

## AFRICA RISK CONSULTING

### Zambia Monthly Briefing January 2023

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#### Zambia Summary 18 January 2023

*The International Monetary Fund executive board on 20 December approves a second tranche payment of \$187m under Zambia's \$1.3 billion Extended Credit Facility (ECF) programme. ZCCM Investment Holdings (ZCCM-IH) announces on 22 December that United Arab Emirates' International Resources Holdings (IRH) will invest \$1.1 billion in the Mopani Copper Mines (MCM) through debt and equity in return for 51% ownership of the business. Finance minister Situmbeko Musokotwane says in a press brief on 6 January that he expects improved economic prospects for Zambia in 2024 on the back of the two recently announced major investments in the copper mines and the IMF's \$187m payment.*

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#### IMF releases \$187m loan to Zambia

The **International Monetary Fund (IMF)** on 20 December released a \$187m loan payout to Zambia as part of its \$1.3 billion **Extended Credit Facility (ECF)** aimed at restoring macroeconomic stability and debt sustainability.<sup>1</sup> The ECF facility was adopted in August 2022 to support Zambia's homegrown 8<sup>th</sup> **National Development Plan (NDP)** that seeks to entrench macroeconomic stability, attain debt and fiscal sustainability, foster inclusive growth, and improve the livelihood of the people.

Zambia defaulted on its debts three years ago during the **Covid-19** pandemic, and efforts to restructure its debts have been hampered by delays. In November, the country suffered a setback when its official creditors rejected a debt restructuring deal that the country had agreed with its bondholders over whether it offered comparable debt relief to what they had agreed to.<sup>2</sup> Zambia's **Official Creditors Committee (OCC)**, led by **China** and **France**, expressed reservations about the deal with the bondholders after indications surfaced that the bondholders would receive a third more than governments if the deal went ahead (*see ARC Briefing Zambia Dec 2023*).

Zambia's economic performance has proven resilient despite recurrent shocks and delays in debt restructuring with growth revised upwards to 4.3% in 2023 thanks to strong performance in the non-agricultural and non-mining sectors, despite weakened mining production.

The IMF praised the authorities for continuing to take steps to restore fiscal and debt sustainability, raise and safeguard social spending, preserve financial stability, and intensify structural and governance reforms to unlock Zambia's growth potential. Following the IMF executive board's discussion on Zambia, **Antoinette Sayeh**, deputy managing director and acting chair, urged Zambian authorities to continue with the reform programme and tighten its monetary and fiscal policies:

*"Zambia's performance under its Fund-supported program has remained satisfactory, including continued fiscal consolidation—despite lower mining revenues—and structural reform implementation."<sup>3</sup>*

Sayeh also noted that the **Bank of Zambia** (central bank) is ready to tighten monetary policy further to ensure that inflation falls within the monetary policy band of between 6% and 8%. Annual inflation

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<sup>1</sup> [Bloomberg](#), 20 Dec 2023

<sup>2</sup> [Bloomberg](#), 20 Nov 2023

<sup>3</sup> [www.imf.org](http://www.imf.org), accessed 18 Jan 2024

stood at 13.1% in December.<sup>4</sup> The central bank on 20 November increased the key lending rate by the highest margin in four years to 11% from 10% after inflation hit a then 20-month high of 12.9% in November (see *ARC Briefing Zambia Dec 2023*). The central bank is also committed to maintaining exchange rate flexibility and to stepping up the pace of reserve accumulation to strengthen external resilience.<sup>5</sup>

Following the rejection of the bondholders' deal by the official creditors in November, Zambia now hopes to agree on key conditions for restructuring the \$3 billion of its bonds no later than the first quarter of 2024.<sup>6</sup> Debtor countries are meant to agree on comparable restructuring deals with official and commercial creditors under the **G20 Common Framework** process, which was established in 2020 in response to the Covid-19 pandemic.

### Abu Dhabi firm to invest \$1.1bn into Mopani copper mines

State-owned **ZCCM Investment Holdings (ZCCM-IH)** announced on 22 December that the **United Arab Emirates**-headquartered **International Resources Holdings (IRH)** will invest \$1.1 billion in Zambia's **Mopani Copper Mines (MCM)** through debt and equity in return for 51% ownership of the business.<sup>7</sup> Zambia had been seeking a new investor for Mopani since it took control of the assets from **Switzerland**-headquartered **Glencore** in 2021 after agreeing to pay the company \$1.5 billion in a deal funded by debt.<sup>8</sup>

In November, Zambia picked IRH, a subsidiary of **International Holdings Company (IHC)**, as the strategic equity partner in Mopani, which was being pursued by several investors looking for copper assets. Also announcing the deal, President **Hakainde Hichilema** (2021-present) said \$620m will be provided in the form of new equity capital in return for a 51% stake in MCM and approximately \$400m will be provided as a shareholder loan to MCM as part of the consideration to settle the \$1.5 billion debt owed to Glencore. Hichilema added that this is the first time that a transaction has been able to agree on a new equity capital with a share factor of 51% stake in MCM and 49% to the government through ZCCM-IH.

