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Zambia reaches an agreement on 22 June to restructure \$6.3 billion in loans owed to its official creditors. The conclusion of the negotiations marks a crucial milestone in the government's efforts to access its next tranche of funding from its \$1.3 billion Extended Credit Facility (ECF) arrangement with the International Monetary Fund. Mines minister Paul Kabuswe confirms on 5 July that a resolution between the state and India's Vedanta Resources over Konkola Copper Mines (KCM) is imminent. The ailing mine has been the subject of a protracted legal dispute since 2019. Government also announces on 7 July that it will settle a \$1 billion debt owed to Independent Power Producers (IPPs) by 2025. Former president Edgar Lungu's (2011-2019) family members are swept up in a wave of corruption charges. Six Chinese firms commit to a \$700m investment in Zambia's Multi Economic Facility Zone.

Zambia and official creditors reach a debt restructuring agreement

Zambia reached an agreement to restructure \$6.3 billion in loans owed to its official creditors on 22 June, marking a crucial milestone in the government's efforts to access its next tranche of funding from its \$1.3 billion **Extended Credit Facility (ECF)** arrangement with the **International Monetary Fund (IMF)**.¹ Achieving this restructuring deal - a pre-requisite to access the next tranche of funding - has been fraught with challenges, including reports that the country's largest creditor, **China**, was delaying progress towards securing a deal. These issues led president **Hakainde Hichilema** (2021-present) to appeal directly to the **Paris Club** for relief when he visited **French** president **Emmanuel Macron** (2017-present) in May.

Zambia has battled significant economic woes in recent years, exacerbated by the **Covid-19** pandemic, which ultimately led the country to halt \$42.5m in semi-annual coupon payments required under its \$4 billion **Eurobond** debt. As a result, Zambia became the first **African** nation to default on its sovereign debt obligation in the Covid-19 era.² The finance ministry noted that the dire situation meant that so dire was Zambia's position concerning its debt that "more than half of every Kwacha's collected revenue" went to servicing debt in 2020.³

The agreement extends the maturity of Zambia's loans by over twelve years, to a maturity date of 2043. The agreement also covers the lowering of interest rates to what the finance minister **Situmbeko Musokotwane** describes as "very concessional rates" for the next 14 years, with these not exceeding 2.5% under the baseline scenario.⁴ The creditors have also granted Zambia a three-year grace period, until 2026, for the repayment of its debt, during which it will only be required to pay interest on the loans.⁵ Additionally, once principle repayments begin again in 2026 these will only account for 0.5% of the debt stock annually, until 2035.⁶

The IMF and **World Bank** will review the agreement in 2026 and if the institutions find that Zambia's debt carrying capacity has improved from weak to medium, will allow for the final maturity of the debt to be reduced from 2043 to 2038, and for interests rates to be slightly higher than those

¹ Voice of America, 22 Jun 2023

² CNBC, 23 Nov 2020

³ Ministry of Finance Ministerial Statement, 29 Jun 2023

⁴ Ministry of Finance Ministerial Statement, 29 Jun 2023

⁵ African Business, 27 Jun 2023

⁶ Ministry of Finance Ministerial Statement, 29 Jun 2023

recognised under the baseline scenario. Musokotwane also notes that under the agreement the country will benefit from debt service savings of \$5.8 billion between 2023 and 2032, meaning that the country will pay its bilateral creditors \$750m for this period as opposed to the previous \$6.3 billion.⁷ Musokotwane also stated that the IMF and the World Bank will disburse funding to Zambia amounting to \$188.8m and \$75m respectively.⁸

The lower debt burden will also unlock more financial resources and free up public resources to be used for the government's socio-economic spending goals, such as allocating more funds to the **Constituency Development Fund** which has been significantly expanded under Hichilema's presidency. The budget allocation under the initiative grew from K1.6m (\$87,995) in 2021 to K25.7M in 2022 (\$1.41m) targeting the development of 156 constituencies across Zambia.⁹ The government will also pursue greater spending on health and education services which it has also highlighted as a key focus for the development of the country. The agreement is being well received in the country, with high expectations set for an improved investment climate:

