

AFRICA RISK CONSULTING

Zambia Monthly Briefing March 2024

Zambia Summary 14 March 2024

President Hakainde Hichilema (2021-present) on 29 February declares a state of national disaster and emergency as an El Nino drought causes significant crop failures leading to food shortages. The hydropower-dependent economy will also suffer as low water levels at Kariba Dam trigger power shortages. Zambia signs debt restructuring deals with China and India, a move that signals significant progress in debt restructuring talks. United Kingdom-headquartered London Stock Exchange Group (LSEG) reports on 22 February that the kwacha is the best-performing currency in Africa in 2024 thus far.

Food and power shortages hit Zambia as drought takes toll

Food shortages caused by the **El-Nino**-induced drought prompted President **Hakainde Hichilema** (2021-present) to declare a national disaster on 29 February, with the dry conditions also triggering significant power deficits which will impact other economic sectors such as mining.¹ The prolonged dry spell in the middle of what is supposed to be a rainfall and farming season has devastated farming yields in a country that has a large population of subsistence farmers. Global charity organisation **Oxfam** has warned that over six million people from farming families in Zambia are facing acute food shortages and malnutrition until the next growing season.² The drought, which comes at a time when the country is just recovering from its worst cholera outbreak that claimed over 700 lives, has hit 84 of the country's 116 districts, affecting more than a million farming households.

The drought has also affected water inflows into **Kariba Dam**, prompting power utility **ZESCO** on 11 March to implement load shedding for up to eight hours a day.³ Zambia generates about 87% of its electricity from hydropower and generation at the **Kariba North Bank Power Station** is expected to decrease to 214 MW this year, a significant drop from the 386 MW generated in 2023. This is causing significant disruptions to households and business activities in addition to a \$35m loss per month in revenue for ZESCO.

Load shedding has also not spared the mining sector with ZESCO planning to reduce supply to mines by about 250MW (20% - 25% of supply). Already, **Chambishi Copper Smelter**, owned by **China Nonferrous Metal Mining Corp**, has cut one-fifth of its production due to power shortages in the country.⁴ The plant, which produces about 250,000 metric tons of copper per year, is one of the biggest processing facilities in Zambia.

Some of Zambia's smaller copper producers that have no independent sources of electricity are also likely to be affected by the power shortages resulting in lower output for the year.

In response to the drought and expected impacts, Hichilema on 13 March announced a series of cost-cutting measures aimed at ensuring sustainable resource allocation across various sectors of the government.⁵ The new measures, which include reducing unnecessary expenditures on

¹ [Al Jazeera](#), 29 Feb 2024

² [Lusaka Times](#), 7 Mar 2024

³ [Lusaka Times](#), 11 Mar 2024

⁴ [Reuters](#), 11 2024

⁵ [Lusaka Times](#), 14 Mar 2024

government travel and workshops, form part of the administration's efforts to realign the **2024 National Budget** to effectively channel resources towards mitigating the adverse impact of the drought and safeguarding food security for the public.

Debt talks progress as deal struck with China and India

Hichilema on 24 February said Zambia had signed an official creditor agreement with China and **India**, the two countries that were reportedly halting progress in debt talks, adding that the government is now negotiating with private creditors giving traction to Zambia's efforts to exit a long-running debt default.⁶ Zambia has struggled to revive its debt restructuring process after efforts to rework \$3 billion of **Eurobonds** with private investors after official creditors, including China, objected to a deal in November.

Following news of the deal with China and India, Zambia's dollar debt jumped with the price of the country's \$1.25 billion of notes due 2027 climbing by the highest rate in a day since October 2023. On 26 February, the bonds were trading at 68.58 cents on the **United States (US)** dollar, the highest level since June 2022.⁷

Hichilema said the country will now move to restart discussions with private creditors to resolve its high external debt of over \$13 billion that it stopped paying in 2020. Zambia is using the Common Framework, a process the **G20** set up in response to **Covid-19**, to bring in China, India, and other bilateral creditors that are not members of the **Paris Club** of creditor nations.

Finance minister **Situmbeko Musokotwane** said on 23 February that the government was trying to clarify the meaning of "*comparable treatment*" with bondholders.⁸ The **Comparability of Treatment** is a Paris Club principle aimed at ensuring its members don't give outsized concessions compared to private lenders or others outside the group.

