

AFRICA RISK CONSULTING

Zambia Monthly Briefing September 2022

Zambia Summary 19 September 2022

The International Monetary Fund approves a 38-month SDR 978.2m (\$1.3 billion) Extended Credit Facility (ECF) for Zambia, with the government reportedly now seeking up to \$8.4 billion in debt relief. Zambia's inflation rate declines from 9.9% in July to 9.8% in August as the Energy Regulation Board once again revises downwards fuel prices for the month of September. President Hakainde Hichilema (2021-present) and the United Party for National Development (UPND) mark one year in power on 24 August. Former lands and natural resources minister Jean Kapata becomes the latest high-profile member of the former Patriotic Front-led government to be interviewed by the Anti-Corruption Commission (ACC) as the ACC extends its investigations to activities committed under the UPND. Government focuses its efforts on diversifying the economy away from a strong reliance on mining, paying greater attention to the country's agriculture sector, introducing e-governance measures and harnessing new technologies. The number of active Covid-19 cases in Zambia declines, reaching 172 as of 18 September, compared to 889 a month earlier.

Zambia secures IMF deal ...

Zambia has agreed a 38-month SDR 978.2m (\$1.3 billion) **Extended Credit Facility (ECF)** with the **International Monetary Fund (IMF)**, which the government hopes will spur economic recovery and stability.¹ Zambia became the first **African** country to default on its international debt obligations during the **Covid-19** pandemic era in November 2020 (see *ARC Briefing Zambia Nov 2020*). The IMF Executive Board approved the funding on 31 August, agreeing to disburse an immediate amount of \$185m. Half of the \$1.3 billion will be directed towards budget support, with the other half being used to bolster the country's reserves. In a press release on 31 August, the IMF noted:

"Zambia is dealing with large fiscal and external imbalances resulting from years of economic mismanagement... [the country] is in debt distress and needs a deep and comprehensive debt treatment."²

Bank of Zambia (central bank) governor **Denny Kalyalya** has said Zambia's priorities are to promote price stability and build international reserves.³ However, the country's economic stability is heavily reliant on the extent to which the government can negotiate the relief of its significant debt burden. Ministry of finance permanent secretary **Mukuli Chikuba** confirmed that the government will begin restructuring its debt load, which stood at \$17 billion in December 2021, owed to a range of investors, including the **Chinese** government as well as **Eurobond** holders.⁴ **United States (US)**-headquartered financial and media company **Bloomberg** reported on 7 September that the Zambian government is seeking up to \$8.4 billion in debt relief, which saw the country's **Eurobonds** plummet 6.3% to 55.75 cents on the dollar.⁵ IMF managing director **Kristalina Georgieva** noted that Zambia needs "a deep and comprehensive debt treatment" under the **G20 Common Framework** to restore debt sustainability.⁶ A coalition of over 100 economists on 18 September called on the country's

¹ [IMF](#), 31 Aug 2022

² [IMF](#), 31 Aug 2022

³ Zawya 1 Sep 2022

⁴ Reuters, 1 Sep 2022

⁵ Bloomberg, 7 Sep 2022

⁶ [IMF](#), 31 Aug 2022

bondholders to engage in a large-scale restructuring of Zambia's debt, even encouraging "significant haircuts" to make the country's debt burden more sustainable.⁷

Georgieva welcomed the government's ongoing expansion of its **Social Cash Transfer** programme and its plans to increase public spending on health and education but noted:

*"A substantial strengthening of fiscal controls is needed to support the fiscal adjustment, as well as address governance and corruption vulnerabilities. Public investment management and procurement practices need to be strengthened to ensure transparency and the efficient use of scarce resources."*⁸

President **Hakainde Hichilema** (2021-present) stated on 9 September that he expects the country's economy to grow by 4%, up from 3.6% in 2021 and a 2.8% contraction in 2020.⁹

