

## AFRICA RISK CONSULTING

## Zambia Monthly Briefing August 2016

**Zambia Summary 17 August 2016**

*Edgar Lungu (2015-present) of the ruling Patriotic Front (PF) wins the 11 August presidential election by a narrow margin. Lungu beats rival Hakainde Hichilema of the United Party for National Development (UPND) by 50.35% to 47.63%. However, the UPND announces that it will challenge the result in the Constitutional Court, alleging electoral fraud in the hotly contested province of Lusaka. National and international observers declare the elections to be broadly free and fair. The kwacha drops against the dollar across August after low demand from China drives down the price of copper. However, the currency recovers slightly after the election result, and the consumer price index (CPI) falls to 20.1% from 21%.*

**Edgar Lungu re-elected as president of Zambia**

The **Electoral Commission of Zambia (ECZ)** has pronounced President **Edgar Lungu** (2015-present) of the ruling **Patriotic Front (PF)** winner of the 11 August presidential election.<sup>1</sup> Lungu won the election by a narrow margin beating **United Party for National Development (UPND)** candidate **Hakainde Hichilema** by 2.72% – he won 50.35% of the vote to Hichilema's 47.63%.<sup>2</sup> Lungu increased his lead over Hichilema from the presidential by-election in January 2015 by approximately 1% from 1.66%. In the 2015 by-election Lungu won 48.33% and Hichilema 46.67%.<sup>3</sup> ECZ returning officer justice **Esau Chulu** announced the results in the **Mulungushi Conference Centre** in **Lusaka** in the afternoon of 15 August, after four days of counting.<sup>4</sup> Lungu won by a margin of 100,530 with 1,860,877 votes; Hichilema won 1,760,347 votes.<sup>5</sup> Lungu's victory satisfies the new constitutional requirement of 50% plus one vote, to prevent a run-off between the two candidates, and is the largest proportional victory since 1996.<sup>6</sup> However, the opposition alleges that ECZ and PF officials conspired to fix the election results in the key **Lusaka Province**, and will contest the result (see below).<sup>7</sup> The election had a turnout of 56.45%, higher than the 32.63% turnout for the January 2015 presidential by-election but in line with the 53.65% turnout for the 2011 general election.<sup>8</sup>

*"Lungu has proven himself competent across the last 18 months at governing the country, he clearly has a populist streak and has gone after the cartel very aggressively, but he listened to mining companies over royalties and has gone to the **International Monetary Fund (IMF)** about the economy."<sup>9</sup>*

Lungu performed strongly in the PF heartlands of the **Northern Province** and **Eastern Province**, as well as in **Muchinga** and **Luapula Provinces**.<sup>10</sup> Crucially the PF won a majority in the swing-province

<sup>1</sup> ECZ website, 15 Aug 2016.

<sup>2</sup> ECZ website, 15 Aug 2016.

<sup>3</sup> ECZ website, 15 Aug 2016.

<sup>4</sup> ECZ website, 15 Aug 2016.

<sup>5</sup> Lusaka Times, 15 Aug 2016.

<sup>6</sup> Zambia Weekly, 16 Aug 2016.

<sup>7</sup> Zambia Weekly, 15 Aug 2016.

<sup>8</sup> Zambia Weekly, 16 Aug 2016.

<sup>9</sup> Source, mining executive, Copperbelt

<sup>10</sup> Zambia Weekly, 14 Aug 2016.

of **Copperbelt**, Zambia's industrial heartland.<sup>11</sup> Hichilema won in the UPND heartlands of **Southern Province** and **Western Province**, as well as **Northwestern Province**.<sup>12</sup> The two parties won largely equal proportions of the vote in **Central Province**.<sup>13</sup> However, the crucial win for the PF was Lusaka Province, containing the capital Lusaka, where the PF took the majority of the seats.<sup>14</sup>

The election was a competition between the two candidates and their parties who netted 98% of the vote between them. Other competing candidates were **Edith Nawakwi** of the **Forum for Democracy and Development (FDD)** with 0.64% of the vote; newcomer **Andyford Banda** of the **People's Alliance for Change (PAC)** with 0.43% of the vote; and former PF insider **Wynter Kabimba** of the **Rainbow Party** who managed just 0.26% of the vote.<sup>15</sup>

