

AFRICA RISK CONSULTING

Zambia Monthly Briefing Aug 2022

Zambia Summary 17 August 2022

The Anti-Corruption Commission's corruption investigations into the "Honeybee Scandal" continues with arrests of high-profile individuals including former president Edgar Lungu's (2015-2021) special economic advisor. Canada-headquartered First Quantum Minerals launches the Enterprise Nickel Mine, billed as Africa's largest nickel mine. The Zambian cabinet decides to cancel \$2 billion in loan-financed projects to address its current debt challenges as it inches closer to agreeing on a \$1.4 billion bailout with the International Monetary Fund (IMF). Inflation increases slightly in July rising from 9.7% in June to 9.9% year-on-year. The Bank of Zambia (central bank) announces it will maintain the monetary policy rate at 9%. The Energy Regulation Board in its monthly review opts to revise fuel pump prices downwards providing some relief to consumers. The government continues with plans to boost trade and integration agreeing on agriculture-focused trade protocols with China, as well as investments in common infrastructure with Tanzania. The number of active Covid-19 cases in Zambia declines, reaching 1,273 as of 16 August compared to 1,566 a month earlier.

Anti-Corruption Commission continues with high-profile arrests

Zambia's Anti-Corruption Commission (ACC) arrested three directors of **Honeybee Pharmacy**, **Abdurrauf Abdurahim Motala**, **Zakir H. Motala** and **Imran Runat** on 12 August in connection with an investigation into what has become known as the "*Honeybee Medical Supply Scandal*". News of the scandal broke in June 2020 when local media sources reported that an irregular tender issued by the health ministry had concluded in the awarding of a \$17m contract to Honeybee Pharmacy for the procurement of 22,500 health centre kits in November 2019.¹ It was alleged that collusion between the ministry, **Zambia Medicines Regulatory Authority (ZAMRA)**, and **Medical Stores Limited** had resulted in the awarding of the contract for medical supplies which were distributed to the public and later found to have been defective.² Honeybee Pharmacy was not a registered company at the **Patents and Companies Registration Agency** when it was awarded the contract.³

On 16 August the ACC further arrested former president **Edgar Lungu's** (2015-2021) special assistant for economics, **Hibeene Mwiinga**, on 23 counts of possession of property reasonably suspected to be proceeds of crime. The arrest related to Mwiinga's possession of assets including properties and motor vehicles worth ZMW41m (\$2.5m) as well as a cash amount of \$238,900. Mwiinga's wife **Mercy Munsanje Mwenda** and son **Hakaantu Mwiinga** were also arrested on the same charges.⁴ Additional investigations also continue into the close circle of associates of Lungu.

In November 2020 the office of the auditor general of Zambia published its report for the financial year ending 31st December 2019 and found that 50 of the 60 items supplied for the health centre kits were not registered with ZAMRA, a requirement under the contract between the parties.⁵ In January 2021 the ACC announced that it had been investigating corruption allegations relating to the scandal since August 2020. The **Parliamentary Public Accounts Committee** also discovered that the health ministry had allegedly authorised the distribution of defective condoms and gloves to the value of \$224,000 to government health centres across the country. This came to light when representatives

¹ News Diggers, 9 June 2020

² Lusaka Times, 8 Jan 2021

³ News Diggers, 9 June 2020

⁴ Mwebantu, 16 Aug 2022

⁵ News Diggers, 4 Nov 2020

from the ministry, ZAMRA, Medical Stores Limited, **Zambia Bureau of Standards** and Honeybee Pharmacy Limited went before the Committee in January 2021.⁶

Following the allegations, Lungu fired the then minister of health **Chitalu Chilufya** on 10 January 2021.⁷ However, the prosecution's investigations into the matter only significantly ramped up after the August election of president **Hakainde Hichilema** (2021-present). Hichilema ran on an anti-corruption platform, committing to reinforce the country's regulatory and justice systems upon his election.⁸ On 11 December 2021, the ACC arrested 6 officials from the health ministry on charges of failure to comply with the law and procedure under the **Anti-Corruption Act No. 3 of 2012**. The officials charged included the chief purchasing and supplying officer for the ministry, a senior registrar, an accountant, a procurement officer and two pharmacists. In January 2022, the ACC went on to arrest the director general of ZAMRA **Bernice Mwale** and principal regulatory officer **Brian Kabika** on charges relating to their role in the scandal.⁹

Corruption has become pervasive in the country's government and societal structures in recent years. Zambia ranked 117th out of 180 countries surveyed by the **German-registered Transparency International's** annual **Corruption Perceptions Index**, with a score of 33 out of 100 in 2021.

