

## AFRICA RISK CONSULTING

### Zambia Monthly Briefing January 2023

---

#### Zambia Summary 19 January 2023

*The International Monetary Fund (IMF) releases a report finding that corruption in Zambia rose from 2009 to 2021 and become “entrenched and institutionalised” between 2016 and 2021. Zambia is set to host the IMF’s managing director, Kristalina Georgieva, as the country looks to renegotiate its external debt burden and agree on a new facility with the institution. A deal with the IMF is becoming increasingly urgent against a backdrop of a strained economic environment, a depreciating local currency, rising inflation rates and an ongoing energy crisis. National power utility, Zesco, announces on 4 January that it is facing power constraints due to lower water levels in the Kariba reservoir that is used for electricity generation at the Kariba North Bank Power Station. Zesco will implement a daily 12-hour load-shedding schedule to compensate for the reduced capacity. Over the longer term, the country will benefit from increasing investments in improving the country’s energy supply through a stronger reliance on renewable energy sources. Zambia benefits from an improved human rights profile following president Hakainde Hichilema’s (2021-present) repeal of the death penalty and a longstanding law prohibiting the defamation of the president.*

---

#### IMF assessment finds a rise in corruption in Zambia

The **International Monetary Fund (IMF)** released its **Governance and Anti-Corruption Assessment** on 10 January, which was carried out at the request of President **Hakainde Hichilema** (2021 – present). The assessment found that corruption rose between 2009 and 2021 and became “*particularly entrenched and institutionalised*” between 2016 and 2021, which coincides with the rule of the **Patriotic Front (PF)** party under the leadership of former president **Edgar Lungu** (2015-2021) who lost the country’s August 2021 general elections. The IMF found that corruption inflated the costs of high-profile tenders and construction projects in Zambia and that political connections allowed members of the elite to gain undue access to these lucrative contracts.<sup>1</sup>

**Raphael Nakachinda** the spokesperson for the PF refuted the findings by the IMF calling them “*malicious allegations*” stating that the party, while it was in office, ensured that government contracts went through a rigorous public bidding process:

*“This was to ensure transparency and accountability and there are sufficient laws in Zambia to allow citizens to object, appeal or challenge any government contract process they deem is shrouded in corruption.”<sup>2</sup>*

In contrast, **Anthony Bwalya**, a spokesperson for Hichilema labelled the report a confirmation of what the president has always known, and reaffirmed the state’s commitment to winning the fight against corruption.<sup>3</sup> While it is positive that the new administration has attempted to pursue the prosecution of several key figures from the previous regime who are alleged to have engaged in corrupt practices, these have yet to result in a conviction. These factors have contributed to Zambia currently ranking 117<sup>th</sup> out of 180 countries on **German**-headquartered organisation **Transparency International’s Corruption Perception Index** for 2021, with a low score of only 33 out of 100.<sup>4</sup> Over

---

<sup>1</sup> International Monetary Fund, 10 Jan 2023

<sup>2</sup> Voice of America News, 12 Jan 2023

<sup>3</sup> Voice of America News, 12 Jan 2023

<sup>4</sup> Transparency International, accessed on 18 Jan 2023

the longer term, improved governance and accountability within government processes will bode well for the 'New Dawn' government's plan to attract higher levels of investment in the country, which it is still pushing hard to achieve.

A contingent of officials attended the 2023 **World Economic Forum (WEF)** annual meeting in **Davos (Switzerland)** being held between 16 and 20 January in the government's latest charm offensive to woo investors. The delegation was led by finance minister Dr **Situmbeko Musokotwane** and included commerce minister **Chipoka Mulenga**, and the **Bank of Zambia (BoZ)** (central bank) governor Dr **Denny Kalyalya**.<sup>5</sup> The group's engagements include a meeting with the **Egyptian** finance minister **Mohamed Maait** focused on trade cooperation, debt management and Zambia's programme with the IMF. The group will also meet with **Saudi Arabia's** finance minister **Mohammed Al-Jadaan** to discuss opportunities for bilateral cooperation, development finance, financing support for social projects, and support to farming blocks.<sup>6</sup> These engagements form part of the ruling **United Party for National Development's** plans for a more outward-looking development agenda. However, the country's legacy of corruption continues to weigh on Zambia's current profile as an investment destination. Looking forward, efforts under the ruling party to address the years of economic mismanagement, revitalise public investment and critical infrastructure projects, as well as tangible results from prosecutions by anti-corruption authorities could go a long way towards raising the Zambian market's attraction for long-term investments.

