

## AFRICA RISK CONSULTING

### Zambia Monthly Briefing May 2021

---

#### Zambia Summary 12 May 2021

*Finance minister Bwalya Ng'andu and the International Monetary Fund (IMF) announce that they have reached broad agreement on macroeconomic parameters, fiscal targets and policy objects. President Edgar Lungu (2015-present) says Zambia will consider making changes to its mining tax regime. Zambia and Botswana inaugurate the multi-million-dollar Kazungula Bridge connecting the two countries, which is expected to bolster regional economic prosperity. Vaccine hesitancy is hampering Zambia's Covid-19 vaccination rollout.*

---

#### Zambia makes progress with IMF towards bailout loan...

Zambia has reached broad agreement with the **International Monetary Fund (IMF)** on broad macroeconomic parameters, fiscal targets and policy objectives in talks to secure an IMF lending programme.<sup>1</sup> The progress towards easing Zambia's debt crisis is likely to be good news for President **Edgar Lungu's** (2015-present) government as the country moves closer to presidential and legislative elections scheduled for 12 August. Zambia's external debt includes \$3 billion in outstanding Eurobonds and \$3 billion owed to **China** and Chinese entities.<sup>2</sup>

In a statement released on 11 May, finance minister **Bwalya Ng'andu** said enough progress has been made to allow the authorities to lay the foundation for debt restructuring talks with official and commercial creditors under a common framework that is backed by the **Group of Twenty (G20)**:

*"The reform path is clear. We are committed to securing an IMF programme."*<sup>3</sup>

The IMF similarly noted that "notable progress" had been made during the talks with Zambia on policy measures to address macroeconomic imbalances and to enable the country to return to sustained growth, "with enhanced fiscal space for social and development spending".<sup>4</sup> However, both the IMF and Zambia are in agreement that more talks are needed to iron out issues to reach consensus on the final programme under the IMF's **Extended Credit Facility (ECF)**.<sup>5</sup>

Zambia's dollar bonds continued gains following the statement, with the 2027 bond up more than 1% to trade at just over 64 cents on the dollar.<sup>6</sup> These levels were last seen in early March 2020, before the **Covid-19** pandemic hit the financial markets.<sup>7</sup> However, analysts remain cautious, saying some underlying issues remain unresolved.<sup>8</sup> **United-Kingdom (UK)**-based **Aberdeen Standard Investment's Ltd** emerging market debt specialist, **Kevin Daly**, downplayed the possibility of brokering a deal before the August election due to the complexity and actors involved in the negotiations:

*"It does seem like talks will eventually get us the outcome we want to see but it will be difficult to see this getting completed before the election."*<sup>9</sup>

---

<sup>1</sup> Reuters, 10 May 2021

<sup>2</sup> Bloomberg, 10 May 2021

<sup>3</sup> Reuters, 10 May 2021

<sup>4</sup> IMF, 10 May 2021

<sup>5</sup> Reuters, 10 May 2021

<sup>6</sup> Tradeweb, 10 May 2021

<sup>7</sup> Reuters, 10 May 2021

<sup>8</sup> Analyst, Zambia

<sup>9</sup> Reuters, 10 May 2021

### ... as Lungu promises improved mining policies ...

In good news for the mining sector, President Lungu has assured mining investors that his government will develop a simplified tax administration system that takes miners into consideration. Making the announcement at the **Mining Indaba in Lusaka**, Lungu acknowledged that the mining tax regime has been a contentious issue since the privatisation of mines in the early 1990s:

*“My government is determined to take significant steps to resolve policy and regulatory issues that investors have raised regarding investment in the mining sector.”<sup>10</sup>*

The announcement comes as Zambia attempts to negotiate its Eurobond default (see above) and prepares for elections on 12 August amid improving copper prices. Prospects of rising copper demand in the renewable and electric vehicle sectors and global economic recovery following the pandemic slump have backed higher copper prices.<sup>11</sup> The price of copper hit an all-time high of \$10,724.50 a tonne on 10 May.<sup>12</sup> Although little time remains before the elections for the government to capitalise on higher copper prices, recent optimism in the mining sector may lead to higher production and job creation in the next few months. President Lungu has also stressed the importance of mining companies fulfilling their corporate social responsibility to benefit local communities.<sup>13</sup>

