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Finance and national planning minister Situmbeko Musokotwane presents an ambitious expansionary 2025 national budget to the national assembly on 27 September. Chamber of Mines criticises proposed legislative and policy reforms in the mining sector, including the government's plan to establish a state-owned entity that will manage 30% of future mines' production of critical minerals. The Energy Regulation Board (ERB) approves an emergency tariff increase for power utility ZESCO, effective 1 November, to raise approximately \$15 million monthly for electricity imports.

Expansionary 2025 budget as government targets growth rebound

Finance and national planning minister **Situmbeko Musokotwane** presented an ambitious expansionary **2025 National Budget** to the national assembly on 27 September, aimed at reviving the economy which has been negatively impacted by low agricultural output and an energy crisis. As a result, the economy is forecast to grow by 2.3% this year, down from 5.4% in 2023.

The agricultural sector, a key driver of the economy, has seen output more than halved for most crops, leading to a 2.1 million tonne maize deficit this year. Alongside this, the **El-Nino**-induced drought has caused an unprecedented energy deficit, crippling businesses across the board. Electricity generation has decreased to 1,255MW against an installed capacity of 3,811MW, significantly hampering economic activity.¹ Over 80% of the country's power generation is dependent on water bodies.

To revive the economy, Musokotwane targeted a rebound in mining and agriculture and has proposed a significant increase in spending next year to support growth. Musokotwane is targeting a growth rate of 6.6% in 2025 and a budget deficit of 3.1% of GDP compared to the 6.4% forecast in 2024.

The total budget expenditure is projected at K217.1 billion (\$9.4 billion), a 9% increase from 2024's forecast expenditure of K199.17 (\$7.57 billion). This includes substantial hikes in areas including:

- Social support;
- The **Constituency Development Fund (CDF)** - aimed at supporting community projects;
- Infrastructure;
- Health; and
- Education.²

Roughly 80% of next year's spending will be financed by domestic revenues, with 4% funded by grants and 16% by borrowing. The government projects domestic revenues and grants to increase by 26%, from K144.5 billion (\$5.49 billion) in 2024 to K182.4 billion (\$7.16 billion) in 2025. Domestic revenues alone are expected to rise by 23%, reaching K174.2 billion (\$6.62 billion), with tax revenues contributing K137.4 billion (\$5.22 billion), a 20% increase from the

¹ Diggers, 27 Sep 2024

² Zambia Monitor, 27 Sep 2024

previous year. In what appears to be very ambitious targets, non-tax revenues are also anticipated to grow significantly, by 39%, amounting to K36.8 billion (\$1.39 billion). Additionally, grants are projected to see a substantial increase of 138%, totalling K8.2 billion (\$31m1m).³

The total financing requirement is set to rise by 4%, with domestic financing slightly decreasing by 6% to K15.4 billion (\$585.5m), while external funding is expected to increase by 14% to K19.4 billion (\$737.6m).

Musokotswane also said Zambia was still negotiating restructuring terms with some commercial creditors, after concluding its **Eurobond** restructuring exercise. He said Zambia had recently reached provisional restructuring agreements with the **Industrial and Commercial Bank of China** and **China Development Bank**. The agreements are compatible with Zambia's **International Monetary Fund (IMF)** programme and the 'Comparability of Treatment principle' aimed at ensuring the **Paris Club** of wealthy creditor nations does not give outsized concessions compared to other creditors.⁴

At the start of the process, \$13.1 billion was to be subject to renegotiation and this latest announcement means that \$11.69 billion has now been restructured, representing 89% of the original debt that was to be subjected to treatment. According to global consultancy **PwC**, the total amount payable for external debt service in 2025 is K16.7 billion (\$634m), representing 7.7% of the total expenditure for the year and 9.6% of projected domestic revenues. The debt service amount for 2025 is much lower than before the country defaulted when, as a percentage of domestic revenues in the years, it stood at 29% and 42% in 2020 and 2021 respectively.

Miners criticise proposed mining sector reforms

The **Chamber of Mines** has criticised proposed legislative and policy reforms in the mining sector, calling the proposed reforms "*an unprecedented threat*" to investors' rights and adding that they will undermine ambitions to significantly ramp up copper production in the next five years.⁵

The chamber was reacting to the government's August announcement that it plans to establish a state-owned firm which would control at least 30% of future mines' production of critical minerals including copper. The government believes the new entity will help it move away from the dividend payment model for mineral resources and adopt a production-based sharing mechanism to ensure benefits accrue to the people of Zambia beyond statutory obligations.⁶

The **National Critical Minerals Strategy 2024-2028** indicates Zambia also plans to make investors in the critical minerals sector allocate at least 35% of procurement costs to local suppliers while it will also review the country's policy and regulatory environment to restrict the export of unprocessed materials.