Zambia becomes home to Africa's largest nickel mine

Canadian-headquartered First Quantum Mine (FQM) launched Africa's largest nickel mine, the **Enterprise Nickel Mine** on 25 July in the **Kalumbila** district in the north-western province. It is expected to process four million tonnes of iron ore and produce around 28,000 tonnes of nickel annually, creating around 700 permanent jobs.¹⁰ The mine, reported to have cost \$250m, was opened by president Hichilema.¹¹

The global demand for nickel is increasing as it is a critical element of lithium-ion batteries used in most electric vehicles. These vehicles are gaining in popularity owing to the global decarbonisation and sustainability drive.¹²

FQM's chief executive officer **Tristan Pascall** described Zambia as a "*chief investment destination*" for FQM, stating:

"Enterprise project is in our books, a vote of confidence from – and for – the Zambian government and the Zambian people. It is a vote of confidence in our continued transparency, responsibility, and operational excellence."¹³

The mine also bodes well for the government's focus on diversifying away from the country's reliance on the copper sector for growth. However, it continues to face calls for greater localisation of national resources for the benefit of the population, an issue which has become highly contentious in recent years (see *ARC Briefing Zambia June 2022*).

Seven traditional leaders who met with president Hichilema on the sidelines of the launch of the nickel mine called on the state to review the **Mining Policy**, currently being circulated for public comment. The leaders are advocating for the policy to require mining firms to remit 15% of profits to the host provinces of their mines.¹⁴

Chief Munema representing the **Kaonde** tribe, called for this remittance to be used "*to mitigate the negative impacts that arise from mining*".¹⁵ Tribal leaders play an integral role in the provinces they

⁶ Money FM Zambia, 13 Jan 2021

⁷ Twitter, 10 Jan 2021

⁸ Africa News, 10 Sep 2021

⁹ Zambia National Broadcasting Corporation, 26 Jan 2022

¹⁰ Zambia Daily Mail, 1 Aug 2022

¹¹ Zambia National Broadcasting Corporation, 26 Jul 2022

¹² CNBC, 8 Mar 2022

¹³ Mining Review Africa, 1 Aug 2022

¹⁴ Zambia National Broadcasting Corporation, 25 Jul 2022

¹⁵ Mining Review Africa, 1 Aug 2022

represent and thus command significant respect from political parties, a factor which will be important in the government's consideration of their request.

Zambia cancels loan-financed projects to rein in debt...

The government's focus on the economy has led it to attempt to control borrowing by cancelling \$2 billion in undisbursed loans from creditors which were earmarked for investment in several projects. Chinese lenders and vendors were largely impacted by this decision announced on 30 July.¹⁶ Annulled financing includes a \$1.6 billion loan from the Chinese **Export-Import Bank** and the **Industrial Commercial Bank of China** reserved for upgrades to a dual carriageway between the cities of **Lusaka** and **Ndola**, which is in the **Copperbelt** province. The project was set to be constructed by China's **Jiangxi Corporation**.

The **Smart Zambia** national broadband network project which was set to be rolled out by the Chinese telecom's infrastructure vendor **Huawei** for \$333m was also cancelled. The government also cancelled a loan for \$380m from **United Kingdom**-headquartered **Standard Chartered Bank** for the building of **Kafulafuta Dam** in the Copperbelt.¹⁷

Since defaulting on its sovereign debt obligations in 2020, Zambia continues to struggle to meet its financial obligations to its creditors, which stood at around \$17.3 billion in December 2021.¹⁸ Debt sat at 123% of GDP for the same period.¹⁹ This has significantly weighed on the government's ability to allocate sufficient funds to capital investments. However, finance minister **Situmbeko Musokotwane** pledged to "continue to work with both official and private creditors to agree on the terms of the debt restructuring in line with the comparability of treatment principle".²⁰

...as the creditor committee assures the country of an IMF deal

Zambia is inching closer to agreeing on a \$1.4 billion bailout with the **International Monetary Fund (IMF)**, a move which will go some way to promoting stability for the country. On 30 July, the country's official creditor agreed to the financial assurances necessary for Zambia to secure final approval from the IMF for the bailout.²¹ The creditor committee co-chaired by China and **France** announced that it was "committed" to the negotiations with Zambia, to be held under the **G20 Common Framework for Debt Treatments** to provide the country with debt relief.²²

