

**ZAMBIA RESEARCH NOTE****Theatre of the absurd**

*The last few weeks have been emblematic of **the farce that passes for economic stewardship in Zambia.***

1) In late February, the BoZ Governor had pointedly warned that *“prompt and effective implementation of fiscal adjustment measures remains critical”*<sup>1</sup>. As if to underscore the growing budget squeeze, it emerged a week later that most civil servants<sup>2</sup> were yet to receive their salaries, which are typically disbursed between the 18<sup>th</sup> and 20<sup>th</sup> of each month.

2) Yet it was also on March 1<sup>st</sup> that Zambia took delivery of a **new jet for President Lungu – a Gulfstream 650 with a reported price tag of USD 70 million**<sup>3</sup>. It is unclear how this extravagance is to be paid for, especially with scheduled payments on the Republic’s foreign debt amounting to more than 90% of gross international reserves<sup>4</sup>.

3) That same week we learned that there is an acute shortage of maize in Southern province<sup>5</sup> where traders report that farmers, who have historically been suppliers of grain, have now become active buyers<sup>6</sup>. The situation is so serious that the **Food Reserve Agency has been forced to start distributing product** from the strategic grain reserve<sup>7</sup>.

4) Undeterred by logic, the **Agriculture ministry has since chosen to lift the prohibition on exporting the cereal** from which Zambia’s mealie-meal staple is derived. On the basis of past form, it can be reasonably assumed that the rationale for the new dispensation is to **permit traders affiliated with the ruling party to arbitrage the commodity’s steep, cross-border price-differential**<sup>8</sup>.

5) There is a statistical corollary to the above anomaly. Logically, the surge in the price of mealie-meal should have produced a knock-on effect upon the CPI of which the food component accounts for 53.49%. Yet, somehow **the official inflation print for February indicates a deceleration to 7.8%** (year/year) from 7.9% the previous month. Even less plausibly, the food sub-index is reported to have declined to 7.7% (y/y), from January’s rate of 8.2%.

Not for the first time, **Zambia’s numbers simply do not add up** - as the IMF team due in Lusaka this month, is likely to discover.

<sup>1</sup> See MPC Statement, Feb. 19, 2019.

<sup>2</sup> With the notable exception of employees in the office of the President, the Air force and the Army.

<sup>3</sup> It is worth recalling that last October, the Government ordered a Sukhoi SSJ100 (VIP) jet for President Lungu’s use, the third such aircraft purchased in as many years.

<sup>4</sup> It is worth recalling that the central bank is so concerned that it is now considering the somewhat fanciful step of asking Beijing to convert the denomination of its claims on Zambia from USD to *Renmimbi*. See report in *“Zambian Central Bank Mulls China Debt Swap to Build Reserves”*, posted by [Bloomberg](#); Feb. 20, 2019.

<sup>5</sup> This is simply the latest manifestation of the drought conditions now spreading across the southern Africa region, bearing out the FAO’s repeated warnings. See [FAO Bulletin](#): “Regional office for Southern Africa prepares for the looming 2018/19 El Nino occurrence”, Nov. 21, 2018.

<sup>6</sup> As a result, the price of the grain has reportedly hit Kw 140 locally – up 40% from its level this time last year.

<sup>7</sup> Five months ago, the National Farmers’ Union reported that, with the current maize season drawing to a close, the Food Reserve Agency has only managed to purchase 28% of the 500,000 MT target, provided for in the 2018 budget.

<sup>8</sup> As recently as late January, the party’s Youth Secretary for Ndola district (Copperbelt) was arrested in a truck carrying 1.75 tonnes of mealie-meal, on a dirt-road in the Kawama district, a mere stone’s throw from the border with D.R.C.

<sup>9</sup> Gen. Chimense’s name would repeatedly crop up in connection with military procurement scandals (as well as the surreptitious transfer of prime real-estate belonging to the Air Force, to politically connected developers).

<sup>10</sup> The minister’s exploits, particularly in connection with Zambia’s extravagant roads programme, have long been the stuff of legend.

