to the lack of IMF bailout negotiations."*²⁴

A senior government official said on 4 December that Zambia does plan on refinancing its Eurobond debts by 2019, either by buying back the debt in Zambia's name or finding other investors that would buy the debt over a longer period.²⁵

The **World Bank** stated on 7 December that it estimates that Zambia's gross domestic product grew 3.8% in 2017, down from a previous forecast of 4.1%.²⁶ The slowdown is due to the weak performance of the services, mining and construction sectors.²⁷ The World Bank noted the need to improve debt management,

*"... to ensure that economic growth has sustainable foundations and that borrowed money is invested wisely to ensure inclusive growth."*²⁸

Zambia is in great need of the IMF bailout. Apart from being unable to service its ballooning debt payments, the government would be unable to pay civil servants' salaries, which represent 60% of the

¹⁶ Reuters, 28 Nov 2017.

¹⁷ Reuters, 28 Nov 2017.

¹⁸ Reuters, 28 Nov 2017.

¹⁹ Zambia Watchdog, 4 Dec 2017.

²⁰ Reuters, 28 Nov 2017.

²¹ Reuters, 28 Nov 2017.

²² Reuters, 28 Nov 2017.

²³ Reuters, 28 Nov 2017.

²⁴ Source, political analyst, Lusaka

²⁵ Reuters, 4 Dec 2017.

²⁶ Reuters, 7 Dec 2017.

²⁷ Reuters, 7 Dec 2017.

²⁸ Reuters, 7 Dec 2017.

country's budget, and would have to halt infrastructure projects such as road construction.²⁹ This would impact support for President Lungu, but also place the political dialogue roadmap in jeopardy as opposition parties may take advantage of the situation and attempt to oust Lungu.

ZCCM-IH to increase its stake in mines and expects higher dividend payments

Zambia's state-owned mining firm, **Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH)** stated on 29 November that it wants to increase its stakes in Zambia's mines and expects to receive higher dividend payments.³⁰ **Pius Kasolo**, the ZCCM-IH chief executive officer, made the comments at a mining conference in **London (United Kingdom)**, stating that the 22% rise in copper prices has boosted profits, which is

*"...encouraging us to invest even more in copper. That's why we want to increase our shareholding in some of the assets we have."*³¹

Kasolo would not divulge how much ZCCM-IH plans to invest to acquire more shares in the mines.³² However, it is likely that it will inject capital into the local mining subsidiaries of foreign mining companies in which it has minority stakes in order to boost production.³³ Kasolo noted that the government expects to receive higher dividend payments than at present:³⁴

*"Every single mining company in Zambia is making a profit so we have to ask ourselves how do we extract that value from this mining company? It's a matter of asking them. I can't have shares in a company where I don't realise value."*³⁵

Kasolo was not clear whether the government is suggesting higher dividend payments or whether it will increase taxes to receive more revenue from the mining companies. According to a political analyst in Zambia,

*"There has always been a longstanding national debate on the need for the country to introduce windfall tax on mines but the government has been reluctant to do so due to threats from the mine owners. However it is not clear what Dr. Kasolo meant when he indicated that he wanted higher dividend payments from the mining companies, but it is unlikely that the government will risk raising taxes on mining companies in the short-term."*³⁶

Increased government investment into mines may be a positive development, depending on the conditions the government expects during negotiations. It is still unclear whether the government would pay market price for increased shares in the mining companies, or whether it would use the threat of an increased tax hike to force mining companies to sell shares at a more favourable price.

²⁹ Source, political analyst, Lusaka

³⁰ Reuters, 29 Dec 2017.

³¹ Reuters, 29 Dec 2017.

³² Reuters, 29 Dec 2017.

³³ Source, political analyst, Lusaka

³⁴ Reuters, 29 Dec 2017.

³⁵ Reuters, 29 Dec 2017.

³⁶ Source, political analyst, Lusaka

Planner

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

Jan 2018 **(Zambia)** Political dialogue between President **Edgar Lungu** (2015-present) and opposition leader, **Hichilema Hakainde**, scheduled to begin;

Chronology

14 Dec 2017 **Lusaka (Zambia)** *Kitco*. **Zambia** expects 2017 copper output to rise to 850,000 tonnes, up from 774,290 in 2016'

12 Dec 2017 **Lusaka (Zambia)** *Mining Review*. **United Kingdom (UK)**-based **Weatherly** purchases 100% stake of the **Kitumba** copper project in Zambia from **Intrepid Mines**;

12 Dec 2017 **Lusaka (Zambia)** *Lusaka Times*. Zambia plans to launch a tender for a 100 megawatt solar energy farm;

4 Dec 2017 **Johannesburg (South Africa)** *Mining Weekly*. **South Africa**-based **Galileo Resources** announces it will embark on a drilling programme at its **Star Zinc** project in Zambia;

3 Dec 2017 **Lusaka (Zambia)** *JPost*. **Zambian** President **Edgar Lungu** (2015-present) states that Zambia will host the **Africa-Israel** summit;

29 Nov 2017 **Lusaka (Zambia)** *Reuters*. **Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH)** CEO, **Pius Kasolo**, states that it is looking at taking a bigger stake in copper mines;

29 Nov 2017 **Lusaka (Zambia)** *Reuters*. Three firms submit bids to become Zambia's fourth mobile phone service provider;

28 Nov 2017 **Lusaka (Zambia)** *Herald*. **Commonwealth** envoy **Ibrahim Gambari** lays out a political dialogue roadmap;

28 Nov 2017 **Lusaka (Zambia)** *Reuters*. Zambia's treasury secretary, **Fredson Yamba**, states Zambia "must have" \$1.3 billion loan from the **International Monetary Fund** in place by 2018;

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