*"Firstly, it will help reduce the country's debt burden, freeing up funds for investment in critical sectors such as infrastructure, healthcare and education. Secondly, it will restore confidence among international investors and lenders, potentially attracting foreign direct investment and facilitating economic growth"*¹⁰

Looking forward, Zambia still has a way to go towards formally improving its standing on the global stage. **United States**-based ratings agency **Fitch Ratings** stated on 28 June that it could only reassess Zambia's current rating of 'Restricted Default' once the country has achieved an agreement with its private creditors.¹¹ Steps towards this appear to be underway and on 12 July it was reported that the government had entered into non-disclosure agreements with its overseas bondholders, taking a step towards beginning formal discussions to restructure \$3 billion worth of international bonds.¹²

Konkola Copper Mines resolution imminent

Mines minister **Paul Kabuswe** confirmed on 5 July that a resolution between the state and **India's Vedanta Resources** over **Konkola Copper Mines (KCM)** was imminent.¹³ The government owns 20.6% of KCM through its mining investment vehicle **ZCCM Investments Holdings (ZCCM-IH)** while Vedanta owns 79.4%.¹⁴ The ailing mine has been the subject of a protracted legal dispute since 2019 when the government under former president **Edgar Lungu** (2011-2021) took over the mine from Vedanta and placed it under liquidation. At the time, the government accused the Indian shareholder of failure to honour its licence conditions, and a series of breaches including underpaying pay taxes and not fulfilling its investment commitments (*see ARC Briefing Zambia May-Jun 2019 & Feb 2020*). However, following the change of government, Hichilema's administration and Vedanta agreed to resolve the dispute through arbitration instead.¹⁵

Revitalising the country's extractives sector is a focus area for the government and a resolution over KCM would go a long way towards boosting investor certainty. A resolution would also unlock much-needed capital for the KCM expansion plan, including the \$1.1 billion much-delayed **Konkola Deep Mining Project**, which has been slated as a way to increase the lifetime of the mine by opening up new a source for ore from the bottom of the mine shaft.¹⁶

⁷ Ministry of Finance Ministerial Statement, 29 Jun 2023

⁸ Lusaka Times, 28 Jun 2023

⁹ Zambia Daily Mail, 29 May 2023

¹⁰ Political Analyst, 11 Jul 2023

¹¹ Fitch Ratings, 28 Jun 2023

¹² Reuters, 12 Jul 2023

¹³ Reuters, 5 Jul 2023

¹⁴ Konkola Copper mines, Accessed on 11 Jul 2023

¹⁵ Mining.com, 12 Jul 2022

¹⁶ National Assembly, Accessed on 11 Jul 2023

This resolution, and the debt restructuring agreement, have helped boost investor sentiment over the mining sector. **Mark Bristow**, CEO of Canada-headquartered **Barrick Gold** said on 7 July that the debt restructuring deal has made Zambia more investable, also affirming that Barrick plans to extend the life of its **Lumwana** copper mine (**North-Western Province**) out to 2060 and develop the mine which currently produces 267,000 metric tonnes of copper into a tier one asset.¹⁷

It was also reported on 19 June that a shortlist of bidders for the **Mopani Copper Mines (Copperbelt Province)** had been confirmed. The shortlist comprises China's **Zijin Mining** and **Norinco Group**, **South Africa's Sibanye Stillwater** and an investment vehicle owned by former officials from **Swiss-headquartered Glencore**.¹⁸ Musokotwane confirmed on 2 July that it would choose an investor from the shortlist by the end of July, fulfilling a commitment made in February to secure an investor for the mine.

