

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing February 2022

Zimbabwe Summary 10 February 2022

The Reserve Bank of Zimbabwe (central bank) reports that Zimbabwe's foreign receipts rose by 54% in 2021 to a record \$9.7 billion, easily surpassing the previous record of \$7.6 billion set in 2013. The increase has allowed the government to ease restrictions on how much foreign currency exporters can retain. Tourism operators will be able to retain 100% of their foreign earnings. Businessman Yakub Ibrahim Mahomed accuses mines and mining development minister Winston Chitando of illegally seizing eight gold mining claims belonging to him. South Africa-based investigative journalism organisation amaBhungane accuses Zimbabwe's Rudland family of having links to a multi-billion VAT scam involving gold exports from South Africa, following its bid for South Africa-based sugar producer Tongaat Hulett. A drop in the Covid-19 case load from a peak of 6,181 infections on 10 December to levels close to 200 at the end of January allows acting president and health minister Constantino Chiwenga to ease some restrictions, including the return of all workers and the reopening of schools on 7 February. However, a teachers' strike has delayed the start of the school year.

Zimbabwe sets record for exports in 2021 ...

Zimbabwe set a record for foreign receipts of \$9.7 billion in 2021, up from \$6.3 billion in 2020, according to a **Reserve Bank of Zimbabwe (RBZ) Monetary Policy Statement** issued on 7 February.¹ RBZ governor **John Mangudya** attributed the impressive performance, which dwarfs the previous record of \$7.6 billion recorded in 2013, to increased international commodity prices, increased international remittances and the gold incentives put in place by the government.² Exports increased by 66.6% to \$6.2 billion while diaspora remittances grew by 42.7% to \$1.4 billion. Zimbabwe generated about 75% of exports from minerals such as gold, platinum and nickel. Imports amounted to \$4.9 billion.

Gold deliveries to Zimbabwe's sole buyer and exporter of gold, **Fidelity Gold Refiners**, jumped to 29.6 tonnes in 2021 from 19 tonnes in 2020, representing an increase of 55.5%. Primary gold producers delivered a total of 11.12 tonnes compared with 9.7 tonnes in 2020. Deliveries from small-scale gold producers almost doubled to 18.4 tonnes from 9.3 tonnes.

Mangudya noted in his report that, since the last monetary policy statement issued in August, the RBZ has remained "*steadfast and resolute*" in its quest to foster domestic macroeconomic and financial system stability.³ Despite the impact of the **Covid-19** pandemic on inflation and wider macroeconomic stability, Zimbabwe's year-on-year inflation decreased from a peak of 837.5% in July 2020 to 60.7% in December 2021. Mangudya blamed domestic inflation on the parallel exchange rates' "*pass-through*" effect. While the auction exchange rate depreciated from Z\$85 per **United States (US)** dollar for much of 2021 to close the year at Z\$108 per US\$, the parallel market premiums rose to between 40% and 90%, exerting significant inflationary pressures on the economy.⁴

¹ Reserve Bank of Zimbabwe, "Stay the Course", 7 Feb 2022

² Reserve Bank of Zimbabwe, "Stay the Course", 7 Feb 2022

³ Reserve Bank of Zimbabwe, "Stay the Course", 7 Feb 2022

⁴ Reserve Bank of Zimbabwe, "Stay the Course", 7 Feb 2022

... as companies take advantage of relaxation in foreign exchange rules

Zimbabwean companies are reaping the benefits of an RBZ policy directive implemented on 10 June aimed at boosting export revenue. US dollar shortages have impacted Zimbabwean companies by making it difficult to buy spare parts or intermediate goods sourced from outside Zimbabwe, leading to hold ups in production lines. A wide range of Zimbabwe-based companies have taken advantage of the relaxation in foreign exchange rules, which allows companies to retain up to 80% of their export earnings in US dollars. These include forestry products company **Border Timbers**; meat processor **Colcom Foods Limited** (meat processing), cotton lint and cottonseed processing company **Cotton Company of Zimbabwe**; dairy producer **Dairibord Zimbabwe Ltd**; fertiliser and ammonia nitrate company **Sable Chemicals**; tea and coffee producer **Tanganda Tea**; and sugar processor **Hippo Valley Estates Ltd**.

