

AFRICA RISK CONSULTING

Zambia Monthly Briefing April 2023

Zambia Summary 17 April 2023

The Zambian authorities and International Monetary Fund (IMF) reach a staff-level agreement for the conclusion of Zambia's first review under its Extended Credit Facility arrangement on 6 April. If the IMF's executive board approves, and the necessary financing assurances are provided, financing of \$118m will be made available. The developments with the IMF trickle down into the economy, easing pressure on the kwacha. The local unit reaches a peak of K21.4 to the US dollar on 30 March but depreciates to K18.4 to the dollar on 17 April as the market anticipates the successful conclusion of the debt restructuring talks. The government injects funds into the economy to finance public service delivery and to boost the country's economic activities. Zambia faces a mealie meal shortage, turning the country from a net exporter to an importer, as government bans all exports of the staple. President Hakainde Hichilema (2021-present) hosts US vice president Kamala Harris between 31 March and 1 April. The trip underscores the US' pursuit of stronger bilateral relations and cooperation with Africa. The government misses its self-imposed deadline of 6 April to provide an update on the plans for the resolution of challenges in the mining sector regarding Konkola Copper Mines (KCM) and Mopani Copper Mines (MCM).

Zambia-IMF reach staff level agreement

The **International Monetary Fund (IMF)** and **Zambian** authorities reached a staff-level agreement for the conclusion of the first review of Zambia's Extended Credit Facility (ECF) arrangement on 6 April. The agreement will give Zambia access to \$118m in financing, once the IMF's executive board gives approval, and the necessary financing assurances have been provided. The IMF noted that Zambia reaching an agreement on its debt restructuring with its official creditors would provide the necessary assurances.¹ However, finance minister **Situmbeko Musokotwane** appealed to the IMF on 11 April not to penalise Zambia if the country does not manage to sign agreements with its official creditors in time for the expected disbursement.²

The IMF for its part hailed Zambia's economic rebound, the restoration of fiscal credibility as well as strong reform momentum supported by the government's anti-corruption drive:

"Against an increasingly challenging global economic backdrop, the Zambian economy remains relatively resilient... despite weaknesses in the mining and agriculture sectors."³

The positive momentum has continued through to the IMF's Spring Meetings which began on 10 April in **Washington D.C (United States)**. Musokotwane led a delegation which met with representatives from the **World Bank**, the IMF, and IMF executive directorates from **Japan, Netherlands and Belgium**. During the meetings Musokotwane took the opportunity to highlight Zambia's potential as an investment destination, focusing on issues relating to infrastructure and agriculture development, in addition to Zambia's pursuit of sustainable debt and the debt restructuring process.⁴ US treasury

¹ International Monetary Fund, 6 Apr 2023

² Bloomberg, 11 Apr 2023

³ International Monetary Fund, 6 Apr 2023

⁴ Lusaka Times, 12 Apr 2023

secretary **Janet Yellen** committed on 11 April to “*maintain urgency*” for a “*speedy*” resolution of Zambia’s request to restructure its debt, while **David Malpass**, the president of the World Bank expressed his hope on 13 April that **China** would sign a memorandum of understanding (MoU) on its debt restructuring with Zambia “*this week or next*”.⁵ Thus far, no agreement has been reached.

...with optimism easing pressure on the local currency

The developments with the IMF have driven positive sentiment, easing pressure on the kwacha which has faced downward pressure since September 2022. The local currency reached a peak of K21.4 to the US dollar on 30 March, but following the agreement, appreciated to stand at K18.4 to the US dollar on 17 April as the market anticipates the successful conclusion of the debt restructuring talks. Nonetheless, the higher exchange rate increased inflationary pressures during March, with annual inflation reaching 9.9% in March, up from 9.6% in February.⁶ **Zambia Statistical Agency** has attributed the upward adjustment in inflation to increases in prices of selected non-food items including passenger transport and the purchase of motor vehicles.⁷

