

## AFRICA RISK CONSULTING

### Zimbabwe Briefing June 2025

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#### Zimbabwe Summary 12 June 2025

*President Emmerson Mnangagwa (2017-present) meets a team from the International Monetary Fund (IMF) as talks advance for Zimbabwe to be re-admitted into a Staff-Monitored Program (SMP), a key step toward resolving its \$21 billion debt burden and ending its international financial isolation. The international community expresses mixed reactions to Zimbabwe's ambitious plan to secure \$2.6 billion in bridge finance by early 2026, casting uncertainty over its debt resolution strategy despite some progress in economic reforms. Energy minister July Moyo unveils a bold and ambitious energy transformation, targeting a massive \$9 billion investment to overhaul the power sector and fuel long-term economic growth.*

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#### Mnangagwa leads IMF discussions

President **Emmerson Mnangagwa** (2017-present) on 9 June met with a team from the **International Monetary Fund (IMF)** as talks advance for the country to be re-admitted into a staff-monitored programme (SMP), a key step toward resolving **Zimbabwe's** \$21 billion debt burden and ending Zimbabwe's financial isolation.<sup>1</sup> Zimbabwe lost access to global capital markets after its 1999 default left it with a high burden.

Zimbabwe's pursuit of an SMP, formally requested in 2023, is driven by multiple interconnected crises. With public debt soaring to \$21.2 billion – equal to 96.6% of GDP - and classified as unsustainable by the IMF, the country is effectively locked out of concessional financing and burdened by external arrears. The SMP offers a pathway to debt resolution through the Structured Dialogue Platform (SDP), potentially unlocking access to vital external funding. Finance minister **Mthuli Ncube** emphasized the mission's importance, framing it as demonstrating Zimbabwe's *"commitment to economic reforms and fiscal discipline"*.<sup>2</sup>

Zimbabwe's economy is facing significant headwinds. Growth plummeted from 5.3% in 2023 to an estimated 2% in 2024, primarily due to an **El Niño**-induced drought that reduced agricultural output by 15% and reduced hydropower generation. While a rebound to 6% growth is projected for 2025, contingent on better harvests and improved mineral terms-of-trade, underlying fragility persists.

The introduction of the gold-backed ZiG currency in April 2024 aimed to halt a cycle of hyperinflation and currency collapse. Initial stability was achieved, with monthly ZiG inflation averaging 2.3%. However, a 43% devaluation in September 2024, intended to narrow the gap with the parallel market, eroded confidence and accelerated dollarisation. Currently, approximately 80% of transactions still occur in **United States (US)** dollars or **South African** rand.<sup>3</sup>

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<sup>1</sup> Herald, 10 Jun 2025

<sup>2</sup> Zimbabwe Mail, 9 Jun 2025

<sup>3</sup> Reuters, 27 Sep 2024

The IMF has explicitly stated it wants the ZiG to become Zimbabwe's national currency, but significant hurdles remain. Despite recent convergence, a gap persists between the official rate of ZiG 26.96/\$ and the parallel rate of ZiG 32-35/\$, indicating lingering market scepticism.

Speaking after the meeting with Mnangagwa, IMF mission chief **Wojciech Maliszewski** stressed the need for "*deepening the foreign-exchange market*" and achieving "*one exchange rate*," driven by market forces, not intervention.<sup>4</sup> Crucially, the ZiG's lack of convertibility into gold undermines its gold-backed promise, and public trust remains low due to past currency failures.

The SMP discussions focus heavily on "*adjusting the fiscal position to avoid monetary financing and new arrears*".<sup>5</sup> A critical concern is managing off-budget fiscal risks, particularly the opaque operations of the sovereign wealth fund, the **Mutapa Investment Fund**.

Negotiations for a new SMP appear to be advanced, with both sides aiming for a staff-level agreement by the end of June.<sup>6</sup> The staff-level agreement is a technical understanding on required reforms which pave the way for the IMF executive board's formal SMP approval. While an SMP brings no immediate funds, its successful implementation is the essential gateway to comprehensive debt restructuring, arrears clearance, and eventual access to IMF financial support.

A credible SMP offers Zimbabwe a chance to break the cycle of instability, attract investment, and harness its significant human and natural resource potential. Failure risks deeper isolation, prolonged economic hardship, and further erosion of living standards. The IMF previously implemented a 15-month SMP in Zimbabwe which concluded in 2016, and another one in 2019.<sup>7</sup> Despite clearing its 15-year outstanding debt arrears with the IMF, amounting to \$108m, in 2016, Zimbabwe remains ineligible to receive new loans from the **Bretton Woods** institution until it clears arrears with other international financial institutions and bilateral creditors.