IRH's investment will be used to fund the mine's production expansion plan and provide working capital. Mopani requires \$300m to expand production to 200,000 metric tonnes of copper in the next three years. The miner produced 72,694 metric tonnes of copper in 2022, down from 87,618 metric tonnes in 2021.<sup>9</sup>

This deal, along with a pledge by **India**-headquartered **Vedanta** in November 2023 to invest \$1.2 billion into **Konkola Copper Mines (KCM)** together will go a long way in stabilising the exchange rate which has been on a free fall last year, mostly due to lower foreign currency inflows. The investments into the two mines will also push up copper production in the country with a well-recapitalised MCM and KCM estimated to have the capacity to add between 500,000 and 600,000 tonnes of copper per annum.<sup>10</sup>

### Finance minister bullish on 2024 economic prospects

The year 2023 was characterised by low mining production, high inflation, and exchange rate volatility but finance minister **Situmbeko Musokotwane** sees a reversal in economic prospects in 2024. The minister gave a press briefing on 6 January, noting that the government sees the new investments in the mining sector in the **Copperbelt** province driving the anticipated growth while an increase in agriculture and manufacturing activities are seen as additional contributors to the

<sup>4</sup> [Zambia Statistics Agency](#), accessed 18 Jan 2024

<sup>5</sup> [www.imf.org](http://www.imf.org), Accessed 18 Jan 2024

<sup>6</sup> [Reuters](#), 4 Jan 2024

<sup>7</sup> [Lusaka Times](#), 22 Dec 2023

<sup>8</sup> [Reuters](#), 22 Dec 2023

<sup>9</sup> [Reuters](#), 1 Dec 2023

<sup>10</sup> [Times of Zambia](#), 27 Dec 2023

country's economic resurgence.<sup>11</sup> Musokotwane also added his belief that the new copper mine deals, IMF disbursement and an agreement to restructure Zambia's debt will go a long way in restoring market confidence.

In a period of six months to December 2023, the exchange rate fell from K16 per dollar to K26 per **United States (US)** dollar, depreciating 23.27% in 2023. This in combination with reduced foreign exchange flows has driven inflation up, which as mentioned, reached a two-year high of 13.1% in December. This made 2023 a volatile year that saw the central bank hike interest rates four times.<sup>12</sup>

The minister announced that the government has secured parliamentary approval to borrow K33.3 billion (\$1.27 billion) under the 2024 national budget from both domestic and external sources. This borrowing will be conducted under consideration to gradually reduce the borrowing rate from 14% to 5.2% of GDP.<sup>13</sup>

The IMF sees economic growth rising to 4.7% while US-headquartered **Fitch** also foresees growth reaching 4.8% in 2024, driven by higher copper prices and improved investor sentiment. The 2024 budget has forecast growth of 4.8%, in line with the IMF and Fitch's predictions.

## Planner

Feb 2024 Lusaka (**Zambia**) **Bank of Zambia** (central bank) **Monetary Policy Committee (MPC)** meets.

5-8 Feb 2024 **Cape Town (South Africa)** Africa Mining Indaba

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

## Chronology

17 Jan 2024 **Washington (USA)** *Reuters*. **United States** treasury under secretary for international affairs **Jay Shambaugh** speaks with finance minister **Situmbeko Musokotwane** to discuss Zambia's ongoing debt restructuring and its response to a recent cholera outbreak that has killed 333 people;

17 Jan 2024 **Lusaka (Zambia)** *Bloomberg*. Transport and logistics ministry says Zambia plans to build a new rail connection to link a **Lake Tanganyika** harbour to an existing line that runs to neighbouring **Tanzania**, boosting trade with three other countries that share borders with the world's longest freshwater lake, and has asked companies to express interest in financing, building and running the concession that will be about 192 kilometres long;

17 Jan 2024 **Lusaka (Zambia)** *Lusaka Times*. Zambia commences the administration of 1.4 million **World Health Organization (WHO)**-supported cholera vaccines with President **Hakainde Hichilema** acknowledging the crucial support and emphasising that the vaccines provide a substantial boost to the nation's robust cholera response;

16 Jan 2024 **Lusaka (Zambia)** *Diggers*. Government says it will make adjustments to the 2024 national budget to finance increased expenditures to fight the current cholera outbreak;

15 Jan 2024 **Lusaka (Zambia)** *Times of Zambia*. Energy minister **Peter Kapala** says **TAZAMA Pipeline Limited**, the company that owns the pipeline that carries fuel from the port of **Dar es Salaam** in **Tanzania** to Zambia, has applied for a licence to commence blending of fuel with bio ethanol for local consumption;

<sup>11</sup> [Lusaka Times](#), 6 Jan 2024

<sup>12</sup> [Bloomberg](#), 28 Dec 2023

<sup>13</sup> [Diggers](#), 17 Jan 2024

15 Jan 2024 **Lusaka (Zambia) Diggers**. **Swedish** ambassador to Zambia, **Johan Hallenborg** says Swedish companies are hesitating to invest in Zambia because of “*pervasive*” corruption, which prompts them to move their investments elsewhere;