Kristalina Georgieva, managing director of the IMF stated:

"The support from the official creditor committee for Zambia's envisaged IMF-supported programme, together with its commitment to negotiate debt restructuring terms, accordingly, provides the IMF with official financing assurances."²³

However, the country's non-governmental bondholders have expressed concern regarding the process of events set to take place under the framework. **Kevin Daly**, investment director at UK-based investor **Abrdn**, and a member of a committee representing Zambia's **Eurobond** holders voiced concerns that commercial creditors will only be told of the size of the planned restructuring, as well as underlying assumptions after Zambia's official creditors, have reached an agreement among themselves. Daly states:

"We are still in the dark as creditors... Why such a veil of secrecy?"²⁴

¹⁶ News Diggers, 30 Jul 2022

¹⁷ Global Construction Review, 8 Aug 2022

¹⁸ Bloomberg, 13 Jun 2022

¹⁹ Bloomberg, 9 Jul 2022

²⁰ Global Construction Review, 8 Aug 2022

²¹ Bloomberg, 30 Jul 2022

²² Financial Times, 30 Jul 2022

²³ Financial times, 30 Jul 2022

²⁴ Financial times, 30 Jul 2022

Inflation increases slightly

Zambia Statistics Agency announced on 28 July that the inflation rate rose from 9.7% in June to 9.9% year on year with a rise in both food and non-food inflation driven by increased fuel prices. Despite the increase, June marked the first time since August 2019 that inflation reached single digits.²⁵ Food inflation rose to 12.0% from 11.9% in June and non-food inflation to 7.2% from 6.9%. The agency attributed this increase to the rise in fuel prices which resulted in an upward adjustment of public bus fares by operators.²⁶

The ongoing conflict between **Russia** and **Ukraine** has impacted global oil supplies and increased prices, leading Zambia's **Energy Regulation Board (ERB)** to introduce several price hikes. However, **United Nations (UN)** undersecretary-general and **Economic Commission for Africa (ECA)** executive secretary **Vera Songwe** announced on 15 July that the ECA had applied for \$1 billion in relief from the IMF under the organisation's **Special Drawing Rights** to help Zambia to reduce fuel prices.²⁷

Following this, the ERB announced in its July monthly review, a downward adjustment of fuel prices with petrol decreasing from ZMW26.75 (\$1.67) to ZMW23.19 (\$1.44) per litre, diesel from ZMW28.01 (\$1.74) to ZMW24.87 (\$1.55) per litre and kerosene from ZMW21.27 (\$1.32) to ZMW18.43 (\$1.15).²⁸ The **Road Transport and Safety Agency** followed this up by entering into negotiations with bus operators which resulted in a reduction of some rates effective from 12 August, providing relief for consumers.²⁹

The **Bank of Zambia** (central bank) announced on 17 August that after a meeting of its Monetary Policy Committee on 15-16 August, it has decided to maintain the monetary policy rate at 9%.³⁰ The bank states this decision was supported by the "sharp" deceleration of inflation during the second quarter of 2022 which it expects to decline further to between 6-8% during quarter one of 2024. However, it remains mindful of vulnerabilities in the financial sector, tight liquidity conditions in the market as well as a weak growth environment domestically. The next meeting is scheduled for 21 – 22 November.³¹

Zambia strengthens cooperation in the agriculture and rail sector

Agriculture minister, **Reuben Mtolo Phiri**, and the **Chinese** ambassador to Zambia, **Du Xiaohui**, two protocols on 21 July aimed at boosting trade and integration. The protocols related to the sanitary and phytosanitary export of soya bean meal and stevia leaves to China were signed in the presence of president Hichilema.³² The protocols hint at warmer relations between the ruling **United Party for National Development**, which initially favoured strengthening ties with Western allies. This is a stark contrast to that of the previous regime under the **Patriotic Front** party which forged much stronger economic ties with China during its regime. Hichilema said of the agreements: "We are very delighted and excited about this situation. We are very delighted that we have another market for our agricultural products".³³

With a focus on regional integration, Hichilema arrived in **Dar es Salaam (Tanzania)** on 2 August for a one-day state visit, hosted by his counterpart **Samia Suluhu Hassan** (2021-present). Improving trade linkages between the two countries was a focus of the meeting, with the two leaders agreeing to the recapitalisation and upgrading of the **Tanzania Zambia Railway Authority (TAZARA)** company.