Zambia is **Africa’s** second largest copper producer after the **Democratic Republic of the Congo (DRC)**. The government aims to increase production from the current 800,000 tonnes per annum to a million tonnes.<sup>14</sup> For the government to meet its targets, a cordial working relationship with investors and mining operators currently operating in the country is essential.<sup>15</sup> This has not always been the case – the Zambian government has been locked in a protracted dispute with **United Kingdom (UK)-based Vedanta Resources’ Konkola Copper Mines (KCM)** since May 2019 when the Zambian government, which owns 20% of KCM through Zambia’s state investment arm **ZCCM Investment Holdings Plc (ZCCM-IH)**, handed control of the business to a liquidator (see *ARC Briefing Zambia May 2019*).<sup>16</sup> The government also clashed with **Switzerland-headquartered Glencore PLC** in April 2020 over the company’s plan to mothball its **Mopani** mine’s operations after declaring that unprecedented disruptions of the Covid-19 pandemic had forced it to declare *force majeure* (see *ARC Briefing Zambia April 2020*).

Zambia’s mining companies are under increasing scrutiny to ensure that their operations are safe and that profits from mining activities benefit the communities in which they are located. **Canada-based** global metals and mineral producer **First Quantum Minerals (FQM)**, speaking ahead of the **World Day for Safety and Health at Work** on 28 April, stated the need for better guidelines and training across the mining industry to avoid workplace injuries.<sup>17</sup> The FQM and civil society organisations have noted that lax safety standards on mines are not only a leading cause of serious injuries, but also have an adverse impact on the wider economy.<sup>18</sup> FQM government relations specialist **Godwin Beene** said in an interview with **Mining Weekly** that poor mine safety has the potential to derail copper-dependent Zambia’s development objectives,

*“... as injuries impact negatively on productivity while fatalities rob the country of its resource and altogether hamper production of the country’s largest export commodity”.<sup>19</sup>*

<sup>10</sup> Mining weekly, 10 May 2021

<sup>11</sup> Reuters, 12 May 2021

<sup>12</sup> Markets Insider, accessed 12 May 2021

<sup>13</sup> Mining weekly, 10 May 2021

<sup>14</sup> Mining Weekly, 9 Jan 2021

<sup>15</sup> Mining Weekly, 10 May 2021

<sup>16</sup> Mining weekly, 7 Jan 2021

<sup>17</sup> Mining Weekly, 26 Apr 2021

<sup>18</sup> Mining Weekly, 26 Apr 2021

<sup>19</sup> Mining Weekly, 26 Apr 2021

### Kazungula Bridge boosts regional solidarity ...

A new bridge linking Zambia and **Botswana** is expected to bolster trade and cooperation between the two countries and ease congestion at the border. The inauguration of the 923-metre **Kazungula** road and rail bridge over the **Zambezi River** on 10 May marks the completion of a multimillion-dollar project and provides a long overdue alternative route for transport companies.<sup>20</sup> President Lungu welcomed the bridge as a significant step to lowering the cost of doing business, increasing regional cooperation and boosting job creation and tourism among other positive spin offs.<sup>21</sup> Botswana's President **Mokgweetsi Masisi** (2018-present) echoed the importance of deepening trade and cooperation between the two countries, citing Zambia as a key strategic partner in Botswana's development. Other dignitaries at the inauguration included **African Union** chair, DRC President **Felix Tshisekedi** (2019-present), **Southern African Development Community (SADC)** chair President **Filipe Nyusi** (2015-present) of **Mozambique**, and **Zimbabwe's** President **Emmerson Mnangagwa** (2017-present).<sup>22</sup>

The bridge is expected to facilitate regional freight transport by allowing trucks to avoid the **Beitbridge** border post between Zimbabwe and South Africa, where long queues frequently cause days-long delays. The Kazungula bridge is seen as an important step in increasing regional development and further regional integration in the SADC region.<sup>23</sup> Zambia and the DRC are in the process of putting together a similar facility on their shared border.

The \$259m project began in December 2014 and was co-funded by the **African Development Bank (AfDB)**, the **Japan International Cooperation Agency (JICA)**, regional governments and additional grants. **Namibia** and **Zimbabwe** joined the consortium in 2018.<sup>24</sup>

### Covid-19 vaccine hesitancy hampers inoculation rollout

Scepticism over the safety of Covid-19 vaccines is negatively affecting Zambia's vaccination programme. The government officially launched its Covid-19 vaccination programme on 14 April in conjunction with the **World Health Organization (WHO)** vaccine scheme, **COVAX Facility**. To date, Zambia has administered roughly 81,460 doses of the Covid-19 vaccine.<sup>25</sup> Despite the government's efforts to educate the population at grass roots level on the safety of the coronavirus vaccines, health authorities report widespread mistrust of "western" medication.<sup>26</sup>