### IMF managing director to visit Zambia

The IMF's managing director **Kristalina Georgieva** announced, on 13 January, that she will be visiting Zambia within the next two weeks, a move that finance minister Musokotwane views as good sign.<sup>7</sup> Zambia is currently in the process of restructuring its external debt after the country defaulted on a \$42.5m payment on its **Eurobond** in 2020 and halted the servicing of much of its external debt burden, which ballooned to \$14.9 billion by June 2022.<sup>8</sup>

Georgieva also announced on the same day that the IMF has engaged with **China** (Zambia's largest creditor) "*to define a pathway for debt resolution*" for Zambia and that the institution will host a global sovereign debt roundtable comprising creditor and some borrower countries for the first time on the side lines of the **G20 Finance Minister's Meeting in India**. This roundtable will complement the **Common Framework** for Debt Treatments process that Zambia is hoping to gain some relief through.<sup>9</sup> Although the roundtable is a positive development, the pace of negotiations on the Common Framework has yet to ramp up. The finance ministry divulged on 22 December that the government had yet to begin discussions with its bilateral creditors which is necessary under the multilateral Common Framework process.<sup>10</sup>

A deal with the IMF is becoming increasingly urgent for the country against a backdrop of a strained economic environment. The kwacha began to depreciate significantly in the fourth quarter of 2022 and has continued this trajectory into 2023 – as of 19 January, the dollar was trading at K18.7 compared to K17.30 a year ago.<sup>11</sup> This has placed upward pressure on inflation which reached 9.9% year-on-year (y/y) in December, up from 9.8% y/y in November, reaching its highest level since September 2022.<sup>12</sup> This may see the central bank increase the country's interest rates at its next Monetary Policy Committee meeting, which takes place each quarter. Under the current conditions,

<sup>5</sup> Lusaka Times, 16 Jan 2023

<sup>6</sup> MoneyFM Business Radio, 16 Jan 2023

<sup>7</sup> Reuters, 13 Jan 2023

<sup>8</sup> Zambian Observer, 16 Jan 2023

<sup>9</sup> International Monetary Fund, 12 Jan 2023

<sup>10</sup> Reuters, 22 Dec 2022

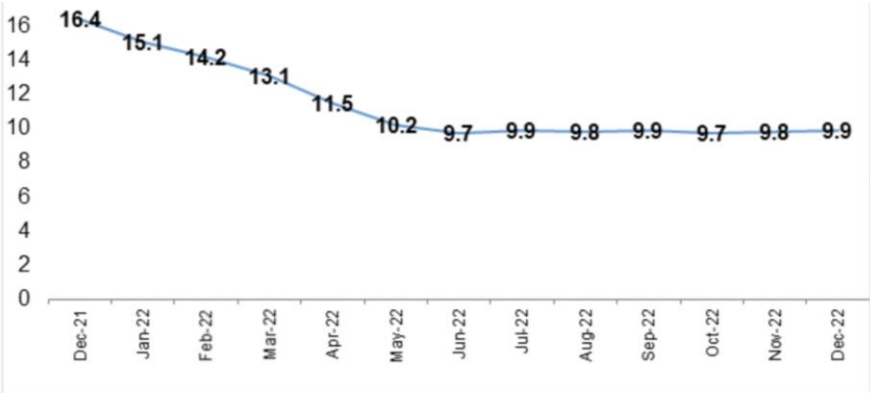
<sup>11</sup> Google Finance, accessed on 19 Jan 2023