The government took over Mopani in January 2021 after it agreed to buy out Glencore for between \$1-1.5 billion in debt, an amount it has not yet paid to the mining company.¹⁹ Mopani is currently facing significant financial woes including a \$100m debt burden to its association members and a six-month backlog in payment arrears which is negatively impacting the mine's suppliers and contractors.²⁰ An experienced investor with sufficient funds to recapitalise the mine will help the government revitalise this key asset.

Government to ZESCO debt

Government announced on 7 July that it will settle a \$1 billion debt it owes to Independent Power Producers (IPPs) including **Maamba Collieries**, **Ndola Energy Company**, **Lunsemfwa Hydropower Company**, and **Itezhi Tezhi Power Corporation** by 2025. The government also negotiated new agreements with the IPPs for tariffs and interest rates to prevent the debt from rising further. Erratic weather conditions and droughts have increased national utility **ZESCO's** reliance on IPPs, which now account for 14% of Zambia's installed power-generating capacity.²¹ An energy expert familiar with ZESCO's challenges told **ARC Briefing** that the resolution of the power utility's challenges is "critical":

*"No point in ZESCO fixing their loan problems and leaving untouched the problem of payments they need to make under power purchase agreements."*²²

The government is also seeking to address ZESCO's overall debt burden which has decreased from \$3.5 billion at end-December to \$3 billion in February.²³ Energy minister **Peter Kapala** attributed this financial position to debts owed to IPPs, emergency electricity power imports during the 2014/2015 drought, and payments owed to the utility by entities such as parastatals and mining firms including **KCM**.²⁴ The government's agreement with its bilateral creditors also covers part of ZESCO's debt which was guaranteed by the government.²⁵

The debt is constraining ZESCO's functioning, which is necessary to help achieve the government's ambitions of achieving universal electricity access by 2030.²⁶ Considering the country's strained financial position, increased private sector participation and funding will be required to achieve this goal and help bolster the energy sector.

¹⁷ Mining.com, 7 Jul 2023

¹⁸ Reuters, 20 Jun 2023

¹⁹ Mining.com, 2 Jul 2023

²⁰ Lusaka Times, 13 Jun 2023

²¹ Times of Zambia, 7 Jul 2023

²² ARC source, energy expert, Lusaka

²³ ZESCO, 9 Feb 2023

²⁴ Financial Insight, 9 Nov 2021

²⁵ Ministry of Finance Ministerial Statement, 29 Jun 2023

²⁶ USAID, Accessed on 11 Jul 2023

Hichilema, speaking while hosting a delegation from the **Kalungwishi Power Project** and the national power utility ZESCO, asserted that following the conclusion of the debt restructuring negotiations he would be more “heavy-handed” in his approach:

“Going forward using the law, constitutional right that the President has, the Cabinet has to get things done... We have no other agenda other than getting Kalungwishi to get going. The President’s time now is to unlock projects.”²⁷

Lungu family embroiled in corruption allegations

Dalitso Lungu and **Matildah Lungu**, the son and daughter-in-law of former president Lungu, were arrested on 27 June on charges of money laundering and the possession of property reasonably believed to be the proceeds of crime, including 69 cars, and 20 properties, worth over \$5m. The properties were also linked to Lungu’s wife **Esther** and daughter **Tasila**.²⁸ Authorities alleged on 6 July that Dalitso has acquired “unexplained wealth” of K31m (\$1.7m).²⁹

The Lungu family are the latest in a series of high-profile arrests of members of the former ruling **Patriotic Front (PF)**, however, the party has long alleged that these arrests are simply to harass and embarrass members of the PF, particularly as the majority of the cases end at a seizure of property or result in being completely withdrawn by authorities. PF spokesperson **Emmanuel Mwamba** told the media on 26 June that the arrests and seizure of assets are a political witch hunt.³⁰

However, countering this, director of public prosecutions **Gilbert Phiri** stated that the wheels of the corruption investigations may appear to grind slowly but that they will grind.³¹