The three-year delay to Zambia's debt restructuring had become a highlight of the failure of a G20 process to better integrate China, the world's biggest lender to developing countries, into negotiations to avoid debt crises heavily impacting developing countries.⁹

A **Debt Justice** and the **Zambian Civil Society Debt Alliance** analysis shows that under the latest deal with bondholders, China will be paid 73 cents for every \$1 they lent originally, whereas official creditors like China and **France**, will be repaid 55 cents by Zambia when bondholders had lent at higher interest rates.¹⁰

The concerted effort by Zambia comes as the **International Monetary Fund (IMF)** has called for all parties involved in Zambia's debt restructuring process to reach a compromise as delays continue to hinder progress. Zambia needs the deals to restructure its debts to continue a \$1.3 billion bailout with the IMF which the country needs to drive its economic recovery.

Kwacha best performing African currency in 2024

United Kingdom-based **London Stock Exchange Group (LSEG)** reported on 22 February that the Kwacha is the best-performing African currency against the US dollar on a year-to-date basis, indicating that **Bank of Zambia's** (central bank) interventions of raising commercial banks' reserve ratios and increasing the policy rate, in a bid to reverse a decline in the currency that had pushed up inflation, have taken effect.¹¹

⁶ [Bloomberg](#), 24 Feb 2024

⁷ [Bloomberg](#), 26 Feb 2024

⁸ [Reuters](#), 24 Feb 2024

⁹ [Financial Times](#), 24 Feb 2025

¹⁰ [Lusaka Times](#), 6 Feb 2024

¹¹ [Reuters](#), 22 Feb 2024

The kwacha has rallied 13.8% to 22.8 against the US dollar in 2024 and has climbed almost every day since the central bank increased the minimum reserve ratio for lenders on 5 February, constricting the flow of funds. Its rally gained further impetus after the benchmark rate increase on 14 February.¹²

The market has remained starved of US dollars while demand has grown, putting pressure on the kwacha which depreciated by 23% in 2023. However, the kwacha will only strengthen sustainably if the country attracts more foreign investment. The delays in restructuring the country's debt have affected foreign currency flows while low commodity prices have also affected foreign exchange earnings while demand has remained high.

Zambia has targeted increased investments in its mining sectors to drive economic growth this year, for example in December, Zambia picked **International Resources Holdings (IRH)**, a subsidiary of **Abu Dhabi's International Holdings Company (IHC)**, as the strategic equity partner in **Mopani Copper Mines** with the company pledging to invest \$1.1 billion into the operations.¹³ However, the effect of the drought threatens to stifle economic activities with the agricultural sector already significantly impacted by the dry spell.

Planner

Apr 2024 **Lusaka (Zambia) International Monetary Fund (IMF)** visit

13-14 May 2024 **Lusaka (Zambia) Bank of Zambia** Monetary Policy Committee meets.

September 2024 **Lusaka (Zambia)** 2025 national budget presentation

Chronology

10 Mar 2024 **Lusaka (Zambia)** *Lusaka Times*. In a bid to address concerns over maize scarcity in Zambia, chief government spokesperson **Cornelius Mweetwa** reveals that **Tanzania** and **Uganda** have expressed their willingness to export maize to Zambia, citing the nations' cordial relations;

8 Mar 2024 **Lusaka (Zambia)** *Lusaka Times*. Green economy and environment minister **Collins Nzovu** says the government will embark on the construction of dams across the country to harvest rainwater, which will not only mitigate the impact of drought but also facilitate irrigation and domestic water usage;

7 Mar 2024 **New York (USA)** *Reuters*. The **International Monetary Fund (IMF)** says it will assess the economic impact of the drought on Zambia in a visit tentatively scheduled for mid-April;

7 Mar 2024 **Luanda (Angola)** *Times of Zambia*. The **Southern African Power Pool (SAPP)** and **South Africa-based Climate Fund Managers** launch a new \$1.3 billion fund to build high-voltage transmission lines linking member countries. It aims to raise close to \$500m in 2025 to overcome a key obstacle constraining growth in an evolving energy sector;

6 Mar 2024 **Lusaka (Zambia)** *Znbc*. **Canada's First Quantum Minerals (FQM) Limited** says it has multiple parties have expressed interest in wanting to buy a minority stake in its Zambian copper operations, as the miner continues efforts to shore up its balance sheet;