However, efforts to shore up the economy continue. Musokotwane announced on 11 April that the government released K15.5 billion (\$878.5m) in March to finance public service delivery. Of this amount, K5 billion (\$283.4m) was spent on transfers, subsidies, and social benefits, K5.1 billion (\$289.1) went towards the servicing of domestic and external debt and dismantling of arrears, K3.6 billion (\$204.04m) went to the public service wage bill, K1.3 billion (\$73.7) was allocated to government programmes and operations, and K534.9m (\$30.3m) was spent on road infrastructure.⁸ The **National Pension Scheme Authority (NAPSA)** director general **Muyangwa Muyangwa** also announced on 6 April that NAPSA has injected K15.4 billion (\$872.9m) into the country’s financial sector since December to boost economic activities. NAPSA boasted a portfolio value of K66.9 billion (\$3.7 billion) at end-2022 with investments including government securities, listed equities, real estate, and infrastructure.⁹

As mealie meal shortage grips country

Zambia is currently in the grip of a mealie meal shortage turning the country from a net exporter to an importer of the staple food. In response to the mealie meal shortage, Musokotwane implemented a statutory instrument suspending the duty applied to mealie meal imported by a holder of an import permit from the agriculture ministry. The **Customs and Excise (Suspension) (Maize (Corn) Flour) Regulations, 2023** was gazetted and came into operation on 6 April.¹⁰ This measure aims to stabilise mealie meal prices and enable affordable access to food.

Home affairs and internal security minister **Jack Mwiimbu** announced on 12 April that government had also implemented a ban on maize and mealie meal exports due to the current deficit in the country. Defence minister **Ambrose Lufuma** also stated that the country’s defence and security wings established anti-smuggling patrols to control mealie meal smuggling on the **Copperbelt** and **Northern Province**.¹¹ This challenge has also led the government to pursue green energy solutions to boost the production of mealie meal and prevent future shortages. Small medium enterprise minister

⁵ Reuters, 13 Apr 2023

⁶ The Africa Report, 14 Apr 2023

⁷ Zamstats, 31 Mar 2023

⁸ Lusaka Times, 11 Apr 2023

⁹ Zambia Daily Mail, 6 Apr 2023

¹⁰ Lusaka Times, 11 Apr 2023

¹¹ News Diggers, 14 Apr 2023

Elias Mubanga announced on 13 April that the government is engaging with a firm focused on reviving non-operational solar milling plants owned by cooperatives in the country.¹²

The executive director of **Jesuit Centre for Theological Reflection** Father **Alex Muyebe** has, however, lamented the mealie meal shortage, highlighting contributing factors such as the government's disorganisation in organising the beneficiaries list of the Farmer Input Support Programme (FISP), late distribution of farming inputs, distribution of incomplete farming input sets, high cost of farming inputs as well as the shortage of farming inputs on the markets.¹³ Father Muyebe stated:

*"Subsistent and small-scale farmers in Zambia feed the nation. Hence any disturbance in satisfying the farming input needs unleashes a ripple effect on household's food security and nutrition outcomes."*¹⁴

The Jesuit Centre for Theological Reflection compiled its **Basic Needs and Nutrition Basket** for March which shows that the cost of living for a family of five in the capital **Lusaka** fell by K274.85 (\$11.19) to K9,003 (\$449.87).¹⁵ However, the mealie meal shortage is likely to raise food prices over the coming months.

Kamala Harris visits Zambia

President **Hakainde Hichilema** (2021-present) hosted US vice president **Kamala Harris** and the second gentleman **Douglas Emhoff** between 31 March and 1 April.¹⁶ The trip underscored the US' pursuit of stronger bilateral relations and cooperation with **African** countries, particularly in the areas of economic development, trade, security and aid. The US' focus on a strong relationship with the region also forms part of the former's hegemonic rivalry with **China** which has gained a strong economic foothold in the region.¹⁷ Zambia was one of only three countries earmarked for Harris' visit, alongside **Ghana** and **Tanzania**. Since taking office, Hichilema has outwardly sought a shift away from heavy economic reliance on and strong bilateral relationship with China, which was strengthened during the reign of former president **Edgar Lungu** (2011-2021).

