

AFRICA RISK CONSULTING

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Zambia Summary 17 April 2024

Government announces on 25 March that it has reached a deal with a group of private creditors on restructuring \$3 billion of its international bonds in a significant step that brings the country closer to accomplishing its much-delayed debt rework. Finance minister Situmbeko Musokotwane says on 5 April that expansion projects and new investments in mines will drive copper output past the one million tonnes per annum mark by the end of 2025. President Hakainde Hichilema (2021-present) on 16 April says the country needs K23.5 billion (\$940m) to mitigate the effects of El-Nino-induced drought.

Zambia strikes deal with Euro bondholders

Government announced on 25 March that it had reached a deal with a group of private creditors on restructuring \$3 billion of its international bonds, a significant step that brings the country, which has been in default for more than three years, closer to accomplishing its much-delayed debt rework.¹ Debt restructuring has been hampered by delays with official creditors in November rejecting a deal that the country had struck with its **Euro** bondholders (*see ARC Briefing Zambia Dec 2023*). Under the **G20's Common Framework**, debtor countries are meant to agree on comparable restructuring deals with official and commercial creditors.² Zambia reaching a deal with bondholders is a boost for the Common Framework as the platform is meant to bring together big creditors like **China** and the traditional group of developed creditor nations, known as the **Paris Club**, to ensure swift and smooth debt overhauls for low-income countries. The **World Bank** welcomed the agreement between Zambia and bondholders which the **Official Creditor Committee (OCC)** has confirmed meets comparability of treatment requirements.

The latest deal proposes swapping Zambia's three existing instruments into two amortising bonds, one of which would deliver higher repayments if the country's economic outlook and capability of dealing with its debt burden improve.³ President **Hakainde Hichilema** (2021-present) posted on his social media accounts that history had been made with the agreement.⁴ The delays have blocked much-needed investment in the country, and curtailed economic growth at a time when the country is also going through one of the worst droughts in history which has hit hydropower generation and food production.

The completion of negotiations with other commercial creditors will bring a final resolution to Zambia's debt crisis and this will help Zambia attract new investments, accelerate growth, generate jobs, and respond to urgent priorities, such as the ongoing drought.

To finalise the debt restructuring process, other commercial creditors must now agree to restructure debt on terms that are comparable to those offered by bondholders and official

¹ Reuters, 25 Mar 2024

² Reuters, 22 Dec 2023

³ CNBC Africa, 26 Mar 2024

⁴ Business Live, 25 Mar 2024

bilateral creditors. Treasury secretary **Felix Nkulukusa** said on 3 April that negotiations have already started with its other commercial creditors to rework \$3.3 billion of commercial debt.⁵ Zambia needs the deals to restructure its debts to continue a \$1.3 billion bailout with the **International Monetary Fund (IMF)**, which the country needs to drive its economic recovery.

Copper output seen reaching one million tonnes on new investments

Finance minister **Situmbeko Musokotwane** said on 5 April that mine expansion as well as fresh investments into decommissioned operations could see copper production surpassing one million tonnes per annum by the end of next year. In an interview with **Lusaka**-based radio station **Radio Phoenix**, Musokotwane said:

"The two mining giants [Mopani and KCM] were out of the equation, now they are back. So, by the end of 2025 to 2026, we will be producing more than a million tonnes of copper."⁶

Zambia is Africa's second-largest producer of copper after the **Democratic Republic of Congo (DRC)** with some of the world's biggest mining houses operating on the country's **Copperbelt** in the north. **Canada**-headquartered **First Quantum Minerals (FQM)** is currently undertaking a \$1.25 billion expansion, known as the S3 expansion, of its **Kansanshi** copper mine which entails the construction of a standalone 25 million tonne per annum processing plant with a new, more extensive mining fleet that will push throughput to 53 million tonnes per annum.⁷ Once the expansion is completed, Kansanshi's copper output is expected to average about 250,000 tonnes per annum for the remaining mine life to 2044. Fellow Canadian company, **Barrick Gold** said last year it was spending approximately \$2 billion to turn its **Lumwana** mine into a super pit to drive up output to 240,000 tonnes of copper by 2028 over a 30-year life.⁸

The expected rise in production could also be driven by the **Mopani Copper Mines** and the revival of **Konkola Copper Mines (KCM)** after the state resolved an ownership dispute with **Indian** miner **Vedanta Resources**.⁹ The **United Arab Emirates**-based **International Resources Holding (IRH)** pledged to invest \$1.1 billion to expand output at Mopani mines after buying a 51% stake in the copper assets previously owned by **Switzerland**-based **Glencore**.