²⁵ African Markets, 29 Jul 2022

²⁶ African Markets, 29 Jul 2022

²⁷ Zambia National Broadcasting Corporation, 16 Jul 2022

²⁸ Money FM, 31 Jul 2022

²⁹ Zambia National Broadcasting Corporation, 11 Aug 2022

³⁰ Bank of Zambia, 17 Aug 2022

³¹ Bank of Zambia, 17 Aug 2022

³² China Daily, 22 Jul 2022

³³ China Daily, 22 Jul 2022

Discussions also centred around the **Tanzania-Zambia Mafuta Pipeline Limited** and the **Nakonde-Tunduma** border post.³⁴

The construction of the TAZARA railway line ran from 1970 to 1975, facilitated by a Chinese loan, and runs from Dar es Salaam to **New Kapiri Mposhi** in Zambia.³⁵ The line currently offers freight and passenger transportation services between and within Tanzania and Zambia, however, requires increased investment to enable it to provide a more efficient transportation route and improve Zambia's regional integration prospects.³⁶ In 2020 Zambia exported \$58.4m worth of goods to Tanzania, with the main products being corn, copper wires and soybean meal.³⁷

In June, TAZARA's regional manager, **Kambani Ndhlovu**, announced that \$1.6m of repair works on the damaged railway line bridge crossing the **Chambeshi River** in **Muchinga Province** would commence on 9 June and was expected to be completed on 22 July.³⁸ However, on 13 August, this deadline was moved to 30 August.³⁹

Hichilema also highlighted tourism synergies between both countries which could be leveraged to create business opportunities as well as employment in their respective sectors, stating:

*"We are talking about tourist packages that will cover here in Tanzania, **Zanzibar**, as you know there are many islands here in Tanzania and obviously Zambia... Our **Victoria falls**, our national parks will make tourists stay longer in the continent".⁴⁰*

Covid cases decline as Zambia approaches warmer temperatures

The number of active **Covid-19** cases in Zambia declined, reaching 1,273 as of 16 August, compared to 1,566 a month earlier.⁴¹ As of 17 August, the health ministry had recorded a total of 332,014 cases of Covid-19 in Zambia's population of approximately 18.9 million and 4,016 Covid-19-related deaths.⁴²

Zambia exited its fourth wave of Covid-19 infections driven by the **Omicron** variant in February; however, health ministry technical services permanent secretary **Lackson Kasonka** announced on 6 June that the country was at risk of a fifth wave of infections.⁴³ Although, as the country approaches warmer temperatures and declining rates of infection this is unlikely to materialise.

The health ministry has also made slow progress in its Covid-19 vaccination campaign. As of 15 August, only 44.8% of the country's eligible population had received a Covid-19 vaccination.⁴⁴ The country has failed to achieve its target of 70% vaccination by July 2022 set when the vaccination campaign launched in April 2021.

On 1 April, the Zambian government announced further easing of Covid-19 restrictions including the following:

- Fully vaccinated travellers do not require a negative Covid-19 PCR test;
- Unvaccinated travellers must produce evidence of a negative PCR test taken 72 hours before 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 38.0C 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;

³⁴ Mwebantu, 2 Aug 2022

³⁵ Lusaka Times, 4 Aug 2022

³⁶ Tanzania Zambia Railway Authority, accessed on 17 Aug 2022

³⁷ Observatory of Economic Complexity, accessed on 17 Aug 2022

³⁸ Zambia Dispatch, 8 Jun 2022

³⁹ IPP Media, 13 Aug 2022

⁴⁰ Lusaka Times, 3 Aug 2022

⁴¹ Worldometers, accessed 17 Aug 2022

⁴² Worldometers, accessed 17 Aug 2022

⁴³ Zambia Daily Mail, 7 Jun 2022

⁴⁴ Our World in Data, accessed on 17 Aug 2022

- All airports are open to flights;
- Public transport may operate without capacity on restrictions;
- Bars, restaurants, clubs, casinos, and churches are permitted to open without restrictions on hours or capacity.⁴⁵

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.⁴⁶ On 15 August, the health ministry lifted the mask mandate in 22 districts which have achieved over 70% vaccination rates, while cities such as **Lusaka**, **Ndola** as well as the town of **Livingstone** remain under the mask mandate.⁴⁷

Planner

14-15 Nov 2022 **Lusaka (Zambia)** Bank of Zambia Monetary Policy Committee meeting

Chronology

17 August 2022 **Lusaka (Zambia)** *Bank of Zambia*. The **Bank of Zambia** (central bank) announces that during a meeting of its Monetary Policy Committee on 15-16 August, the bank decided to maintain the monetary policy rate at 9.0%.