The US has also increased its engagement with Zambia encouraged by the relatively peaceful elections which took place in 2021, as well as the 'New Dawn' government's pro-business approach and focus on transparency and good governance. Harris also weighed in on Zambia's debt restructuring quest with its creditors, the largest of whom being China. She called on the international community to help countries like Zambia *"get back on their feet"* and called on the country's bilateral creditors *"to make significant debt reduction"*.¹⁸

During her trip, Harris pledged to invest \$350m in **Africa** and directly pledged \$16m to support Zambia's digital economy, strengthening business ties and investment through innovation, entrepreneurship, as well as economic empowerment of women.¹⁹ **United Party for National Development (UPND)** national youth deputy chairman **Trevor Mwiinde** described Harris' visit as:

*"An indication that we are back on the world map and anyone who visits Africa will have to make a stopover in Zambia"*²⁰

¹² Lusaka Times, 13 Apr 2023

¹³ Lusaka Times, 9 Apr 2023

¹⁴ ACI Africa, 16 Apr 2023

¹⁵ Jesuit centre for Theological Reflection, March 2023

¹⁶ News Diggers, 14 Mar 2023

¹⁷ Chatham House, 18 January 2023

¹⁸ Africa News, 31 Mar 2023

¹⁹ News Diggers

²⁰ Lusaka Times, 2 Apr 2023

Government misses self-imposed deadline for mining sector decision

Mines minister **Paul Kabuswe** was forced to provide a new timeline for the resolution of challenges in the mining sector regarding **Konkola Copper Mines (KCM)** and **Mopani Copper Mines (MCM)** after missing the government's self-imposed deadline of 6 April. Both mines were taken over by the state during the reign of the former **Patriotic Front** party. Although Kabuswe did not provide a new date for the update, he did state these plans were "a little bit" delayed by Kamala Harris' visit to the country, continuing:

*"I'm very very mindful of the first quarter that we said... just know that anytime soon you will get a very comprehensive statement, just wait."*²¹

MCM's fate has been uncertain since **Switzerland**-based **Glencore** exited the mine in 2020, ceding its majority stake to the government which acquired 100% ownership of the mine through its mining sector investment vehicle **ZCCM Investments Holdings Plc (ZCCM-IH)**.²² KCM meanwhile has been the subject of legal wrangling between the state and **Indian**-owned **Vedanta Resources** since the Lungu administration sought to expel the former from its operation of the mine.²³ Hichilema also lamented the instability caused by the appointment of a third permanent secretary at the mines ministry in the space of under two years since the UPND has been in government.²⁴

However, in a positive development, Musokotwane divulged that 10 firms have expressed interest in investing in MCM, encouraged by the country's improving economic prospects and reform-minded leadership.²⁵ The government will be anxious to resume stability in these two mines as funds generated from them can also aid in meeting Zambia's growing debt burden.²⁶ It will also bode well for easing concerns in the wider sector, particularly as interest in entering the sector has ramped up in recent quarters. The Mines Cadastre department announced on 22 March that it has received over 2,000 applications for mining licenses since it was re-opened in October 2022.²⁷

Planner

20 Apr – 22 Apr 2023 **Chisamba (Zambia)** AgriTech Expo Zambia

Chronology

14 Apr 2023 **Lusaka (Zambia)** *Times of Zambia*. **United States** expresses optimism about Zambia's performance under the \$1.3-billion external credit facility of the **International Monetary Fund** obtained in 2022;

13 Apr 2023 **Lusaka (Zambia)** *News Diggers*. The **Road Transport and Safety Agency** approves the downward adjustment of bus fares, by K1 (\$0.06) for **Lusaka, Copperbelt** and other towns and 3.5% for intercity long-distance routes;

13 Apr 2023 **Lusaka (Zambia)** *Lusaka Times*. President **Hakainde Hichilema** relieves **Lemmy Kajoba** of his role as inspector general of police, appointing **Graphel Musamba** into the role instead. Hichilema also relieves the deputy **Doris Nayame** of her duties, pending re-

²¹ News Diggers, 7 Apr 2023

²² Zambia Daily Mail, 6 Apr 2023

²³ Bloomberg, 10 May 2022

²⁴ News Diggers, 15 Apr 2023

²⁵ Zambia Reports, 30 Mar 2023

²⁶ News Diggers, 14 Apr 2023

²⁷ News Diggers, 22 Mar 2023

deployment, and appoints **Alita Mbahwe**, the former **Drug Enforcement Commissioner**, in her place;

13 Apr 2023 **Lusaka (Zambia) News Diggers**. **Anti-Corruption Commission (ACC)** divulges those investigations into corruption at the finance ministry revealed that the government lost over K300m (\$17.0m) between 2020 and 2021, as officials paid themselves fictitious allowances. The ACC has also restricted over 100 bank accounts, treasury bills and bonds, held by 18 officials, arrested thus far, amounting to K31.9m (\$18.1m);

12 Apr 2023 **Lusaka (Zambia) News Diggers**. **Anti-Corruption Commission (ACC)** concludes its investigation and finalises the consolidation of charges for **Faith Musonda**, a journalist by profession, accused of possessing property suspected to be proceeds of crime, which include K65m (\$3.7m) and \$57,000 seized from her home in October 2021;

12 Apr 2023 **Lusaka (Zambia) Lusaka Times**. **Eswatini** foreign affairs and international cooperation minister **Thusile Dladla** pays a courtesy call on Zambia's foreign affairs minister **Stanley Kakubo**.