### **Tepid response to Zimbabwe's request for \$2.6 billion bridge finance**

The international community has expressed mixed reactions to Zimbabwe's ambitious plan to secure \$2.6 billion in bridge finance by early 2026, casting uncertainty over its debt resolution strategy despite progress in economic reforms. Zimbabwe formally requested support from ten nations, namely **Algeria, Brazil, China, France, Germany, Italy, Japan, South Africa, the United Arab Emirates (UAE), and the United Kingdom**, to act as bilateral financiers for the \$2.6 billion package. This funding would specifically target arrears owed to the **World Bank, African Development Bank (AfDB), and European Investment Bank (EIB)**.

However, responses have been tepid and non-committal. Ncube noted that the financing is essential to clear decades-old arrears to multilateral lenders and regain access to global capital markets, but also acknowledged the uneven reactions:

*"Some of them are very warm, some of them not so warm. You will get a varied response."*<sup>8</sup>

Several factors explain the hesitation, chief among them, the pre-existing creditor status. Seven of the solicited nations, including China and Germany, are already Zimbabwean creditors, complicating new financial commitments. On the other hand, the EIB insists on being a "*preferred creditor*" for its \$390m claim (\$150m principal + interest), demanding full repayment without losses.<sup>9</sup> Despite financing hurdles, Zimbabwe has advanced reforms critical to creditor

<sup>4</sup> Reuters, 27 Sep 2024

<sup>5</sup> Reuters, 27 Sep 2024

<sup>6</sup> Herald, 28 May 2025

<sup>7</sup> Xinhua, 21 Jul 2023

<sup>8</sup> Bloomberg, 2 Jun 2025

<sup>9</sup> Bloomberg, 2 Jun 2025

confidence with IMF talks at an advanced stage (see above). Others reforms the country is implementing, is around land compensation, with over 378 displaced farmers receiving initial payments under the **Global Compensation Deed** in April. The AfDB and international stakeholders praised this as a landmark reconciliation effort.<sup>10</sup>

Zimbabwe's arrears clearance process, championed by outgoing AfDB president **Akinwunmi Adesina** and facilitated by former **Mozambican** president **Joaquim Chissano** (1986-2005), aligns with the **G20 Common Framework** for debt restructuring. Yet governance concerns linger. The passage of the **Private Voluntary Organization (PVO) Bill** was cited as a "*significant setback*" by Adesina, highlighting tensions between political reforms and economic pragmatism.<sup>11</sup> Signed into law on 11 April, the **PVO Amendment Act** grants the government sweeping powers to monitor nongovernmental organisations (NGOs), suspend their leadership, and scrutinise funding sources.<sup>12</sup>

Officials argue that the act prevents money laundering and ensures security and accountability, but critics, including the EU and US-headquartered **Human Rights Watch**, believe it stifles dissent and violates democratic norms. The EU swiftly suspended €20m (\$22.5m) in governance funding, citing the law's erosion of civic space, a key precondition for debt talks.

This crackdown alarmed Western creditors, who view civil society engagement and political reforms as integral to debt sustainability. With Zimbabwe ranking 158<sup>th</sup> out of 180 countries in **Transparency International's Corruption Perceptions Index (CPI)**, the act exacerbates governance concerns, slashing the likelihood of Western bridge financing. With the 2026 deadline approaching, the bridge finance effort remains a test case for African debt resolution and Zimbabwe's economic future.

### Zimbabwe unveils \$9 billion energy transformation plan

Energy minister **July Moyo** unveiled Zimbabwe's ambitious energy transformation plan that targets \$9 billion in investment to overhaul the power sector and fuel long-term economic growth. Moyo announced the plan at an event co-hosted by the World Bank and AfDB as part of its Mission 300 initiative, which aims to accelerate private energy investment across Africa.

Zimbabwe has an installed power capacity of nearly 3,000MW but is currently generating around half of that due to years of underinvestment. To meet rising demand, driven by growth projects in mining, agriculture, and industry, the country aims to expand capacity to over 5,400MW by 2030. In total, Zimbabwe hopes to raise \$4.42 billion of this from private sources by 2026. The government has also set an ambitious goal for renewable energy sources to contribute 27% of the national energy mix by 2030.