... as inflation declines slightly

The **Zambia Statistics Agency** announced on 25 August that Zambia's inflation rate had declined from 9.9% in July to 9.8% in August.¹⁰ Food inflation decelerated from 12.0% in July to 11.3% in August, mainly attributed to price movements in items like meat, fruits, rice and eggs. Meanwhile non-food inflation rose to 7.8% in August, up from 7.2% a month before, which the agency attributed to increased transport costs, following an upward adjustment of public bus fares by operators.¹¹

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.¹² Since then, the ERB has instituted monthly price downgrades, with the latest coming on 31 August when it announced a reduction in fuel pump prices with petrol falling from K23.91 (\$1.57) to K21.54 (\$1.41), diesel being reduced to K23.12 (\$1.52) from K24.87 (\$1.63) and kerosene from K18.43 (\$1.21) to K16.71 (\$1.10). The ERB also factored in the strengthening of the Zambian currency during August,¹³ supported by increased forex supply to the market by the central bank as well as lower demand for the dollar.¹⁴

The strengthening of the Kwacha is also feeding through into lower food prices, with **Shoprite**, the country's largest supermarket retailer, announcing on 6 September that it had reduced the prices of over 800 products in its stores to reflect the stronger local currency.¹⁵

In her statement released on 31 August to announce the ECF deal for Zambia, IMF managing director Kristina Georgieva noted:

*"The Bank of Zambia should continue its efforts to reduce inflation and preserve financial stability. International reserves should be replenished as conditions allow and the exchange rate should continue to reflect market conditions. Addressing high [non-performing loan] NPL levels and ensuring adequate capital buffers will also be important."*¹⁶

⁷ The Guardian, 16 Sep 2022

⁸ IMF, 31 Aug 2022

⁹ Reuters, 9 Sep 2022

¹⁰ Zambia Statistics Agency, accessed 19 Sep 2022

¹¹ Zambia Invest, 1 Sep 2022

¹² Zambia National Broadcasting Corporation, 16 Jul 2022

¹³ Mwebantu, 31 Aug 2022

¹⁴ World Economic Forum, 12 Sep 2022

¹⁵ News Diggers, 6 Sep 2022

¹⁶ IMF, 31 Aug 2022

Hichilema marks first year in office...

President Hakainde Hichilema and his ruling **United Party for National Development (UPND)** marked one year in power on 24 August. Highlights of his presidency to date include a crackdown on corruption, introduction of free primary and secondary school education, and recruitment of more than 30,000 teachers as the government aims to drive socio-economic stability and improve the standard of living for Zambians:

- **December 2021:** The ministry of home affairs announces the creation of a **Joint Investigations Team** comprising the police, the **Financial Intelligence Centre**, the **Anti-Corruption Commission (ACC)** and the **Drug Enforcement Commission**;¹⁷
- **January 2022:** The “New Dawn” government introduces free education for primary and secondary school students;¹⁸
- The government increases the **Constituency Development Fund**, its vehicle for investment in community development projects, in all ten provinces, from K1.6m (\$102,651) to K25.7m (\$1.6m);¹⁹
- **March 2022:** The Zambian government votes to condemn Russia’s special military operations in Ukraine;²⁰
- Government allocates K30m (\$1.9m) for the recruitment of 11,200 healthcare workers nationwide;²¹
- **April 2022:** The US government announces that the **United States Africa Command** will open an Office of Security Cooperation at the US Embassy in Zambia, forcing defence minister **Ambrose Lufuma** to confirm that the US will not open a military base in the country;²²
- **May 2022:** President Hichilema pledges to abolish the death penalty;²³
- **July 2022:** The government concludes the recruitment of over 30,000 teachers;²⁴
- The government instructs the state’s mining investment company, **ZCCM-IH**, to engage with **India-based Vedanta Resources** to find an out-of-court resolution to end its long-running legal dispute over **Konkola Copper Mines**;²⁵
- **September 2022:** The IMF approves a \$1.3 billion bailout for Zambia.²⁶