Notably, Mwamba’s comments come after he accused law enforcement officers of assault and causing him injuries when they arrested him on 15 June. Media outlet, **Lusaka Times**, also referenced Mwamba’s medical records obtained from the **University Teaching Hospital** which states “force was used to inflict pain on Mr Mwamba”.³²

Adding further controversy to the corruption fight, allegations of corruption have also now rocked the ruling party. Hichilema dismissed **Derricky Chilundika** as the **Luapula Province** minister on 5 July, making him the first minister to be dismissed under his tenure.³³ Chilundu was then arrested on charges of illegally mining 23 tonnes of sugilite mineral ore in **Chembe District** without a licence, a violation of the **Mines and Minerals Act Number 11 of 2015**.³⁴ A key campaign promise from the ruling party was to clamp down on corruption and recoup lost public assets, but **Sampa Kalungu**, the president of **Transparency International Zambia**, alleged on 10 July that corruption is now “at a higher level” and “well organised” under the current government.³⁵ In response, Hichilema has touted the minister’s dismissal as his government’s commitment to allowing the rule of law to take its course.

China-Zambia relations get a boost

Commerce minister **Chipoka Mulenga** led a delegation to attend the **Third China-Africa Economic and Trade Expo** between 29 June to 2 July in **Changsha** (China).³⁶ The companies who attended the expo span sectors including mining, agriculture, and fishing. In the build-up to the expo, Mulenga also attended the inaugural **Zambia Jiangxi Economic Corporation Zone Promotion** conference held in **Hunan** (China). During this conference, six Chinese firms signed a memorandum of understanding

²⁷ News Diggers, 27 Jun 2023

²⁸ Voice of America News, 27 Jun 2023

²⁹ News Diggers, 6 Jul 2023

³⁰ Voice of America News, 26 Jun 2023

³¹ Voice of America News, 26 Jun 2023

³² Lusaka Times, 17 Jun 2023

³³ News Diggers, 5 Jul 2023

³⁴ Lusaka Times, 6 Jul 2023

³⁵ News Diggers, 10 Jul 2023

³⁶ Lusaka Times, 28 Jun 2023

(MoU) with **China Jiangxi International Corporation**, the developers of the **Multi Economic Facility Zone (MFZ)** in **Chibombo (Central Province)**. Under the \$700m MoU firms which will establish businesses within the MFZ include **China Engineering Company, China National Nuclear Corporation Overseas, Shanghai Jingsheg Auto Parts, Jiangxi Fenglin Investment Development Company, and Xiameng Battery Technology Group**.³⁷

Such investments reflect the improving relations between the government and China. Post-election, Hakainde's posture was noticeably focused on wooing **Western** interest and diversifying the country's investor base. Under Lungu's administration, most capital inflows stemmed from China. Most of Zambia's borrowing under Lungu's administration was also done under China's **Belt and Road** foreign and economic policy.

Mulenga referred to China as Zambia's "*all weather friend*", crediting China's support in the debt restructuring negotiations while calling for increased investment and trade with the country as it seeks to implement the agreement. He also commented on Zambia's stance on the global geopolitical challenges stemming from the tensions between China and the **United States**, noting that Zambia will interact with other countries based on its needs, and continue:

*"We are a country that will never pick a side based on [the] interaction of other countries with each other... the business of the two superpowers has got nothing to do with me."*³⁸

Planner

2 Aug – 7 Aug 2023 **Lusaka (Zambia)** Agricultural and commercial show

Chronology

10 Jul 2023 **Lusaka (Zambia)** *News Diggers*. Manufacturing and production firm **Lamasat International** applies to the Lusaka high court for leave to commence proceedings against **Konkola Copper Mines** to recover over \$106,000 which the company alleges the mines owe it for the supply of high-density polyethylene pipes;