The government is working on sweeping policy reforms, such as more competitive tariffs, in a bid to attract international investors with major projects, signalling a decisive shift towards energy security and sustainability. Some of the crucial reforms Zimbabwe is implementing include an amendment to the **Zimbabwe Investment and Development Agency (ZIDA) Act** with the aim to streamline processes, enhance investor protections, and create a more predictable and attractive environment for foreign capital. The government also plans to launch a competitive **Independent Power Producer (IPP)** procurement framework by the second quarter of 2026. The pitch is a more liberalised energy market, backed by currency guarantees, cost-reflective tariffs, and easier repatriation of profits.<sup>13</sup>

<sup>10</sup> BBC, 10 Apr 2025

<sup>11</sup> Newswire, 24 Apr 2025

<sup>12</sup> Bloomberg, 14 April 2025

<sup>13</sup> Business Times, 5 Jun 2025

Zimbabwe's \$9 billion energy plan represents its most comprehensive and ambitious attempt in decades to tackle the power crisis head-on. The coupling of concrete policy reforms with a portfolio of major projects, such as the \$5 billion **Batoka Goerge Project**, signals a serious commitment.

If successfully implemented, it has the potential to transform Zimbabwe's economic landscape, end load shedding, and set the country on a path toward sustainable growth and energy independence.

### Planner

27 Jun **Harare (Zimbabwe) Reserve Bank of Zimbabwe** (central bank) **Monetary Policy Committee (MPC)** meeting

Jul 2025 **Harare (Zimbabwe)** Mid-Term Budget Review

28 Nov 2025 (**South Africa**) Expiry of special residence permits for **Zimbabweans** living in South Africa

### Chronology

11 Jun 2025 **Harare (Zimbabwe) Herald**. **British Virgin Islands-based Premier African Minerals Limited** advances its flagship Zulu lithium and tantalum project located in **Matabeleland South**, by settling \$1.1m in contractor invoices through equity;

10 Jun 2025 **Harare (Zimbabwe) Herald**. Preparations begin for the ruling **Zanu-PF's 22<sup>nd</sup> Annual National People's Conference**, with the party forming technical and preparatory committees to ensure a successful event;

9 Jun 2025 **Bulawayo (Zimbabwe) Herald**. Bulawayo is pursuing a sister city partnership with a **Japanese** municipality at the **Osaka Expo 2025** with the goal of enhancing collaboration through the **Mayoral Alliance EXPO** and **Clean City Initiatives** to advance environmental sustainability and regional development;

8 Jun 2025 **Harare (Zimbabwe) Herald**. **Reserve Bank of Zimbabwe** (central bank) urges the government and private sector to build more industrial capacity to reduce the country's heavy reliance on mineral exports, which currently make up 65-80% of export earnings and expose the economy to volatile global commodity prices;

5 Jun 2025 **Harare (Zimbabwe) Newsday**. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) is now closely monitoring inflation after the annual ZiG rate accelerated by 6.4% last month to 92.1%, with the bank expecting it to continue rising through to September;

5 Jun 2025 **Harare (Zimbabwe) Zimbabwe Mail**. **Econet Wireless Zimbabwe** is set to begin onboarding corporate clients to its new 5MW data centre in Harare by the end of this month, a facility designed to boost the nation's digital infrastructure;

4 Jun 2025 **Harare (Zimbabwe) Zimbabwe Mail**. Zimbabwe is moving closer to gas production after **Australia-based Invictus Energy** confirms its first commercial gas discovery in the **Cabora Bassa** basin in the northern part of the country, a milestone that positions the country among Africa's emerging gas producers;

4 Jun 2025 **Harare (Zimbabwe) Herald**. **Marketers Association of Zimbabwe (MAZ)** urges businesses to develop effective marketing strategies to expand their customer base and drive economic growth;

3 Jun 2025 **Harare (Zimbabwe)** *Reuters*. Zimbabwe issues permits to cull at least 50 elephants on a reserve where there are three times more elephants than the habitat can sustain;

3 Jun 2025 **Harare (Zimbabwe)** *Herald*. Cabinet approves the principles of the **Road Accident Fund Bill**, addressing gaps in current insurance frameworks;

2 Jun 2025 **Harare (Zimbabwe)** *Newswire*. Harare-headquartered **RioZim** says it is in advanced talks with new investors who plan to inject \$20m in new capital into the company which is facing growing pressure from unions for it to be placed under corporate rescue;

1 June 2025 **Harare (Zimbabwe)** *Herald*. **Reserve Bank of Zimbabwe** (central bank) governor **John Mushayavanhu**, reports that foreign currency inflows have generated a sizeable surplus, averaging \$400m monthly;