... as corruption investigations spill over into new government

The government’s anti-corruption drive continues to play out in Zambia, with mixed results. On 19 August, the ACC arrested former police deputy inspector general **Charity Katanga** on charges of being in possession of property, reasonably suspected to be proceeds of crime, valued at over \$2m and K1.5m (\$98,360).²⁷ On 26 August, the ACC announced that it had summoned former lands and natural resources minister **Jean Kapata** in connection with over 25 properties listed in her name.²⁸ However, Kapata’s lawyer, **Tutwa Ngulube**, claims the former minister was only questioned about one property, which she acquired in 2009, through the lands ministry, and on which she has since built a house and a number of apartments. Ngulube stated that Kapata would no longer cooperate with the ACC owing to the latter’s discussing the matter with the media before its conclusion.²⁹

¹⁷ Times of Zambia, 3 Dec 2021

¹⁸ Zambia Daily Mail, 9 Jan 2022

¹⁹ Mail and Guardian, 25 Aug 2022

²⁰ Lusaka Times, 3 Mar 2022

²¹ News Diggers, 16 Mar 2022

²² Lusaka Times, 3 May 2022

²³ Africa news, 25 May 2022

²⁴ News Diggers, 16 Jul 2022

²⁵ Mining.com, 12 Jul 2022

²⁶ Reuters, 31 Aug

²⁷ Diamond TV, 19 Aug 2022

²⁸ News Diggers, 26 Aug 2022

²⁹ News Diggers, 29 Aug 2022

Corruption has become entrenched in the country's government and societal structures in recent years. Zambia ranked 117th out of 180 countries surveyed by **Germany-based Transparency International's** annual **Corruption Perceptions Index**, with a score of 33 out of 100 in 2021. Ramping up the fight against corruption was a campaign promise of now-president Hakainde Hichilema during the 2021 election period.

It appears that the authorities' corruption investigations are extending into actions taken under the current government led by the president's "New Dawn" UPND government. Agriculture ministry permanent secretary **Green Mbozi** faced allegations on 22 August of engaging in corrupt practices that resulted in the awarding of an alleged irregular contract to Zambia-based **Alpha Commodities** for the supply of fertiliser.³⁰ On 30 August, community development and social services minister **Doreen Mwamba** was forced to defend a tender awarded under her ministry to **Kafelix Investments Limited** for the supply of 75 motorbikes at K130,000 (\$8,340) each for a total of K9.9m (\$635,156). Mwamba said the contract was awarded in April 2021 under the then ruling **Patriotic Front** party but later extended by a ministry official under the now UPND government "without seeking approval", upon which she referred the matter for investigation.³¹ Ministry of information and media spokesperson **Thabo Kawana** said the contract was signed under the previous government, a claim disputed by **Transparency International Zambia**, which claims that the ministry's procurement committee, which awarded the contract, held a meeting regarding the contract on 6 May and informed the supplier of the signing on 9 May.³² ACC director general **Gilbert Phiri** announced on 31 August a probe into a tender granted, while the **Zambia Public Procurement Authority** announced that it, too, has taken an interest in the matter and will investigate it, and that the cabinet has summoned some officials in connection with the matter.³³

The ACC is facing increased public scrutiny. Despite investigating and summoning a number of members and associates of the former ruling party, it has not yet taken any matters to court.³⁴ In response to growing public sentiment that the ACC is failing to secure convictions for corruption committed under the previous government, Phiri divulged on 30 August that the ACC had achieved a conviction rate of 79% for corruption-related offences in 2021, stating that the body secured five convictions against four acquittals.³⁵ He assured the country that the ACC is "on track with fighting corruption".³⁶

The fight against corruption is a key factor shaping the IMF's outlook for Zambia. On 9 September, IMF resident representative **Preya Sharma** stated:

*"It is really crucial that the government continues to implement reforms to improve economic governance and reduce the risk of corruption. New laws and regulations around government purchasing and more transparency in spending and debt accumulation will promote accountability."*³⁷

e-Governance set to improve efficiencies

The government is focusing its efforts on diversifying the economy away from a strong reliance on mining, by paying greater attention to the agriculture sector. On 5 September, it announced plans to introduce a series of measures and interventions to increase agricultural exports to \$2 billion, up from the current \$756m, by 2027.³⁸ It is also increasingly turning to emerging technology to improve services to citizens. On 8 September, the government launched the **Zamportal** system to enable the

³⁰ News Diggers, 22 Aug 2022

³¹ Lusaka times, 30 Aug 2022

³² News Diggers, 29 Aug 2022

³² Lusaka times, 30 Aug 2022

³³ Zambia Dispatch, 30 Aug 2022

³⁴ Anadolu Agency, 24 Aug 2022

³⁵ News Diggers, 30 Aug 2022

³⁶ News Diggers, 30 Aug 2022

³⁷ Zawya, 1 Sep 2022

³⁸ Mwebantu, 8 Sep 2022

payment of forestry permit fees and licences. The system is expected to generate K180m (\$11.5m) for the green economy and environment ministry.

The government is increasingly focusing on investment in digital systems to promote e-governance. Under its current budget it aims to raise K7.8 billion (\$500.4m) as non-tax resources from ministries, provinces and spending agencies, with digitisation set to drive efficiencies, improve the ease of doing business in state institutions, encourage transparency and minimise corruption, helping it to achieve this target.³⁹

Also seeking to adopt technological solutions in its processes, the **Copperbelt Energy Corporation** announced on 22 August that it will leverage its power infrastructure, which includes 43 substations, to build electric motor vehicle charging points in response to anticipated long-term demand for electric vehicles. This follows on from the national utility **Zesco** announcing that it plans to build electric vehicle charging points.⁴⁰

Zambia's Covid cases decline as warmer temperatures approach

The number of active **Covid-19** cases in Zambia has declined, reaching 172 as of 18 September, compared to 889 a month earlier.⁴¹ As of 19 September, the health ministry had recorded a total of 333,382 cases of Covid-19 in Zambia's population of approximately 18.9 million and 4,017 Covid-19-related deaths.⁴²

The ministry has made slow progress in its Covid-19 vaccination campaign, failing to achieve its target of 70% vaccination by July 2022 set when the vaccination campaign launched in April 2021. As of 7 August, only 38.7% of the country's eligible population had received at least one Covid-19 vaccination.⁴³

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.⁴⁴ On 8 September, health minister **Sylvia Masebo** announced a countrywide lifting of the mandatory mask mandate as well as the lifting of restrictions on physical distance and public gatherings.⁴⁵

The Zambian government announced easing of Covid-19 restrictions on 1 April, 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.
- 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.⁴⁶

³⁹ Zambia Daily Mail, 8 Sep 2022

⁴⁰ Zambia Daily Mail 22 Aug 2022

⁴¹ Worldometers, accessed 19 Sep 2022

⁴² Worldometers, accessed 17 Aug 2022

⁴³ Our World in Data, accessed on 17 Aug 2022

⁴⁴ Source, analyst, Zambia

⁴⁵ News Diggers, 8 Sep 2022

⁴⁶ Ministry of Health, 1 Apr 2022

Planner

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

Chronology

17 Sep 2022 **Lusaka (Zambia) Zambia Daily Mail**. The **Court of Appeal** orders a stay of the matter before the **Lusaka High Court** in which **Patriotic Front (PF)** members **Joseph Malanji** and **Bowman Lusambo** asked the court to order fresh nominations for the hotly contested by-elections for the **Kwacha** and **Kabushi** constituencies in the **Copperbelt**;

16 Sep 2022 **Lusaka (Zambia) BusinessDay**. Over 100 economists and development experts call for asset manager **BlackRock** and other holders of **Zambian** bonds to cancel some of that debt, saying continuing to pay private creditors was “*economically inefficient and morally wrong*”;