16 Aug 2022 **Lusaka (Zambia)** *Mwebantu*. **Anti-Corruption Commission (ACC)** arrests former president **Edgar Lungu's** special assistant for economics **Hibeene Mwiinga** on 23 counts of possession of property reasonably suspected to be proceeds of crime. Separately, Mwiinga's wife **Mercy Munsanje Mwenda** and son **Hakaantu Mwiinga** are also arrested on charges of possession of property reasonably suspected to be proceeds of crime relating to separate assets;

12 Aug 2022 **Lusaka (Zambia)** *News Diggers*. **Anti-Corruption Commission (ACC)** arrests three directors of **Honeybee Pharmacy**, in ongoing investigations into the health ministry, **Zambia Medicines Regulatory Authority** and **Medical Stores Limited** alleged collusion to award the pharmacy a \$17m contract for medical supplies which were later found to be defective;

5 Aug 2022 **Lusaka (Zambia)** *Reuters*. Finance minister **Situmbeko Musokotwane** says the **International Monetary Fund's** executive board will meet at the end of August to approve a lending plan to **Zambia**;

2 Aug 2022 **Dar er Salaam (Tanzania)** *Lusaka Times*. President **Hakainde Hichilema** arrives in **Dar er Salaam** for a one-day state visit hosted by his **Tanzanian** counterpart **Samia Suluhu Hassan**;

31 Jul 2022 **Lusaka (Zambia)** *Money FM*. The **Energy Regulation Board** announces a downward adjustment of fuel prices with petrol decreasing from ZMW26.75 (\$1.67) to ZMW23.19 (\$1.44) per litre while diesel fell from ZMW28.01 (\$1.74) to ZMW24.87 (\$1.55) per litre and kerosene from ZMW21.27 (\$1.32) to ZMW18.43 (\$1.15);

30 July 2022 **Washington, D.C (United States)** *Financial Times*. Zambia's creditor committee, co-chaired by **China** and **France**, agree to financial assurances necessary for the country to secure the final approval from the **International Monetary Fund** to provide it with a \$1.4 billion bailout. The committee co-commits to negotiations with Zambia, to be held under the **G20 Common Framework for Debt Treatments**;

30 Jul 2022 **Lusaka (Zambia)** *News Diggers*. The government announces that it has cancelled around \$2 billion in undisbursed loans from its creditors which were earmarked for investment

⁴⁵ Ministry of Health

⁴⁶ Source, analyst, Zambia

⁴⁷ News Diggers, 15 Aug 2022

in several projects in the country. This comes as the state focus on reining in the country's large debt burden;

28 Jul 2022 **Lusaka (Zambia)** *Zambia Statistics Agency*. The Zambia Statistics Agency announces that the year-on-year inflation rate in July rose slightly to 9.9% from 9.7 in June. Food inflation rose to 12.0% from 11.9% in June and while non-food inflation to 7.2% from 6.9% in June as well;

25 Jul 2022 **North-western Province (Zambia)** *Zambia National Broadcasting Corporation*. **First Quantum Mine** launches the Enterprise Nickel Mine in **Kalumbila** district in the North-western province. Billed as Africa's largest Nickel Mine at \$250m, the mine was opened by president Hichilema;

21 Jul 2022 **Southern Province (Zambia)** *China Daily*. Agriculture minister **Reuben Mtolo Phiri** and **Du Xiaohui** the **Chinese** ambassador to Zambia sign two protocols on the sanitary and phytosanitary export of soya bean meal and stevia leaves to China;

20 July 2022 **New Delhi (India)** *Anadolu Agency*. Speaking at the **Exim Bank India-Africa Growth Partnership Conclave**, deputy president **Mutale Nalumango** announces that around \$5 billion of investment from **Indian** sources was "*already in the pipeline*" for Zambia, with a focus on sectors including health, agriculture, and infrastructure development.

About Africa Risk Consulting:

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