Some of the biggest miners currently operating in Zambia include **Canada's Barrick Gold Corp** and **First Quantum Minerals Ltd (FQM)** as well as **China Nonferrous Mining Corp**. The country, which is Africa's second-largest copper producer after the **Democratic Republic of Congo (DRC)**, is also counting on the **Konkola** and **Mopani** copper mines — under the control of **United Kingdom-listed Vedanta Resources Ltd.** and **Abu Dhabi's International Resources Holding** respectively - to increase output in the copper sector.

³ Lusaka Times, 27 Sep 2024

⁴ Reuters, 27 Sep 2024

⁵ Bloomberg, 17 Sep 2024

⁶ Reuters, 13 Jun 2024

In a statement, the chamber said President **Hakainde Hichilema's** (2021-present) government has demonstrated a “*serial unwillingness*” to consult “*meaningfully*” with the mining companies:

“The administration risks undoing all the good work achieved since coming to power in 2021 to attract investment to the southern African nation, which relies on copper for about 70% of export earnings.”⁷

Zambia currently produces about 700,000 tonnes of copper per annum and plans to increase output to three million tonnes of copper a year by 2031 banking on production ramp-up from existing mines as well as those currently in the exploration phase, such as the **United States-**headquartered **KoBold Metals' Mingomba** project.

Emergency power tariff hike to fund imports approved

The **Energy Regulation Board (ERB)** on 10 October approved an emergency tariff increase for power utility **ZESCO**, effective 1 November, to raise approximately \$15m monthly for importing 788MW of electricity. The approval is expected to run up to 31 January, when a new contract will be renewed. ERB chairperson **James Banda** noted:

“As ZESCO is a major supplier of power in the country, it is impossible to ignore the devastating impact the drought has had on it. To this effect, ERB has approved ZESCO's application to increase tariffs during the emergency period.”⁸

Zambia's power deficit has increased from 900MW to 1,300MW off the back of drought. ZESCO applied for power tariff adjustments of up to 156% for certain consumer categories, a request that the ERB initially rejected in August. At the time, the ERB said proposed increased tariffs would inevitably increase the cost of living and worsen the current state of affairs.⁹ The adjustment was expected to impact approximately 44% of customers, or 417,365 households, with tariffs rising between 50% and 156%. However, the situation has become dire and the ERB has now approved the temporary measure.

In addition to an electricity deficit, Zambia is currently experiencing sporadic fuel shortages across the country. ERB public relations manager **Namukolo Kasumpa** said persistent congestion at the **Port of Beira (Mozambique)** was likely to worsen the situation, as the Mozambican government had declared 9 October a public holiday due to the country elections. She said the introduction of a new customs law in **Zimbabwe** had also prompted fuel transporters to suspend imports through Zimbabwe, resulting in bottlenecks at the **Chanida Border Post**.¹⁰

Fuel transporters from **South Africa** and Mozambique are also looking to avoid transiting through Zimbabwe after the country in August announced that fuel tankers using Zimbabwe as a transit country would be required to pay full duty and levies of as much as \$24,000 per tanker and be refunded on confirmed exit out of Zimbabwe.

Zimbabwe says the move is aimed at curtailing fuel smuggling by businesses claiming to be in transit when they intend to offload the product in the country without paying taxes but the **Zimbabwe Revenue Authority (ZIMRA)** is notoriously known for being “*very quick to collect money, and very slow to refund*”.¹¹

⁷ Bloomberg, 18 Sep 2024

⁸ Xinhua, 10 Oct 2024

⁹ Diggers, 24 Aug 2024

¹⁰ Diggers, 9 Oct 2024

¹¹ Newswire, 9 Aug 2024

Planner

13 Nov 2024 **Lusaka (Zambia) Bank of Zambia** Monetary Policy Committee meets
 2026 **(Zambia)** General election

Chronology

13 Oct 2024 **Lusaka (Zambia)** *Lusaka Times*. President **Hakainde Hichilema** welcomes **International Monetary Fund (IMF)** mission chief **Mercedez Vera Martin** and her delegation at the **State House** for high-level talks focusing on mutual interests;