<sup>12</sup> ZamStats,

the finance ministry has fallen well off its goal of reducing inflation to single digits by end-2022 and bringing it within the target band of between 6% and 8% by mid-2023.<sup>13</sup>

On the upside, BoZ deputy governor **Dr Francis Chipimo** stated on 16 January that the institution expects the local currency to stabilise during 2023 supported by increased exports and a rebound in the mining sector.<sup>14</sup> Musokotwane also stated on 13 January that the economy grew 3.1% in 2022 and that he expects further growth for 2023.<sup>15</sup> The IMF expects this growth to reach 4% for 2023.<sup>16</sup> However, a key downside to growth for 2023 persists from the ongoing electricity crisis which began in December (see below).

**Year-on-Year inflation, December 2021 – December 2022**



Source: **Zambia Statistics Agency**, 5 Jan 2023

**Electricity crisis threatens industry...**

National power utility, **Zesco**, announced on 4 January that it was facing power constraints due to lower water levels in the **Kariba** reservoir that is used for electricity generation at the **Kariba North Bank Power Station**. This had reduced the power station’s generation capacity from 1,080 megawatts (MW) to below 400MW.<sup>17</sup> Zesco further announced that as a result of the reduced capacity, it will implement a daily 12-hour load-shedding schedule to manage the significant decline in energy, which Hichilema requested be split into six-hour intervals.

Zambia will also be hoping to avoid the negative impacts of load shedding as seen in fellow Southern African country, **South Africa**. South Africa has been in the grip of an energy crisis since early 2008, and in 2022, economists noted that South Africa’s economy could be between 8% and 10% bigger if it were not for load shedding.<sup>18</sup>

Load management exercise will have a significant impact on the economy’s growth this quarter, particularly on small and medium-sized businesses which account for 97% of business activity and in 2017, contributed 70% to gross domestic product (GDP).<sup>19</sup>

---

<sup>13</sup> 2022 Budget Address, 29 October 2021  
<sup>14</sup> News Diggers, 16 Jan 2023  
<sup>15</sup> Reuters, 13 Jan 2023  
<sup>16</sup> International Monetary Fund, accessed on 19 Jan 2023  
<sup>17</sup> Mwebantu, 4 Jan 2023  
<sup>18</sup> Greater good, accessed on 19 Jan 2023  
<sup>19</sup> USAID Zambia Private Sector Engagement, Jun 2022

According to **Elias Chipimo**, a former politician and the founder of **Mentor Me Africa**:

*“The issue is one of productivity as the country has a very high informal economy which is run mainly by Micro, Small & Medium Enterprises.”<sup>20</sup>*

The **Zambia National Marketeers Credit Association** appealed to the government on 13 January, asking for an alternate schedule, stating:

*“Our appeal to Zesco and government is to look at certain areas like the markets if load shedding can be happening at night in markets to allow people to work, operate and make money during the day to sustain their lives.”<sup>21</sup>*

This energy crisis, which many are citing as one of the worst the country has experienced, has significantly dented Hichilema’s profile locally, especially after **Twitter** users dug up a post by Hichilema from 19 August 2022 where he stated:

*“When we came in there was load shedding. We promised you that we’ll end this within a year in office Is there load shedding now? No”.*

Zesco board chairperson, **Vickson Ncube** acknowledged that he had misled the president in this regard, stating:

*“If I had given correct information, he wouldn’t have made the statement. The President does not sit at Zesco every day.”<sup>22</sup>*

Finance minister Musokotwane announced on 18 January that the country’s parliament had also approved a gradual increase in electricity tariffs by Zesco over five years, adding to the country’s woes.<sup>23</sup> The government views the increase as necessary to improve the competitiveness of the utility and attract private investment into electricity generation. However, in response, the **Zambia Consumer Association** raised concerns regarding the buffers the government will put in place to cushion the effect on consumers already grappling with the high cost of living.<sup>24</sup>

Providing some respite for citizens, Zesco announced on 17 January that the mine and energy supplier **Maamba Collieries** will resume generation of around 150MW of power for the national grid, following the completion of scheduled maintenance at its plant. This will reduce the number of hours of load shedding across the country, however, more long-term solutions to mitigate these power challenges are required.