Health minister **Jonas Chanda** said Zambia is committed to its fight against the pandemic.<sup>27</sup> Zambia's vaccination programme is being rolled out in various phases as the vaccine become available to the country. The first phase is targeted at health workers and is on a voluntary basis.<sup>28</sup> As of 12 May, Zambia had recorded a total of 92,152 cases of Covid-19 in its population of 17.9 million, with 90,549 recoveries and 1,258 Covid-19-related deaths.<sup>29</sup>

<sup>20</sup> Bloomberg, 11 May 2021

<sup>21</sup> Al Jazeera, 11 May 2021

<sup>22</sup> Al Jazeera, 11 May 2021

<sup>23</sup> Reuters, 11 May 2021

<sup>24</sup> Reuters, 11 May 2021

<sup>25</sup> Reuters, 12 May 2021

<sup>26</sup> Lusaka Times, 10 May 2021

<sup>27</sup> Lusaka Times, 10 May 2021

<sup>28</sup> Lusaka Times, 10 May 2021

<sup>29</sup> Africa CDC, 12 May 2021

## Planner

17-18 May 2021 **Lusaka (Zambia) Bank of Zambia MPC** meets;

19 May 2021 **Lusaka (Zambia) Bank of Zambia MPC** media briefing;

12 Aug 2021 **(Zambia)** Presidential and legislative elections;

16-17 Aug 2021 **Lusaka (Zambia) Bank of Zambia MPC** meets;

18 Aug 2021 **Lusaka (Zambia) Bank of Zambia MPC** media briefing;

15-16 Nov 2021 **Lusaka (Zambia) Bank of Zambia MPC** meets;

17 Nov 2021 **Lusaka (Zambia) Bank of Zambia MPC** media briefing;

## Chronology

11 May 2021 **Lusaka (Zambia) Mining Review**. **Canada**-based **GoviEx Uranium** receives a letter from the **Mining Cadastre Department** notifying the company that its previously cancelled mining licence has been re-instated.

10 May 2021 **(Southern Africa) Business Day**. **Botswana** and **Zambia** open the \$260m **Kazungula Bridge**, which may help alleviate congestion at one of **Africa's** busiest border crossings in neighbouring **Zimbabwe**;

10 May 2021 **Lusaka (Zambia) Reuters**. Finance ministry says it has reached a broad agreement with the **International Monetary Fund** on macroeconomic parameters, fiscal targets and policy objectives, during talks to secure a lending programme;

8 May 2021 **Lusaka (Zambia) Lusaka Times**. Health ministry says it is considering adding **China**-manufactured **Sinopharm** coronavirus vaccine to its vaccine basket for the population following approval by the **World Health Organization (WHO)**;

6 May 2021 **Lusaka (Zambia) Moneyweb**. Mines ministry says state-owned **Konkola Copper Mines** has not been temporarily or permanently shuttered, denying a **Bloomberg** report about the copper mine previously owned by **India**-based **Vedanta Resources**.

5 May 2021 **Lusaka (Zambia) AFP**. **RwandAir** to resume flights to **Lusaka** after suspending flights for three months over concerns about **Covid-19**;

6 May 2021 **Lusaka (Zambia) Lusaka Times**. Opposition party leader **Hakainde Hichilema**, criticises the government's "*unsustainable debt*" saying the current government is unable to handle the debt crisis effectively;

5 May 2021 **Lusaka (Zambia) Lusaka Times**. The **Constitutional Court of Zambia** dismisses a petition by opposition parties against President **Edgar Lungu's** eligibility, ruling that the issues raised were previously conclusively decided by the court and that it no longer has jurisdiction to re-examine the same issues;

28 Apr 2021 **Lusaka (Zambia) BBC**. **Zambia** criticises **South Africa's** finance minister, **Tito Mboweni** for posting disparaging **Tweets** about Zambia's economy describing Mboweni's actions as "*ignoring diplomatic etiquette and embarking on bad mouthing a sovereign state*";

27 Apr 2021 **(Africa) News23**. **United Nations Economic Commission for Africa** says the slow **Covid-19** vaccine rollout may set **Africa** back five years and unleash new strains;

16 Apr 2021 **Lusaka (Zambia) AFP**. The **International Monetary Fund (IMF)** says it hopes to reach a deal with Zambia on debt restructuring ahead of the 12 August elections;

16 Apr 2021 **Lusaka (Zambia) Lusaka Times**. **Zambia Chamber of Mines** president **Godwin Beene** urges the government to take advantage of the positive ratings of the country by **Fitch Ratings**;

### 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)