15 Jan 2024 **Lusaka (Zambia) Diggers**. Cabinet signs and endorses a statutory instrument banning gatherings of more than five people who are not family amid the country’s worst cholera outbreak;

13 Jan 2024 **Lusaka (Zambia) Lusaka Times**. The **Copperbelt Energy Corporation (CEC)** is raising \$200m from a **Green Bond**, listed on the **Lusaka Stock Exchange**, for the development of solar energy generation investments of about 200MW. Finance minister **Situmbeko Musokotwane** also confirms that as of 28 December, the first \$54m allotment was fully subscribed;

11 Jan 2024 **Lusaka (Zambia) Times of Zambia**. Zambia has been named among the top 10 must-visit destinations in 2024 and the best place to view wildlife in the world by the **Association of British Travel Agents (ABTA)**, a trade association for the **United Kingdom (UK)** travel agents, tour operators and the wider travel industry;

11 Jan 2024 **Lusaka (Zambia) ZNBC**. The **World Bank** approves a \$100m credit facility towards Zambia’s green, resilient and transformational tourism project with the funds aimed at boosting nature-based opportunities in emerging tourism destinations.

11 Jan 2024 **Lusaka (Zambia) BBC**. President **Hakainde Hichilema** urges citizens to relocate from towns to villages amid a cholera outbreak that has killed at least 300 people, citing that poor sanitation in densely populated urban areas allows the disease to spread;

9 Jan 2024 **Lusaka (Zambia) Caj News Africa**. The current cholera outbreak is testing Zambia’s ailing health sector, as hospitals face congestion and intermittent shortages of basic lifesaving drugs with cases exceeding 5,000, more than 1,000 patients in hospital, and the death toll nearing 200;

8 Jan 2024 **Lusaka (Zambia) Times of Zambia**. **Millers Association of Zambia (MAZ)** president **Andrew Chintala** says the supply of wheat in the country is stable and millers currently have sufficient stock to last until May, with the current stock of wheat all from the local harvest;

4 Jan 2024 **Lusaka (Zambia) Times of Zambia**. The **Zambia Development Agency (ZDA)** announces that two **Chinese** companies have pledged \$5 billion for the setting up of a Special Economic Zone (SEZ) in a place yet to be named, with the zone expected to create at least 10,000 jobs in Zambia;

4 Jan 2024 **Lusaka (Zambia) Zambian Treasury**. Treasury secretary **Felix Nkulukusa** says Zambia plans to resolve a standoff among its creditors within the next three months that has stalled efforts to restructure its debt;

3 Jan 2024 **Lusaka (Zambia) Moneyweb**. Zambia has delayed the start of its school year by three weeks, echoing measures taken in January 2018, as cholera deaths climb;

3 Jan 2024 **Lusaka (Zambia) Times of Zambia**. The **Oil Marketing Companies Association of Zambia (OMCAZ)** calls on government to expedite the process of amending the **Petroleum Exploration and Production Bill number 10 of 2021** which will facilitate the participation of private companies in the sector;

2 Jan 2024 **Lusaka (Zambia) Lusaka Times**. President **Hakainde Hichilema** conveys his congratulations to President **Félix Tshisekedi** on his re-election as president of **Democratic Republic of Congo (DRC)**;

30 Dec 2023 **Lusaka (Zambia)** *Lusaka Times*. **Copperbelt** minister **Elisha Matambo** issues a ban on small-scale mining activities at the **Sensele Open Pit Mine** following recent accidents at the mine;

27 Dec 2023 **Lusaka (Zambia)** *South China Morning Post*. Foreign minister **Stanley Kakubo** has resigned, hours after he was embroiled in a social media frenzy over alleged dealings with a **Chinese** businessman;

20 Dec 2023 **Lusaka (Zambia)** *Times of Zambia*. President **Hakainde Hichilema** fires **Zambia Air Force (ZAF)** commander **Collin Barry** and replaces him with deputy ZAF commander **Oscar Nyoni**;

18 Dec 2023 **Lusaka (Zambia)** *The Guardian*. **South Africa's** high court dismisses a class-action case brought against multinational mining company **Anglo American** on behalf of 140,000 Zambian women and children who allege they have suffered lead poisoning from one of Anglo American's mines in **Kabwe**;

17 Dec 2023 **Lusaka (Zambia)** *Lusaka Times*. Energy minister **Peter Kapala** confirms Zambia and **Zimbabwe's** water allocation for hydropower generation from **Kariba Dam** is set to be reduced to 16 billion cubic meters this year from 30 billion cubic meters last year due to the declining water levels attributed to the **El Niño** climate pattern;

14 Dec 2023 **Lusaka (Zambia)** *Lusaka Times*. A task force from the state-run **China Civil Engineering Construction Corporation (CCECC)** arrives in **Dar es Salaam (Tanzania)** to conduct a comprehensive business and technical inspection of the **Tanzania-Zambia Railway Authority (TAZARA)** before China's proposed takeover of the railway line;

14 Dec 2023 **Lusaka (Zambia)** *Bloomberg*. The **Bank of China** plans to use its office in Zambia to increase trade using the renminbi with Zambia and others in the region as part of China's efforts to diminish the use of the dollar.

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