9 Jul 2023 **Accra (Ghana)** *Pulse*. President **Hakainde Hichilema** undertakes a three-day state visit to Ghana where he and his counterpart **Nana Akufo Ado** sign ten memorandums of understanding encompassing trade and investment, tourism, arts and culture; science, technology and innovation and skills development;

10 Jul 2023 **Lusaka (Zambia)** *News Diggers*. The **Lusaka Water Supply and Sanitation Company** plans to install 76,000 meters in Lusaka by 2024, as part of a mass metering exercise to help the utility to reach 100% metering for all its customers in the city;

10 Jul 2023 **Lusaka (Zambia)** *IoL*. Zambian airline **Proflight** introduces a direct flight between Lusaka and **Cape Town (South Africa)**;

4 Jul 2023 **Copperbelt Province (Zambia)** *Yicai Global*. **Lubambe Copper Mine** contracts **Chinese** mining contractor **JCHX** for a \$116m project for the latter to extract copper from parts of the mine, for a contract lasting 3 years and 7 months;

2 Jul 2023 **Rome (Italy)** *News Diggers*. The **World Food Programme** approves a \$98.4m country strategic plan for **Zambia** for the period 2023 to 2028;

³⁷ Lusaka Times, 28 Jun 2023

³⁸ CGTN, 2 July 2023

30 Jun 2023 **Lusaka (Zambia)** *Lusaka Times*. **King Mswati III** of **eSwatini** conducts a state visit to Zambia, hosted by president **Hakainde Hichilema**. The two leaders sign memorandums of understanding on areas including trade, investment, defence and security, energy and agriculture;

27 Jun 2023 **Lusaka (Zambia)** *Lusaka Times*. Government launches the **National Mechanism for Implementation, Reporting and Follow-up on human rights** which justice minister **Mulambo Haimbe** notes will aid the government's self-assessment and reporting on the country's progress towards implementing international human rights conventions;

27 Jun 2023 **Chingola (Zambia)** *Lusaka Times*. **Konkola Copper Mines** shuts down its **Nchanga Copper Smelter** for 21 days owing to a molten metal leakage incident from one of the furnaces. No loss of life or injuries were reported from the incident;

21 Jun 2023 **Lusaka (Zambia)** *Lusaka Times*. **Lusaka South Multi-Facility Economic Zone** enters a \$6.5m investment agreement with the Zambian-registered food manufacturing and distribution company **Java Foods**. The company will build a factory in the zone and create 200 jobs;

19 June 2023 **Lusaka (Zambia)** *News Diggers*. Science and technology minister **Felix Mutati** confirms that Zambia, **Malawi**, **Zimbabwe**, and **Botswana** have agreed to scrap mobile roaming charges between their countries;

15 Jun 2023 **Lusaka (Zambia)** *Lusaka Times*. Energy minister **Peter Kapala** announces the cancellation of a contract between Zambia and **General Electric** for the construction of the **Batoka Hydro Power Plant** set to cost \$5 billion. Kapala cited the cost of the project as the reason for the cancellation;

15 Jun 2023 **Luanda (Angola)** *Space In Africa*. Science and technology minister **Felix Mutati** and his **Angolan** counterpart **Mário de Oliveira** sign a memorandum of understanding to improve cooperation in the areas of digital transformation, AI, space technology and cross-border optical fibre connectivity;

14 Jun 2023 **(Zambia)** *Zambia National Broadcasting Corporation*. Agriculture minister **Mtolo Phiri** launches the distribution of over 43 metric tonnes of D Compound fertiliser for the 2023-2024 farming season under the **Farmer Input Support Programme**, benefiting 300,000 farmers in the **North Western, Luapula, Copperbelt** and **Muchinga** provinces;

13 Jun 2023 **Lusaka (Zambia)** *ESI Africa*. **World Bank** approves a \$100m credit to boost Zambia's nature-based economy by increasing economic opportunities in the country's emerging tourist destinations including **Liuwa Plains National Park, Source of the Zambezi**, and **Kasaba Bay**.

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