### ...prompting a stronger focus on renewable energy

President Hichilema visited **Abu Dhabi (United Arab Emirates)** to attend the Abu Dhabi sustainability week between 15 January and 17 January, where he announced the conclusion of agreements including the signing of a memorandum of understanding (MoU) and a joint development agreement with the UAE for the latter’s investment in renewable energy in Zambia.<sup>25</sup> Under the agreements, Zesco will partner with a UAE-based clean energy firm **Masdar** to form a joint venture focused on developing and deploying large-scale solar projects across the country, estimated at \$2 billion.<sup>26</sup>

This development comes **South African** energy investors **Abena Consultants** announced on 12 January that it aims to spend \$50m to build a 60 MW solar power plant in **Chibombo (Central**

<sup>20</sup> Local source, 19 Jan 2023

<sup>21</sup> News Diggers, 13 Jan 2023

<sup>22</sup> Hot FM, 10 Jan 2023

<sup>23</sup> News Diggers, 14 Jan 2023

<sup>24</sup> News Diggers, 16 Jan 2023

<sup>25</sup> News Diggers, 14 Jan 2023

<sup>26</sup> News Diggers, 18 Jan 2023

**Province**). The plant will be at the **Multi-Facility Economic Zone** in Chibombo and will service the economic zone and the district.<sup>27</sup> Director of power generation at Zesco **Wesley Lwiindi** stated on 3 January that the utility company was in discussions for the construction of a 2,400MW hydropower station at **Batoka Gorge** to be split equally between Zambia and neighbouring **Zimbabwe**.<sup>28</sup>

### Regulatory developments improve Zambia's human rights profile

**Chola Milambo**, Zambia's permanent representative to the **United Nations (UN)**, hailed progress made in promoting human rights in response to president Hichilema's assenting of the **Penal Code (Amendment) Bill number 25 of 2022**, which abolished the death penalty, as well as the offence of **Criminal Defamation of the President** under section 69 of the penal code.<sup>29</sup> Although the country's last execution was carried out in 1997, approximately 250 people were still on death row at the end of 2021, including nine newly sentenced people.<sup>30</sup> Meanwhile, the defamation of the president law was first introduced in 1965 and provided for a minimum sentence of 3 years for persons deemed to have insulted the president.<sup>31</sup> The development has been widely praised by various quarters of society, although some critics have noted that arrests for criminal defamation of the president continued well into Hichilema's presidency.<sup>32</sup> In the last year alone, 12 critics and opponents of Hichilema were arrested for insulting the president.<sup>33</sup>

The **Zambia Law Development Commission (ZLDC)** also presented its review of the draft **Amendment Bill Public Order Act** on 17 January and the proposed draft **Public Gatherings Bill** to the home affairs and internal security ministry. The bill aims to repeal and replace the existing **Public Order Act** which has long faced criticism for allowing the country's security agencies to repress citizens' freedom. ZLDC chairperson, **Ruth Chibbabbuka** called this bill an opportunity to "*develop a law that reflects the social and political values of the Zambian society.*"<sup>34</sup>

Opposition leaders have called on the president to go a step further and address the current cybersecurity laws in the country, which they believe restricts freedom of expression and targets political opponents who express their views through digital means. Justice minister **Mulambo Haimbe** announced on 6 January that the government is preparing to table a cyber security and **Cyber Crimes Act** amendment bill before the National Assembly "*soon*".<sup>35</sup> The government's repealing of restrictive laws fulfils a campaign promise Hichilema, himself a victim of political persecution, made during the 2021 election cycle. These developments will greatly benefit the country's human rights profile, improve citizens' quality of life and enhance fundamental rights to life and freedom of expression going forward.