Voters also went to the polls to approve amendments to Zambia's constitution. The government put two parts of a proposed new constitution to the vote. It proposed repealing Article 79 which requires amendments to the constitution to be approved by a referendum in which at least 50% of registered voters participate.<sup>16</sup> It also proposes extending the bill of rights.<sup>17</sup> The ECZ has yet to announce the results at time of writing. Local observers hold Article 79 as one of the main reasons the new constitution proposed in 2011 has not passed – the requirement to participate is very high.<sup>18</sup> Local media outlets speculate that the referendum may have failed by this measure.<sup>19</sup> International observers criticised the government's decision to hold a referendum on the constitution at the same time as the election.<sup>20</sup> This may have confused some voters as to what or whom they were voting for.<sup>21</sup> However, the PF stated their aim was to ensure as high a turnout as possible by combining it with a general election.<sup>22</sup>

*"There was no focus at all on the referendum, arguably the more important vote, during this election. If it fails, it will have been a waste of time and money; if it succeeds, people will not have understood or even thought about what they were voting for. Having the general, parliamentary, mayoral and referendum ballots on one day leads to voter fatigue."*<sup>23</sup>

### Opposition claims Lusaka vote was rigged, but observers claim result free and fair

The UPND declared that it will mount a formal legal challenge to the results of the election with the **Constitutional Court**.<sup>24</sup> UPND lawyer **Jack Mwiimbu** told the press at the announcement of the result that:

*"We have evidence to the effect that the votes for Hakainde Hichilema have been deliberately reduced in collusion with the Electoral Commission of Zambia. We have confidence that the constitutional court will rise above board and declare the results a nullity."*<sup>25</sup>

The UPND alleges that ECZ officials and the PF colluded in the key province of Lusaka to swing votes in the ruling party's favour.<sup>26</sup> The count in Lusaka took on average three days longer than the rest of

<sup>11</sup> Zambia Weekly, 14 Aug 2016.

<sup>12</sup> Zambia Weekly, 14 Aug 2016.

<sup>13</sup> Zambia Weekly, 14 Aug 2016.

<sup>14</sup> Lusaka Times, 15 Aug 2016.

<sup>15</sup> ECZ website, 15 Aug 2016.

<sup>16</sup> Zambia Gazette, 23 May 2016.

<sup>17</sup> Zambia Gazette, 23 May 2016.

<sup>18</sup> Lusaka Times, 15 Aug 2016.

<sup>19</sup> Lusaka Times, 15 Aug 2016.

<sup>20</sup> Zambia Reports, 15 Aug 2016.

<sup>21</sup> Zambia Reports, 15 Aug 2016.

<sup>22</sup> Lusaka Times, 15 Aug 2016.

<sup>23</sup> Source, journalist, Lusaka

<sup>24</sup> UPND press release, 15 Aug 2016.

<sup>25</sup> Mwiimbu in Reuters, 15 Aug 2016,

<sup>26</sup> Lusaka Times, 15 Aug 2016.

the country to declare results. This is partly due to the complexity of counting votes in densely populated urban areas.

In Zambia, all parties get the raw election results data from the ECZ, prior to the presiding body sorting and approving the count.<sup>27</sup> However, the UPND alleges that the ECZ did not provide them with the raw data for Lusaka as required by law.<sup>28</sup> Hichilema told the media that this was because the ECZ was manipulating the results.<sup>29</sup> He argued that the UPND's projection of the data from polling and other provinces shows that it should have won more seats in Lusaka.<sup>30</sup> However, the **Christian Churches Monitoring Group (CCMG)** – the largest domestic election monitoring mission – said that their estimates of the data are consistent with the ECZ's official results.<sup>31</sup> The UPND has seven days from 15 August to lodge a formal complaint with the court, which will then have 14 days to rule on the vote.<sup>32</sup> While the court considers the ruling, the speaker of the parliament will serve as acting president.<sup>33</sup>

International observer missions also approved the electoral process. A consortium of observers from the **African Union (AU)**, **Southern African Development Community (SADC)**, **Common Market for Eastern and Southern Africa (COMESA)**, the **United States (US)**-based **Carter Centre**, the **South Africa**-based **Electoral Institute for Sustainable Democracy in Africa (EISA)**, the **Commonwealth**, and the **International Conference on the Great Lakes Region** released a joint statement approving the results.<sup>34</sup> Former **Nigeria** president **Goodluck Jonathan** (2010-2015) headed the AU mission that led the consortium mission and presented their findings that the elections were generally free and fair.<sup>35</sup> He told the media that:

*“The AU concludes that that the elections have been conducted in a peaceful atmosphere within the framework that satisfactorily meets the continental and regional principles of democratic elections. The AU encourages all parties to resort to legally established channels should there be a dispute on the outcome of the process.”<sup>36</sup>*

However, pro opposition news sources have published electoral documents which allegedly show a discrepancy of 700 votes between the initial form from a polling station in Lusaka and the final tally.<sup>37</sup> At the **Batoka A** polling station in **Chawama**, Lungu got 341 votes and Hichilema 139, the ECZ appeared to change the totals to 1,051 for Lungu and 348 to Hichilema. Chawama is the district where President Lungu's daughter **Tasila Lungu** won a seat as a counselor of **Nkoloma Ward**.<sup>38</sup> The ECZ adjusts the initial tallies on the basis of spoiled ballots and misattributions, however the UPND argues that this is an exceptional addition to Lungu.<sup>39</sup> Hichilema also released a press release saying that the ECZ had already adjusted for a 14,000 vote discrepancy in **Kanyama**, Lusaka, against the UPND.<sup>40</sup> Staff at the polling stations had thrown the votes in the bin.<sup>41</sup> Police later arrested the polling officer in Kanyama for electoral fraud on 14 August. The UPND alleges that these practices were widespread and that the ECZ only managed to catch a few instances.<sup>42</sup> Some UPND supporters have also rejected

<sup>27</sup> ECZ website, 2016.

<sup>28</sup> Lusaka Times, 15 Aug 2016.

<sup>29</sup> Lusaka Times, 15 Aug 2016.

<sup>30</sup> Lusaka Times, 15 Aug 2016.

<sup>31</sup> Lusaka Times, 15 Aug 2016.

<sup>32</sup> Lusaka Times, 15 Aug 2016.

<sup>33</sup> Lusaka Times, 15 Aug 2016.

<sup>34</sup> Zambia Reports, 15 Aug 2016.

<sup>35</sup> Zambia Reports, 15 Aug 2016.

<sup>36</sup> Jonathan in Zambia Report, 15 Aug 2016.

<sup>37</sup> Zambia Watchdog, 15 Aug 2016.

<sup>38</sup> Zambia Reports, 15 Aug 2016.

<sup>39</sup> Zambia Watchdog, 15 Aug 2016.

<sup>40</sup> Zambia Watchdog, 15 Aug 2016.

<sup>41</sup> Zambia Watchdog, 15 Aug 2016.

<sup>42</sup> Zambia Watchdog, 15 Aug 2016.

the results. Police arrested 130 supporters for rioting in Southern Province on 15 August shortly after the vote was announced.<sup>43</sup> However, there are no further reports of violence at time of writing. Sources in Zambia are also divided on whether the vote was fair. Some are convinced that the PF and Lungu rigged the vote in Lusaka:

*“The PF stole some seats in this election, especially in Lusaka. I went to the polling stations and saw PF cadres harassing UPND observers, and the police did nothing to stop them. Lungu has shut down freedom of the press on the campaign trail.”<sup>44</sup>*

Others are less convinced that any irregularities are an organised effort:

*“There are always some local PF and, I should add, UPND leaders who believe that it is their duty to rig the local votes in favour of their party. We know this happened because the police have already arrested one of them. It is likely that it is more widespread than Kanyama, but unlikely that the PF arranged to steal the elections.”<sup>45</sup>*

There is also a feeling amongst pro-PF sources that the UPND was going to contest the election result no matter what happened:

*“The UPND said in May that they would not accept a PF victory and this is exactly what they are doing now. The ECZ has disciplined figures that unacceptably interfered in the process, but the votes were recounted and the PF won. It is irresponsible to hold up the inauguration with a court case.”<sup>46</sup>*