Hippo Valley chairman **Canaan Dube** notes that the policy directive allows sales in foreign currency to supplement the company's offshore receipts, a strategy that has, in part pushed its sugar sales up by 53.5%.⁵ Dube said that, while foreign currency availability at the official exchange rate remains constrained, the industry is taking advantage of the multicurrency regime to generate foreign currency on the local market to supplement offshore receipts.

Such strategies have been facilitated by broad measures put in place by the RBZ allowing companies and the transacting public to use free funds under **Statutory Instrument 127/2020**. During the review period, Hippo Valley's share of total industry sugar sales volumes reached 317,155 tonnes, while total industry sugar sales in the domestic market for the same period at 285,548 tonnes were 10% above same period in the previous year on the back of strong local demand and improved supply.

Mines minister Chitando accused of grabbing mining rights ...

Zimbabwe businessman **Yakub Ibrahim Mahomed** has accused mines and mining development minister **Winston Chitando** of illegally taking over eight gold mining claims belonging to him.⁶ Chitando reportedly re-issued the claims under a special grant to **Golden Reef Mining (Pvt) Ltd**, in which he has interests.

Mohamed, who owns **Anesu Gold (Pvt) Ltd**, has filed a **High Court** application seeking to interdict Chitando, mines secretary **Onesimo Moyo**, Golden Reef Mining, and **Midlands** provincial mining director **Tariro Ndhlovu** from taking over the mining claims.⁷ Mohamed asserts that Anesu Gold is the registered owner of the gold claims in **Mberengwa** district, Midlands province, which are also referred to as **Mangoro** claims (**Ipanema**).

In his application, Mohamed said the mining claims were previously owned by, and registered in the name of **Start Mining Services (Private) Limited**, in which he initially had a 70% stake with the other 30% owned by former minister of economic development **Rugare Gumbo**. Mohamed said he later bought out Gumbo and now owns 100% shareholding of the claims. In his opposing affidavit, Ndhlovu said Anesu Gold was invoiced for payment of already overdue inspection fees, adding that the mining claims were forfeited in terms of section 260 of the **Mines Act**.

The matter was set for hearing on 8 February, but High Court judge **Rogers Manyangadze** postponed it to 24 February at the request of Chitando's lawyer, **Takudzwa Mutomba**, who indicated that the minister, together with Moyo and Ndhlovu, had secured the services of a new

⁵ New Zimbabwe, 9 Feb 2022

⁶ Africa Press, 8 Feb 2022

⁷ Africa Press, 8 Feb 2022

lawyer, **Lovemore Madhuku**, who was occupied elsewhere.⁸ Opposition **Movement for Democratic Change** vice president **Welshman Ncube** is representing Golden Reef Mining while Advocate **Tawanda Zhuwarara** is representing Anesu Gold.

... and Rudland family accused of links to VAT scam

South Africa-based investigative journalism organisation **amaBhungane** has published allegations in South Africa media outlet **Daily Maverick** that Zimbabwe's controversial **Rudland** family, which has made a bid to control South African sugar farming company **Tongaat Hulett**, has links to **Rappa Resources**, the gold refinery targeted by the **South African Revenue Service (SARS)** for an alleged multibillion-rand gold VAT scam. The evidence, while circumstantial, relates to links between **Simon Rudland**, his controversial **Gold Leaf Tobacco Corporation (GLTC)** and **Howard Jon Baker**, who is, on paper, the major shareholder of Rappa. This circumstantial link between the Rudlands and Rappa might cast new light on the ability of the largely unknown **Magister Investments**, registered in **Mauritius** and controlled by Simon Rudland's brother and long-time business partner, **Hamish Rudland**, to put down R2-billion (\$132m) to buy control of Tongaat.