29 May 2025 **Harare (Zimbabwe)** *Herald*. **Zimbabwe National Statistics Agency (ZimStat)** reports that monthly inflation dropped to 0% in May, driven by a 0.3% decline in the weighted average and a -0.3% month-on-month decrease in **United States (US)** dollar inflation;

28 May 2025 **Harare (Zimbabwe)** *Herald*. **World Bank** praises Zimbabwe for implementing necessary economic reforms and pledges concessional financing to support growth and poverty reduction;

27 May 2025 **Harare (Zimbabwe)** *Herald*. Bilateral relations between Zimbabwe and the **United Kingdom (UK)** are strengthening, highlighted by recent discussions between officials at the **African Development Bank (AfDB)** annual meetings and a planned visit by UK minister for Africa, Lord **Ray Collins**;

26 May 2025 **Harare (Zimbabwe)** *Herald*. Key shareholders in major supermarket chain and retail company **OK Zimbabwe** demand a new board be appointed as a condition to approve a critical \$30m capital raise aimed at reviving the struggling retailer, citing dissatisfaction with the current board's handling of the company's difficulties;

26 May 2025 **Harare (Zimbabwe)** *Herald*. **African Development Bank (AfDB)** annual meetings start with Zimbabwe's arrears clearance and debt resolution on the agenda;

25 May 2025 **Harare (Zimbabwe)** *Zimbabwe Mail*. **Horticulture Development Council (HDC)** projects export revenue to reach \$2 billion annually over the next few years, amid expected strong growth in production and demand from new markets;

24 May 2025 **Harare (Zimbabwe)** *Zimbabwe Mail*. President **Emmerson Mnangagwa's** latest diplomatic engagements with **Russia** and **Belarus** reignite debate over Zimbabwe's foreign policy, with experts questioning the efficacy of the country's pivot towards eastern allies while simultaneously seeking improved relations with the west;

22 May 2025 **Harare (Zimbabwe)** *Herald*. Government intensifies efforts to formalise artisanal and small-scale mining to boost gold production, improve safety, ensure fair pricing and promote environmentally responsible practices;

22 May 2025 **Harare (Zimbabwe)** *Newswire*. **Karo Platinum**, a unit of **Cyprus-based Tharisa PLC**, completes earthworks at its new mine in **Ngezi** and is in advanced talks to raise an additional \$165m to complete the project, which has faced significant delays due to low platinum prices;

21 May 2025 **Harare (Zimbabwe)** *Herald*. **Zimbabwe Lithium Exporters (ZLE)** lobbies the government to postpone a 5% export tax on lithium concentrate until domestic refineries become operational by approximately 2027;

21 May 2025 **Harare (Zimbabwe)** *The Zimbabwe Mail*. Tobacco sales have jumped 21% to \$678.3m since the marketing season commenced on 5 March following the sale of 220.6 million kilogrammes of flue-cured tobacco through both contract and auction floors;

21 May 2025 **Harare (Zimbabwe)** *The Zimbabwe Mail*. Health and childcare minister **Douglas Mombeshora** dismisses reports alleging that the government is deliberately withholding certificates of good standing (CGS) to prevent over 4,000 nurses from seeking employment abroad;

20 May 2025 **Harare (Zimbabwe)** *Herald*. Over 60 companies from 12 **European Union (EU)** member states attend the inaugural **EU-Zimbabwe Business Forum** to explore trade and investment opportunities in key sectors such as agriculture, renewable energy, mining and logistics;

15 May 2025 **Harare (Zimbabwe)** *Herald*. **City of Bulawayo** economic development manager **Kholisani Moyo** says the city council has signed three memoranda of understanding with **Zimbabwe Open University**, the **Research Council of Zimbabwe** and **Bulawayo Polytechnic** to address urban challenges;

13 May 2025 **Harare (Zimbabwe)** *Herald*. **Zimbabwe School of Mines (ZSM)** issues a security alert due to a rise in illegal gold panning near the **Bulawayo City** council pit, which has become active and increasingly dangerous;

12 May 2025 **Harare (Zimbabwe)** *The Herald*. Local business leaders hail the **Reserve Bank of Zimbabwe's (RBZ)** (central bank) effective use of monetary tools to control inflation and exchange rate instability, fostering a period of stability that is essential for business planning and foreign investment;

12 May 2025 **Harare (Zimbabwe)** *Newswire*. **Jersey-based Caledonia Mining**, which operates the **Blanket Mine** in **Gwanda** and is developing the **Bilboes** project, posts revenue of \$56.2m for the first quarter, up 46% from the same period in 2024 as the company takes advantage of firmer global gold prices;

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