Copper output in Zambia slowed to 698,000 tonnes in 2023 from 763,000 tonnes the previous year but the government has targeted to increase copper production to three million tonnes per year in the next ten years.

However, ongoing power shortages which have seen power utility, **ZESCO** implementing rolling 8-hour-a-day power cuts, are expected to negatively impact copper production. Generation at the **Kariba North Bank Power Station** is expected to decrease to 214MW this year, a significant drop from the 386MW generated in 2023 causing significant disruptions to households and business activities in addition to a \$35m loss per month in revenue for the power utility. Zambia generates about 87% of its electricity from hydropower and the utility's load shedding plans have not spared the mining sector with ZESCO planning to reduce supply to mines by about 250MW or 20-25%.

Already, **China Nonferrous Metal Mining Corp's Chambishi Copper Smelter** has cut one-fifth of its production due to power shortages in the country.¹⁰ The plant, which produces about

⁵ Reuters, 3 Apr 2024

⁶ Reuters, 5 Apr 2024

⁷ Reuters, 9 May 2022

⁸ Miningmx, 25 Jan 2024

⁹ Reuters, 23 Dec 2023

¹⁰ Reuters, 11 Mar 2024

250,000 metric tonnes of copper per year, is one of the biggest processing facilities in Zambia. As the country's largest copper producer, FQM says securing a stable and efficient national power grid is paramount to achieving Zambia's ambitious target of three million tonnes of annual copper production.¹¹ FQM spends over \$250m a year on electricity from ZESCO.

Zambia needs \$940m in drought relief funding

Hichilema said in a televised national address on 16 April that Zambia urgently requires K23.5 billion (\$940m) in emergency funds to mitigate the effects of the **El Nino**-induced drought which has left 6.6 million Zambians in dire need of food relief. Hichilema appealed to the donor community to support the government's resolve to implement immediate lifesaving humanitarian and recovery needs.¹² Food shortages caused by the drought prompted Hichilema 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 (see above).¹³

A 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. The **United Nations (UN)** has also called for emergency humanitarian aid, citing that the drought has destroyed almost half of the country's staple corn crop. Speaking at a media briefing on 4 April, UN assistant secretary general **Reena Ghelani** said two million crops have failed in Zambia and called on the international community to respond quickly to avoid further damages.¹⁴

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. As a result of the drought, which has affected water inflows into **Kariba Dam**, power utility ZESCO on 11 March started implementing an eight-hour-a-day load shedding.¹⁵

In response to the drought, Hichilema on 13 March announced a series of cost-cutting measures aimed at ensuring sustainable resource allocation across various sectors of the government. The new measures, which include reducing unnecessary expenditures on government travel and workshops, form part of the administration's efforts to realign the 2024 national budget to effectively channel resources toward mitigating the adverse impact of the drought and safeguarding food security for the public.¹⁶

Planner

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

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

¹¹ Mining News Zambia, 11 Feb 2024

¹² Times of Zambia, 17 Apr 2024

¹³ Al Jazeera, 29 Feb 2024

¹⁴ Lusaka Times, 5 April 2024

¹⁵ Lusaka Times, 11 Mar 2024

¹⁶ Lusaka Times, 14 Mar 2024

Chronology

16 Apr 2024 **Lusaka (Zambia)** *Lusaka Times*. Former **Konkola Copper Mines (KCM)** provisional liquidator, **Milingo Lungu** foreits \$24m to the state following a consent judgment reached between Lungu and the state;

15 Apr 2024 **Lusaka (Zambia)** *Bloomberg*. Government stops issuing permits for charcoal production in three districts as a way to halt deforestation and fight climate change;

13 Apr 2024 **Lusaka (Zambia)** *Diggers*. Constitutional lawyer **John Sangwa** says the \$1.1 billion sale of **Mopani Copper Mines (MCM)** to **United Arab Emirates**-based **International Resources Holding (IRH)** is a fantastic deal, but that it is an illegal transaction;

12 Apr 2024 **Lusaka (Zambia)** *Lusaka Times*. Government pledges K1 billion(\$40m) support to indigenously owned commercial bank **Investrust Bank Plc (IBP)** which the **Bank of Zambia (BoZ)** (central bank) took possession of after it went insolvent;