10 Oct 2024 **Lusaka (Zambia)** *Reuters*. Health reports the country's first case of mpox;

10 Oct 2024 **Lusaka (Zambia)** *Times of Zambia*. **Africa GreenCo Group (GreenCo)** has partnered with the **United States International Development Finance Corporation (DFC)** to provide \$40m to support renewable energy projects across Southern African countries including Zambia, **South Africa** and **Namibia**;

9 Oct 2024 **Lusaka (Zambia)** *Times of Zambia*. Visiting **Saudi Arabian** mineral resources vice-minister **Abdulrahman Albalushi** says his country is seeking to learn from Zambia's mining sector as it embarked on diversifying its economy from oil and gas;

8 Oct 2024 **Lusaka (Zambia)** *Times of Zambia*. The **Industrial Development Corporation (IDC)** and a **Chinese** company **Jijia International** sign a memorandum of understanding (MoU) for the construction of a \$37m cholera vaccine plant in Lusaka;

8 Oct 2024 **Lusaka (Zambia)** *Diggers*. **Nangoma (Central Province)** legislator **Collins Nzovu** says ten people have been confirmed dead while five are still missing after a mine accident at **Lwiili Mine**;

7 Oct 2024 **Lusaka (Zambia)** *Lusaka Times*. The inaugural **2024 Zambia Mining and Investment Insaka** opens, attracting over 2,500 delegates;

7 Oct 2024 **Lusaka (Zambia)** *Lusaka Times*. Zambia signs a landmark \$50m cooperation agreement with the **Arab Bank for Economic Development in Africa (BADEA)** to finance the construction of the **Kalabo-Sikongo-Angola Road Project** in **Western Province**;

4 Oct 2024 **Lusaka (Zambia)** *Times of Zambia*. **First National Bank (FNB) Zambia** says fiscal measures proposed in the **2025 National Budget** and the optimism surrounding the mining sector will result in the lower cost of money in the economy;

2 Oct 2024 **Lusaka (Zambia)** *Diggers*. Former president **Edgar Lungu** accuses President **Hakainde Hichilema** of conspiring with the judiciary to prevent him from running in the 2026 presidential election;

1 Oct 2024 **Luanda (Angola)** *Zambia Monitor*. **World Bank's Zambia Public Finance Review Report** says Zambia's tax efficiency is being undermined by a generous incentive regime and ongoing tax administration challenges;

26 Sep 2024 **Lusaka (Zambia)** *Bloomberg*. Statistics agency **Zamstats** reports annual inflation rises to 15.6% in September from 15.5 in August, its highest level in nearly four years;

27 Sep 2024 **Livingstone (Zambia)** *Diggers*. Statistics agency **Zamstats** reports the economy expanded by 1.7% in the second quarter, down from 2.2% in the previous quarter due to reduced agricultural output and limited hydropower generation;

25 Sep 2024 **Lusaka (Zambia) Engineering News**. Infrastructure financier **Africa Finance Corporation (AFC)** signs concession agreements with **Angola** and **Zambia** for the financing, construction, ownership and operation of the **Zambia Lobito** rail project;

24 Sep 2024 **Lusaka (Zambia) BBC**. President **Hakainde Hichilema** suspends three judges over alleged judicial misconduct, who in 2016 dismissed Hichilema's petition challenging former president **Edgar Lungu's** election victory;

23 Sep 2024 **Lusaka (Zambia) Reuters**. **Canada's First Quantum Minerals** temporarily suspends operations in the area of a fatal accident at its **Kansanshi Copper Mines** as it has launches an internal investigation into the accident;

21 Sep 2024 **Lusaka (Zambia) Engineering News**. **Chamber of Mines** meets with the mines ministry to discuss differences over the draft legislation that would enable government to acquire mining rights for investment;

19 Sep 2024 **Lusaka (Zambia) Lusaka Times**. **Germany** awards **Zambia** €108 million (\$118.93m) to bolster the country's development agenda over the next two years. This pledge includes €26 million (\$28.36m) previously pledged for drought relief and resilience-building efforts;

17 Sep 2024 **Lusaka (Zambia) Mining.com**. **Chamber of Mines** once again says proposed legislation and policy reforms, mainly around state control over minerals, pose a threat to investors' rights;

9 Sep 2024 **Lusaka (Zambia) Miningmx**. **Canada**-headquartered uranium exploration firm **GoviEx** says it has acquired a 51% stake in the **Lundanzi** exploration licence from **United Kingdom**-headquartered **Stalwart Investments**.

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