¹² [Bloomberg](#). 14 Feb 2024

¹³ [Reuters](#). 1 Dec 2024

6 Mar 2024 **Lusaka (Zambia) Diggers**. **ZESCO** managing director **Victor Mapani** says even if the country is anticipating load shedding due to the drought, the power utility cannot stop exporting power because doing so would collapse the economy. Power exports contribute 40% of ZESCO's revenues;

6 Mar 2024 **Lusaka (Zambia) Lusaka Times**. The **Disaster Management and Mitigation Unit (DMMU)** extends support to approximately 2.4 million individuals with relief food from October 2023 to March 2024;

5 Mar 2024 **Lusaka (Zambia) Lusaka Times**. **Egypt**-headquartered **African Export-Import Bank (Afreximbank)** commits \$1.6 billion towards development financing in Zambia after a meeting between the bank's president **Benedict Oramah** and President **Hakainde Hichilema**;

5 Mar 2025 **Lusaka (Zambia) Diggers**. Government calls on the **United States** and other countries to remove all sanctions against **Zimbabwe**;

5 Mar 2024 **Lusaka (Zambia) Diggers**. **Zambia Revenue Authority (ZRA)** commissioner general **Dingani Banda** says the ZRA is trying to recruit more qualified staff to increase capacity to audit mining firms;

4 Mar 2024 **Lusaka (Zambia) Diggers**. The **Financial Intelligence Centre (FIC)** reveals that it detected suspicious transactions worth \$2.8 billion sent to **Asia** by foreign nationals in the fourth quarter of 2023. The FIC also reveals that some newly incorporated companies used Zambians as front shareholders and directors which foreign nationals maintained control of bank accounts;

29 Feb 2024 **Lusaka (Zambia) Reuters**. President **Hakainde Hichilema** says Zambia has drawn up plans to import and ration electricity as a devastating drought looks set to affect hydropower generation, the country's main source of power;

27 Feb 2024 **Lusaka (Zambia) Diggers**. Mines ministry's safety department director **Fred Banda** says the uranium water contamination issue at **Lumwana Mining Company** is now a closed matter, as far as safety is concerned, because the mine has changed the source of water supply;

27 Feb 2024 **Lusaka (Zambia) Moneyweb**. President **Hakainde Hichilema** says the **United States**-backed **Lobito Corridor** will offer Zambia a "once in a lifetime" opportunity;

27 Feb 2024 **Lusaka (Zambia) ZNBC**. Finance and national planning minister **Situmbeko Musokotwane** says government and the **World Bank** have started working on a roadmap to increase copper production to three million metric tonnes, adding that the plan will include value addition as the market is readily available;

21 Feb 2024 **Lusaka (Zambia) Times of Zambia**. Agriculture minister **Reuben Phiri** says the government will restrict the export of maize and mealie meal due to drought, adding that it will only be lifted after assessment of the next harvest;

20 Feb 2024 **Lusaka (Zambia) Reuters**. **Canada's First Quantum Minerals Ltd (FQM)** re-shuffles top-tier personnel at its Zambian operations in a bid to tackle production and safety shortfalls;

20 Feb 2024 **Lusaka (Zambia) Mining Technology**. **United States**-headquartered **KoBold Metals**, which is backed by a coalition of high-net-worth individuals including **Bill Gates** and **Jeff Bezos**, signs a deal with **Canada**-headquartered **Midnight Sun Mining** to explore the **Dumbwa** target at the **Solwezi** copper project;

16 Feb 2024 **Lusaka (Zambia)** *Lusaka Times*. Zambia and **Tanzania** signed two memorandums of understanding (MOU) to strengthen cooperation in immigration matters and combating drug abuse and trafficking;

15 Feb 2024 **Lusaka (Zambia)** *Times of Zambia*. President **Hakainde Hichilema** says the government will adjust its national budget to ensure food security amid a drought that has impacted crop yields;

15 Feb 2024 **Lusaka (Zambia)** *Znbc*. **United Kingdom**-based **Vedanta Resources** disburses the first \$25m to pay **Konkola Copper Mines** salaries, contract labour and other critical services needed to maintain the integrity of the mine;

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