12 Apr 2024 **Lusaka (Zambia)** *Lusaka Times*. President **Hakainde Hichilema** terminates the appointment of **Zambia Public Procurement Authority (ZPPA)** director general **Idah Chella** with immediate effect under Article 270 of the constitution;

11 Apr 2024 **Luanda (Angola)** *Times of Zambia*. President **Hakainde Hichilema** inaugurates the 60MW **Copperbelt Energy Corporation (CEC) Itimpi Solar Plant in Kitwe.**, as the country faces a severe power shortage due to the **El Nino**-induced drought;

9 Apr 2024 **Lusaka (Zambia)** *Znbc*. Zambia and the **Czech Republic** sign three development progression agreements to assist Zambia in the development of the agricultural sector, social and healthcare, as well as public administration and sustainable development;

9 Apr 2024 **Lusaka (Zambia)** *Newswire*. **Australia**-based exploration and development company **Prospect Resources** says it will acquire **Mumbezhi** copper operation for \$5.5m in cash and \$1m in Prospect scrip, expanding its battery minerals assets in **Southern Africa**;

6 Apr 2024 **Lusaka (Zambia)** *Znbc*. **Tanzania Port Authority** revises downwards wharfage port charges for containerised cargo to Zambia by more than 50% intending to reduce the cost of doing business;

5 Apr 2024 **Lusaka (Zambia)** *Znbc*. President **Hakainde Hichilema** says government has invited **Botswana** to invest in the country's mining sector because of its expertise in managing diamonds indicating that Zambia can do to its emeralds, what Botswana has done to its diamonds;

5 Apr 2025 **Lusaka (Zambia)** *Znbc*. The **Zambia Revenue Authority (ZRA)** commissioner general **Dingani Banda** says they have collected K28.4 billion (\$1.13 billion) in revenue in the first quarter of 2024, K339m (\$13.56m) more than the targeted K28.1 billion (\$1.12 billion);

4 Apr 2024 **Lusaka (Zambia)** *Diggers*. State-owned power utility **ZESCO** signs a deal with its **Mozambican** counterpart, **EDM**, to import an additional 90MW of power;

1 Apr 2024 **Lusaka (Zambia)** *Diggers*. Treasury secretary **Felix Nkulukusa** says the government has already commenced preparations for the 2025 national budget and the 2025-2027 **Medium Term Budget Plant (MTBP)**;

27 Mar 2024 **Lusaka (Zambia)** *Znbc*. **Mopani Copper Mines (MCM)** summons mine union leaders to resume negotiations which were suspended in December last year;

26 Mar 2024 **Lusaka (Zambia)** *AFP*. **ZESCO** says it is addressing an electricity shortage at state-run milling plants caused by the ongoing drought which is raising concerns over food security;

25 Mar 2024 **Lusaka (Zambia)** *Bloomberg*. An official says Zambia and **Zimbabwe** are retendering a \$5 billion project to build a hydropower plant the two countries previously awarded to **China's General Electric Co. and Power Construction Corp**;

23 Mar 2024 **Lusaka (Zambia)** *The Herald*. Zambia hosts the **Southern African Development Community (SADC) Double Troika Summit** to discuss regional peace and security missions in the **Democratic Republic of Congo (DRC)** and **Mozambique**;

21 Mar 2024 **Lusaka (Zambia)** *Gov.uk*. **The United Kingdom** announces £6m (\$7.67m) in funding to protect forests and cut carbon emissions in Zambia;

20 Mar 2024 **Lusaka (Zambia)** *Financial Times*. President **Hakainde Hichilema** urges **China** and other creditors to end the delays over its \$13 billion debt restructuring, calling it "an indictment" of the credibility of the global system;

18 Mar 2024 **Lusaka (Zambia)** *Diggers*. **World Bank** approves a \$100m loan for phase one of the **Zambia National Energy Advancement and Transformation**;

18 Mar 2024 **Lusaka (Zambia)** *Club of Mozambique*. State-owned power company **ZESCO** is in negotiations with its **Mozambican** counterpart, **EDM**, to increase the quantity of electricity it buys from Mozambique to 120MW;

14 Mar 2024 **Lusaka (Zambia)** *The Herald*. Zambia and **Zimbabwe** begin their 18th **Joint Permanent Commission on Cooperation (JPCC)** to discuss bilateral relations;

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