11 Apr 2023 **Lusaka (Zambia) Lusaka Times**. Permanent secretary of the infrastructure ministry **Danny Mfuno** announces that the government is currently reviewing a draft bill that aims to replace the existing **Public Private Partnership (PPA) Act** and streamline the PPP procurement process by introducing new guidelines for the selection of private sector partners and establishing a pre-qualification process for bidders to first meet certain criteria to participate in a PPP tender;

10 Apr 2023 **Maputo (Mozambique) Carta de Moçambique**. **Zambia's** President **Hakainde Hichilema** is expected in Mozambique for a three-day state visit aimed at reinforcing bilateral relations between Zambia and Mozambique;

5 Apr 2023 **Lusaka (Zambia) Lusaka Times**. Senior state advocate **Kayoka Sifali** enters a nolle prosequi in the case of former **Patriotic Front** deputy secretary **Mumbi Phiri**, who was held on murder charges alongside former president **Edgar Lungu's** barber **Shebby Chilekwa**;

5 Apr 2023 **Lusaka (Zambia) Times of Zambia**. **Mozambique's** President **Filipe Nyusi** says Mozambique will resume supply of energy to **Zambia** following upgrades in energy infrastructure;

3 Apr 2023 **Lusaka (Zambia) Times of Zambia**. The government has reduced fees for services under the **Patents and Companies Registration Agency (PACRA)** in a bid to lower the cost of business operations in Zambia and made amendments on mergers and acquisitions notification fees payable under the **Competition and Consumer Protection Commission**;

2 Apr 2023 **Lusaka (Zambia) Mwebantu**. Finance minister **Situmbeko Musokotwane** announces that the tax amnesty on tax penalties and interest obligations granted to taxpayers in October 2022 is extended for another 90 days;

2 Apr 2023 **Lusaka (Zambia) Mwebantu**. Energy minister **Peter Kapala** announces that **Zesco** has signed a power-purchase agreement with **Chinese-owned Integrated Clean Energy Power Company** to produce 2,400 megawatts (MW) of renewable energy estimated at \$3.5 billion, to be rolled out in phases of 600-800MW over 3 years;

1 Apr 2023 **Lusaka (Zambia) Zambia Reports**. The **Energy Regulation Board (ERB)** decreases petrol prices on 31 March by K0.05 (\$0.03) per litre effective from 1 March, leaving the pump prices of diesel and kerosene unchanged;

26 Mar 2023 **Lusaka (Zambia)** *News Diggers*. **Bank of Zambia** (central bank) announces that it has approved the acquisition of **African Banking Corporation** by **Access Bank Zambia** and the merger of the two entities;

24 Mar 2023 **Lusaka (Zambia)** *Times of Zambia*. **Premiercon Starch Company Limited** says production of starch has dropped by 60% to 100 tonnes per day due to the shortage of the main raw material, cassava;

23 Mar 2023 **Lusaka (Zambia)** *Times of Zambia*. **United Nations** awards President **Hakainde Hichilema** the **Presidential Global Water Change Makers Award** for his commitment and leadership in enhancing water security in Zambia;

22 Mar 2023 **Lusaka (Zambia)** *Zambia Forestry and Forest Industries Corporation*. The **Zambia Forestry and Forest Industries Corporation** announces a downward adjustment on eucalyptus and pine roundwood timber from K1,515 (\$85.87) to K1,149 (\$65.12) and K1,454 (\$82.4) per cubic metre, respectively.

21 Mar 2023 **Lusaka (Zambia)** *Lusaka Times*. **Invest Africa's** CEO, **Karen Taylor**, and her delegation pays a courtesy to President **Hakainde Hichilema** who calls on investors to focus on green energy and the agriculture sector in Zambia.

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