The alleged VAT scheme revolves around Rappa Resources, a large gold refinery that allegedly buys up tons of illicit gold laundered into the legitimate supply chain and then exports it to claim enormous VAT refunds.

While Tongaat and Hamish Rudland have presented Magister as an accomplished investment vehicle easily able to marshal the R2 billion for the deal, a closer examination of the company and Hamish Rudland's other interests show *how "Rudland Inc"* is very much a family business. Long before the deal was announced in December, the Rudlands had already become the second-largest single shareholder in Tongaat when the **Dubai**-based company **Braemar**, which was ostensibly controlled by the brothers' mother, bought 9.981% of the company worth R120m (\$7.93m) at the time.

Drop in Covid case load results in easing in lockdown measures ...

Acting president and minister of health **Constantino Chiwenga** has responded to a drop in the **Covid-19** case load to ease some restrictions. While Level Two lockdown measures, including public masking and social distancing, are extended indefinitely, curfew hours are reduced, and bars and restaurants are able to remain open until 10pm, but only for vaccinated customers.⁹ Curfew now begins at midnight and ends at 5.30am, The curfew was previously from 9pm to 6am.

Fully vaccinated returning residents and visitors no longer need to undergo quarantine when they enter Zimbabwe, but like all others entering the country, must have a valid negative PCR test performed no more than 48 hours before entry. Quarantine for returning residents and visitors is lifted for those who are fully vaccinated against Covid-19. The wearing of face masks in public places, especially public transport and closed space gatherings, remains mandatory and must be enforced.

Covid cases plunged from a peak of 6,181 on 10 December to levels close to 200 at the end of January.¹⁰ As of 9 February, the health ministry has recorded a total of 230,880 cases in Zimbabwe's population of 14.86 million, with 5,367 Covid-19-related deaths.

⁸ Africa Press, 8 Feb 2022

⁹ Government Gazette 2 Feb 2022

¹⁰ Worldometers, 31 Jan 2022

... but teachers strike as schools re-open

As part of easing of lockdown measures, Zimbabwe's schools were due to reopen for all classes on 7 February. However, teachers' unions declared their members were incapacitated by Covid-19 and could only return to work after their salaries were increased to an equivalent of \$540 per month. Public sector wages remain low in Zimbabwe despite repeated government promises to increase them. An average worker in the public sector takes home less than \$200 a month.

Primary and secondary education secretary **Tumisang Thabela** issued a strongly worded statement warning that teachers who did not report for duty when schools opened on 7 February would be charged and suspended from work.¹¹ Thabela directed provincial education directors to provide a daily update on progress in handling the disciplinary cases in their respective provinces.

Thabela's statement triggered an angry backlash from union leaders. Teachers' unions said the threats were a *"desperate attempts to get them back to work"*. **Zimbabwe Teachers' Association** chief executive officer **Sifiso Ndlovu** said teachers are not disciplinary cases but victims of an economy that is making it difficult for them to work:

*"Any sane employer will then not desperately resort to picking up a stick and whipping the teachers hoping that the results will be positive. That is the wrong approach they are applying, and it is bound to bring about a more intense environment and therefore, heighten the situation into an industrial conflict. Nobody declared an industrial action. We merely expressed the state of the teachers' economy."*¹²

Planner

26 Mar 2022 **(Zimbabwe)** By-elections

9-12 May 2022 **Cape Town (South Africa) – Investing in African Mining Indaba;**

July 2023 **(Zimbabwe)** General elections

Chronology

10 Feb 2022 **Harare (Zimbabwe)** *The Herald*. Tourism operators will now be able to retain 100% of their foreign earnings, rather than surrendering 40% to the **Reserve Bank of Zimbabwe** (central bank) at the official exchange rate;