### **Kwacha falls as copper is down once again**

The kwacha fell against the dollar in early August due to low demand from **China** lowering the price of copper.<sup>47</sup> The currency has performed poorly across 2016, and continues to track the price of copper despite government efforts to diversify the economy. The currency fell to k10.50/\$ on 10 August from k9.90 on 9 August, after copper dropped from \$4,905/tonne to \$4,790/tonne in the same window.<sup>48</sup> The currency rallied to k10.06/\$ on 16 August following the announcement of the election results (see above), while the price of copper declined to \$4,745/tonne.<sup>49</sup> The relatively peaceful course of the elections and the prospect of an IMF bailout under Lungu have calmed the markets. However, demand from China for copper fell 14% across July which has kept the price of the commodity deflated.<sup>50</sup> Analysts in the industry expect the copper price to remain low in the medium term.<sup>51</sup> This in turn adds downwards pressure on the Zambian economy.<sup>52</sup> According to a currency trader:

*“Political stability will bring its own boost, but I would expect the kwacha to fall again in the next few weeks if the price of copper doesn’t increase to match it.”<sup>53</sup>*

While the currency remains weak, Zambia’s consumer price index (CPI) inflation slowed to 20.2% year-on-year in July.<sup>54</sup> The **Bank of Zambia (BoZ)** (central bank) announced on 28 July that it slowed from 21% in June.<sup>55</sup> The BoZ also revealed that the monthly rate of inflation eased from 0.3% in June

<sup>43</sup> Al Jazeera, 15 Aug 2016.

<sup>44</sup> Source, director of a think-tank Lusaka

<sup>45</sup> Source, journalist, Lusaka

<sup>46</sup> Source, businessman and PF supporter, Lusaka

<sup>47</sup> XE.com

<sup>48</sup> XE.com; infomine.com

<sup>49</sup> XE.com; infomine.com

<sup>50</sup> Reuters, 10 Aug 2016.

<sup>51</sup> Reuters, 10 Aug 2016.

<sup>52</sup> Reuters, 10 Aug 2016.

<sup>53</sup> Source, currency trader, Johannesburg

<sup>54</sup> BoZ statement, 28 Jul 2016.

<sup>55</sup> BoZ statement, 28 Jul 2016.

to 0.1% in July.<sup>56</sup> The broader economic outlook remains poor. The **World Bank** projects growth will slow below 4% in 2016, while the finance ministry predicts growth will remain at 4.2%.<sup>57</sup>

### Implications

Lungu pulled ahead in the race in the final weeks of the campaign. Hichilema had less media coverage, and campaigned on a largely negative message about the PF's economic incompetence. Lungu largely avoided populist rhetoric on the campaign trail, and defended his record on the economy, pointing to external factors such as the price of copper as the reasons for its poor performance. He also defended his decision to go to the IMF to bail out the economy as necessary, although he promised to fight it on fiscal responsibility measures. Hichilema has now lost five presidential elections in a row, although he lost the last two by very slim margins. There will be question marks over whether he is the right person to lead the UPND. However, he brought the party to national prominence over and against the now defunct **Movement for Multiparty Democracy (MMD)** which campaigned with the PF during the election.

The UPND's challenge to the result is unlikely to succeed. The margin of victory is large enough that the Constitutional Court would have to find direct evidence of massive and significant electoral fraud to call for a recount. While there was certainly some evidence of electoral misconduct in Lusaka there is no evidence of any widespread PF organised effort to rig the elections. The ECZ's decision not to organise a recount in Lusaka is better explained as bowing to pressure from all sides to release the results than as part of a wider scheme to manipulate votes in favour of the PF. However, a ruling in the UPND's favour could spark unrest as activists on both sides will feel robbed in a second count. The most likely outcome is that Lungu will be inaugurated as president in September.

Lungu's priority remains Zambia's economic challenges. He has a negotiation with the IMF from September over the measures the government should take to address the fiscal deficit. His campaign pledge to push back over cuts to spending and subsidies will make this more difficult. However, he has shown willingness to change policy direction before, working with mining companies over the royalties tax in 2015 and breaking a campaign pledge. His first half term from 2015 saw him successfully re-engage copper miners, Zambia's largest exporters, but fail to address an ongoing power shortage that has placed huge pressure on consumers and smaller businesses. Wider environmental factors, such as the region-wide drought, have had a large impact; Lungu will need to devise more effective ways of managing them if he is to put the economy back on track to the 6% growth he promised in 2015.

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<sup>56</sup> BoZ statement, 28 Jul 2016.

<sup>57</sup> Lusaka Times, 14 May 2016.

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