### Planner

Q1 2023 **Lusaka (Zambia) Bank of Zambia** Monetary Policy Committee meeting

### Chronology

17 Jan 2023 **Copperbelt (Zambia) Lusaka Times. Mine Workers Union of Zambia, National Union of Mining and Allied Workers, and United Mine Workers of Zambia** issue a joint statement claiming that employees of **Konkola Copper Mine (KCM)** and its subsidiaries, the

<sup>27</sup> Lusaka Times, 12 Jan 2023

<sup>28</sup> News Diggers, 3 Jan 2023

<sup>29</sup> Mwebantu, 1 Jan 2023

<sup>30</sup> Voice of America News, 26 Dec 2023

<sup>31</sup> Southern Africa Litigation Centre, 25 May 2019

<sup>32</sup> Diamond TV, 2 Feb 2022

<sup>33</sup> Lusaka Times, 17 Jan 2023

<sup>34</sup> Lusaka Times, 17 Jan 2023

<sup>35</sup> News Diggers, 6 Jan 2023

**Konkola Mineral Resources Limited** and **KCM SmelterCo Limited** are not being assigned work, calling for government to reinstate **India-based Vedanta Resources** to run KCM;

14 Jan 2023 **Lusaka (Zambia) News Diggers**. **Gary Nkombo**, local government and rural development minister, rescinds his earlier directive to local authorities to remove street vendors trading in undesignated areas of **Lusaka** by 16 January, citing the need for further consultations with stakeholders;

14 Jan 2023 **Lusaka (Zambia) News Diggers**. Commerce minister **Chipoka Mulenga** dissolves the **Competition and Consumer Protection Commission** board with immediate effect, calling for a new team to be brought in to fulfil the boards mandate;

13 Jan 2023 **Lusaka (Zambia) News Diggers**. Infrastructure minister **Charles Milupi** announces that works for a planned **Lusaka-Ndola** dual carriageway should commence in 2023 as the government looks to conclude negotiations with its private partner in the planned private-public partnership model for the development;

13 Jan 2023 **Luanda (Angola) Business Insider**. President **Hakainde Hichilema** concludes a state visit to **Angola** hosted by president **João Lourenço**, announcing plans for Zambia to own a stake in Angola's **Lobito** oil refinery in **Benguela** province which is currently under construction;

11 Jan 2023 **Lusaka (Zambia) News Diggers**. Agriculture ministry divulges that fall armyworms have negatively affected crops in six provinces - **Lusaka, Central, North-Western, Copperbelt**, as well as the **Eastern** and **Southern** provinces. The ministry is collecting information to quantify the size of the hectarage under attack;

10 Jan 2023 **Lusaka (Zambia) News Diggers**. **Elias Mubanga**, small and medium enterprises development minister divulges that the ministry is in talks with cooperating partners to bridge a K10 billion (\$534.8m) financial gap at the **Citizens Economic Empowerment Commission**;

9 Jan 2023 **Lusaka (Zambia) Mwebantu**. **Energy Regulation Board** reduces the pump prices of petroleum products by K1.40 (\$0.08) per litre, from K25.89 (\$1.38) per litre to K24.49 (\$1.39) per litre;

5 Jan 2023 **Lusaka (Zambia) Frontlines Zambia**. Audit firm **PwC Zambia's 2021 Listed Companies Analysis Report** finds that the market capitalisation of companies listed on the **Lusaka Stock Exchange** increased by K9.8 billion (\$524.1m) to K67.3 billion (\$3.6 billion) in 2021;

15 Dec 2022 **Lusaka (Zambia) Lusaka Times**. **Anti-Corruption Commission** arrests former permanent secretary of the defence ministry **Stardy Mwale** for corrupt practices involving over \$573.9m concerning the procurement of a **Gulfstream G650 Presidential Jet** in 2017.

### 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 whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://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](http://www.africariskconsulting.com)

### Getting in touch

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

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