15 Sep 2022 **Luangwa (Zambia) Lusaka Times**. Opposition party **Patriotic Front (PF)** mayoral candidate **Lawrence Shaba** wins the **Luangwa** mayoral by-election, beating his closest rival from the ruling **United Party for National Development (UPND)** with 4,075 to 3,767 votes;

15 Sep 2022 **Lusaka (Zambia) Lusaka Times**. The ministry of home affairs and internal security announces that the government will recruit 3,000 police officers during 2022;

14 Sep 2022 **Lusaka (Zambia) Reuters**. Sources say international bondholders have criticised the **International Monetary Fund's** debt restructuring framework for **Zambia** as “*arbitrary*” and for excluding the country's domestic debt;

13 Sep 2022 **Lusaka (Zambia) Reuters**. Multinational investment management and financial services company **Morgan Stanley** says investor losses after the restructuring of **Zambia's** three defaulted **Eurobonds** are likely to be greater than expected, adding that a new combined ‘super bond’ maturing in 2029 was a possibility;

9 Sep 2022 **Lusaka (Zambia) Reuters**. President **Hakainde Hichilema** says he expects Zambia's economy to grow by 4%, up from 3.6% in 2021 and a 2.8% contraction in 2020;

6 Sep 2022 **Lusaka (Zambia) Financial Times**. **Zambia** has requested approximately \$8 billion of relief on its debts to **Chinese** lenders, private bondholders and other creditors, as reported by the **International Monetary Fund**, which recently signed a deal with Zambia;

6 Sep 2022 **Lusaka (Zambia) News Diggers**. Zambia's largest supermarket retailer, **Shoprite**, announces that it has reduced the prices of over 800 products in its stores to reflect the stronger local currency;

31 Aug 2022 **Lusaka (Zambia) News Diggers**. **Anti-Corruption Commission (ACC)** director general **Gilbert Phiri** announces a probe into a tender awarded in April 2021 to **Kafelix Investments Limited** to supply 75 motorbikes at K130,000 (\$8,340) each for a total amount of K9.9m (\$635,156) to the ministry of community development and social services, under the then ruling **Patriotic Front (PF)** party but later extended under the ruling **United Party for National Development (UPND)** government;

31 Aug 2022 **Lusaka (Zambia) IMF**. **International Monetary Fund** approves funding of 978.2 million (\$1.3 billion) in special drawing rights under a 38-month Extended Credit Facility Arrangement for **Zambia** to help restore macroeconomic stability and foster higher, more resilient and more inclusive growth;

31 Aug 2022 **Lusaka (Zambia) News Diggers**. The **Anti-Corruption Commission (ACC)** arrests and charges former **Kabushi** member of parliament **Bowman Lusambo** for electoral corruption committed between 1 April 2021 and 14 August 2021;

31 Aug 2022 **Lusaka (Zambia)** *Mwebantu*. The **Energy Regulation Board** announces a reduction in fuel pump prices with petrol falling from K23.91 (\$1.57) to K21.54 (\$1.41), diesel being reduced to K23.12 (\$1.52) from K24.87 (\$1.63) and kerosene from K18.43 (\$1.21) to K16.71 (\$1.10);

26 Aug 2022 **Lusaka (Zambia)** *News Diggers*. The **Anti-Corruption Commission (ACC)** announces that it has summoned former lands and natural resources minister **Jean Kapata** in connection with over 25 properties listed in her name, a claim disputed by her lawyer **Tutwa Ngulube**;

25 Aug 2022 **Lusaka (Zambia)** *Zambia Invest*. **Zambia Statistics Agency** announces that Zambia's inflation rate declined from 9.9% in July to 9.8% in August;

19 Aug 2022 **Lusaka (Zambia)** *Mwebantu*. The **Anti-Corruption Commission (ACC)** arrests former police deputy inspector general **Charity Katanga** on charges of being in possession of property reasonably suspected to be proceeds of crime valued at over \$2 million and K1.5m (\$98,360).

About Africa Risk Consulting:

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