6) For those trying to pierce the veil surrounding Zambia's relentless spending spree, the last fortnight has offered some fascinating insights. To start with, we had the successive **arrests of the retired Air Force commander**, Gen. Eric Chimense<sup>9</sup> **and infrastructure minister** Ronald Chitotela<sup>10</sup>. Each is charged, *inter alia*, with: possessing property suspected to be the proceeds of a crime; and, concealing ownership of said assets.

7) Despite the damning evidence against the Minister<sup>11</sup>, he remains defiantly *en poste*, with President Lungu insisting on the injustice of "**removal before conviction** (sic)". The clear inference is that Chitotela's arrest was orchestrated not by State House<sup>12</sup>, but by rivals in the Cabinet, keen to sideline a potential vice-presidential aspirant<sup>13</sup>.

8) Evidently, the embattled Minister has no intention of going down alone. Reportedly, he has begun **providing testimony**<sup>14</sup>, backed by documentary evidence, **against three Cabinet members**:

- Dr Chitalu Chilufya (Health)<sup>15</sup>;
- Vincent Mwale (Local government)<sup>16</sup>; and,
- Stephen Kampyongo (Home affairs)<sup>17</sup>.

The Pandora's box that Mr. Chitotela's arrest seems to have opened could conceivably produce a string of disclosures that might eventually shed light on the arcane financing arrangements surrounding some of the mega-projects being implemented by Chinese contractors.

9) In late February, there had appeared in the publication in *Zambia Reports*, a **322-word advertorial** for the Paramount Group of S. Africa, disguised as a feature by columnist Chris Phiri. Although the Mwombe 4 armoured personnel carrier had only just been rolled out<sup>18</sup>, there was every **reason to suspect that Zambia would emerge as an early adopter**<sup>19</sup>.

10) Less than 24 hours later, defence minister Davies Chama announced, at a forum in S. Africa, that Zambia is in the process of "**acquiring equipment to modernize its armed forces**"<sup>20</sup>. What is unclear is how the relevant order will be financed – or, more specifically, what assets will be pledged to secure the relevant credit facility.

The Lungu administration appears to have adopted without question the long discredited maxim, "**As long as the music's playing, you've got to get up and dance**". And, like the hapless Chuck Prince, they will have to learn from experience that **it ain't necessarily so**.

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<sup>11</sup> And the outraged calls from the political opposition and civil society alike. In the interim, the UK High Commissioner has commented that, "**There is no doubt that an even stronger signal will be sent if the minister was sacked, if the minister is successfully prosecuted.**"

<sup>12</sup> The prevailing wisdom is that Mr. Lungu has been a significant beneficiary of the Minister's misdeeds.

<sup>13</sup> The incumbent, Inonge Wina, has been repeatedly indisposed of late and recently spent four weeks in hospital, in India. She only returned to Lusaka last week.

<sup>14</sup> "**The Minister is now supplying us with unsolicited but key data around the dealings of his colleagues in Cabinet and it shouldn't be too long before we move in to effect arrest.**" Statement by senior official at the Anti-Corruption Commission, as quoted by the *Lusaka Times*.

<sup>15</sup> He oversaw the infamous 2017 purchase of 50 ambulances at a unit cost of USD 230,000 each. This was around the same time that the Swedish government donated a fleet of 25 all-terrain ambulances equipped with life-support equipment, purchased through the United Nations procurement system at a unit cost of \$52,550.

<sup>16</sup> His claim to fame is the 2017 procurement of 42 fire-trucks, at a unit cost of USD 1 million – an initiative that required the collaboration of his counterpart at Home affairs.

<sup>17</sup> See Footnote 15.

<sup>18</sup> I.e. at the International Defence Exhibition currently being held in Abu Dhabi.

<sup>19</sup> It is worth recalling that two months after the 2016 election, it emerged that Mr. Lungu had shrugged off Zambia's deepening fiscal crisis to order a fleet of 15 armoured personnel. Manufactured by the Paramount Group, the vehicles carried an average price tag of USD 485,000. Based on the consistently dubious standards of official procurement in Zambia, it is safe to assume that the relevant invoice involved a considerably higher figure.

<sup>20</sup> See "**Zambia to procure modern equipment for the Army**", by *Lusaka Times*, Feb. 20, 2019.

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