9 Feb 2022 **Johannesburg (South Africa)** *Daily Maverick*. Evidence suggests the controversial **Rudland** family of **Zimbabwe**, which has made a bid to control **Tongaat Hulett**, has links to **Rappa**, the gold refinery targeted by the **South African Revenue Service (SARS)** for an alleged multibillion-rand gold VAT scam;

9 Feb 2022 **Chiredzi (Zimbabwe)** *New Zimbabwe*. Sugar processor **Hippo Valley** has taken advantage of the policy directive allowing sales in foreign currency to supplement its offshore receipts, a strategy which has in part pushed the company's sugar sales up by 53,5%;

9 Feb 2022 **Harare (Zimbabwe)** *The Herald*. Official figures show Zimbabwe recorded its highest ever foreign currency receipts in 2021, boosted by strong commodity prices and increase in international remittances, with foreign receipts amounting to \$9.7 billion compared to \$6.3 billion in 2020;

¹¹ New Zimbabwe 9 Feb 2022

¹² New Zimbabwe 9 Feb 2022

9 Feb 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Government threatens to fire teachers who failed to report for duty on 7 and 8 February, triggering an angry backlash from union leaders;

8 Feb 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Businessman **Yakub Ibrahim Mahomed** accuses mines and mining development minister **Winston Chitando** of grabbing eight gold mining claims belonging to him;

7 Feb 2022 **Harare (Zimbabwe)** *The Herald*. Government announces it will undertake its census this year, using 50,000 enumerators;

4 Feb 2022 **Harare (Zimbabwe)** *The Herald*. The **African Union (AU)** elects Zimbabwe to its 15-member **Peace and Security Council**;

3 Feb 2022 **Harare (Zimbabwe)** *The Herald*. The **Tanganda Tea Company**, one of **Zimbabwe's** oldest companies, relists on the **Zimbabwe Stock Exchange (ZSE)** after a 14-year absence.

30 Jan 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Newly formed **Citizens Coalition for Change** led by **Nelson Chamisa** faces a legal hurdle over the party's abbreviation "CCC" and a yellow colour theme;

29 Jan 2022 **Harare (Zimbabwe)** *The Herald*. Acting president **Constantino Chiwenga** extends Level Two lockdown measures including public masking and social distancing, but eases some restrictions so that all workers can now return to their offices full time and schools can start on 7 February;

29 Jan 2022 **Harare (Zimbabwe)** *The Herald*. **United Arab Emirates (UAE)** national crisis and emergency management authority lifts restriction on entry for passengers arriving from 12 countries, including Zimbabwe;

24 Jan 2022 **Harare (Zimbabwe)** *New Zimbabwe*. **China**-headquartered coal miner **Monalof** is embroiled in a bitter wrangle with villagers in **Binga** who are resisting its bid to evict them from their ancestral lands;

20 Jan 2022 **New York (United States)** *Council on Foreign Relations*. **Zimbabwe's** largest opposition party, the **Movement for Democratic Change (MDC)**, finds itself fighting for survival amid a slew of legal challenges ahead of by-elections in March;

20 Jan 2022 **Harare (Zimbabwe)** *263Chat*. Civil groups advocating for transparency in the mining sector have urged government to codify the social licence concept to address growing negative public sentiment against **Chinese** business operations in **Zimbabwe**;

11 Jan 2022 **Harare (Zimbabwe)** *New Zimbabwe*. President **Emmerson Mnangagwa** fires his hitherto close lieutenant **Owen Mudha Ncube** from his position as state security minister for defying his orders to refrain from jostling for a **Zanu-PF** leadership position in the **Midlands** province;

8 Jan 2022 **Harare (Zimbabwe)** *The Herald*. Finance and economic development minister **Mthuli Ncube** designates the **Victoria Falls Special Economic Zone** as an international financial services centre.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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