

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing June 2022

Zimbabwe Summary 7 June 2022

The Reserve Bank of Zimbabwe (RBZ) (central bank) backtracks on capital control measures days after President Emmerson Mnangagwa (2017-present) announces them, saying the ban on bank lending will no longer apply to marketable commodities such as tobacco. The Chamber of Mines has approached the RBZ for clarity on how much miners can retain offshore to buy inputs and how much they need to surrender to the central bank at the official exchange rate. Australia-based company Invictus Energy is exploring for oil and gas in northern Zimbabwe, while Switzerland-based Bioceuticals has opened a \$27m cannabis processing plant at Mount Hampden. Although Zimbabwe continues to face sanctions, the World Bank and the European Investment Bank are providing technical support and money to help small businesses access finance, via Zimbabwe-based commercial banks. Domestic demand is reviving and tourist arrivals have almost doubled compared with a year ago, when severe travel restrictions were in place.

RBZ eases new capital controls ...

The **Reserve Bank of Zimbabwe (RBZ)** (central bank) has attempted to remove some of the uncertainty and confusion around new capital control measures (see *ARC Briefing Zimbabwe May 2022*). President **Emmerson Mnangagwa** (2017-present) announced the measures in a televised address on 7 May, ordering banks to suspend lending to government and the private sector with immediate effect.¹ Mnangagwa said the directive aimed to minimise the creation of money that is “prone to abuse for purposes of manipulating the exchange rate for financial gains”.² The directive caused major confusion as banks were unsure whether it applied to individuals.

The RBZ added to confusion by posting a weaker “official” exchange rate on 9 May, a day before the regular foreign exchange auction held every Tuesday.³ Economic activity stalled amid the uncertainty, with the **Zimbabwe National Chamber of Commerce** claiming that the new capital control measures “legitimise a parallel banking system” and that “no investor would be attracted to such an economy where lending can be suspended overnight”.⁴ In an attempt to mitigate the confusion, the RBZ issued a new directive late on 12 May via **Twitter** saying that the ban on bank lending would no longer apply to “marketable commodities such as tobacco, cotton, sugar, maize, etc”. The RBZ backtracked on its blanket directive to stop banks' lending activities after sugar company **Tongaat Hulett's** Zimbabwe units and other companies stopped credit sales and advances to suppliers.⁵ Agricultural commodities such as tobacco, cotton and sugar provide roughly half of Zimbabwe's exports, while mineral commodities add a further 30% to 40%, depending on commodity prices.

However, the RBZ created further problems for businesses on 16 May when it banned third-country foreign payments, except for fuel, in measures to facilitate critical transactions to keep

¹ Bloomberg, 9 May 2022

² Bloomberg, 9 May 2022

³ Reserve Bank of Zimbabwe, 9 May 2022

⁴ Fin 24, 9 May 2022

⁵ Fin 24, 9 May 2022

the economy going smoothly and encourage remittance of export proceeds back to the country.⁶ The RBZ lifted the temporary suspension of lending services by banks on 17 May, but excluded entities under probe by the RBZ for malpractices involving loans.⁷

The **Chamber of Mines of Zimbabwe (CMZ)** approached the RBZ on 7 June to obtain clarity on what foreign exchange rules applied to exporters who need to purchase inputs such as diesel and explosives from offshore sources.⁸

...while the resources sector attracts overseas investment ...

Despite Zimbabwe's difficult economic operating environment, investors continue to see potential in the country's natural resources and agriculture sector. **Australia-based Invictus Energy** recently raised \$8.5m to start exploration at its **Muzarabani** prospect in northern Zimbabwe after completing a seismic campaign in September, through **Canada-based Polaris Natural Resources**, which showed significant potential for petroleum deposits in the area.⁹ Invictus managing director **Scott Macmillan** described the company's **Cabora Bassa** project as "an exciting asset":

*"It's one of the last undrilled interior rift basins in **Africa** that has significant potential for finding hydrocarbons. Our **Mukuyu-1** prospect is world class and independently estimated to contain 8.2 trillion cubic feet and 247 million barrels of conventional gas-condensate."*¹⁰

Macmillan said African oil and gas will be in greater demand over the next three to five years, particularly in **Europe** and **Asia**, because of changing energy dynamics and desire to move away from dependence on **Russia**.

Zimbabwe's nascent cannabis sector is also attracting significant attention and foreign investment. President Mnangagwa commissioned a \$27m medical cannabis farm and processing plant at **Mount Hampden** on 11 May, set up by **Swiss Bioceuticals Limited**.¹¹ Mnangagwa urged others with permits for natural resource businesses to follow the company's lead and open their businesses. Mnangagwa said the rapid development of the processing plant, which adds significant value to the crop, was proof of the success of the government's engagement policy and the confidence that **Swiss** companies and investors have in Zimbabwe and its economy, with Switzerland now one of the top European investors. Mnangagwa said it was important for investors to quickly operationalise their permits and licences for the benefit of the economy in general and Zimbabweans in particular, in line with government's national targets and desire to have an upper middle-income economy by 2030.¹² To date, only 15 of the 57 cannabis permits issued since 2018 have been activated.

Switzerland's ambassador to Zimbabwe, **Niculin Jager**, said his country was keen to see Zimbabwe achieve its full potential:

*"The time when we will be doing a single crop in the whole region is gone. I believe there is a huge potential in cannabis."*¹³

...and multilateral development agencies remain supportive

Multilateral development agencies are stepping in to support Zimbabwe's economic growth in pertinent industries through employment creation, commerce upliftment and promotion of

⁶ The Herald, 16 May 2022

⁷ The Herald, 17 May 2022

⁸ Financial Gazette, 7 June 2022

⁹ The Herald, 24 May 2022

¹⁰ The Herald, 24 May 2022

¹¹ The Herald, 12 May 2022

¹² The Herald, 12 May 2022

¹³ The Herald, 12 May 2022

environmentally responsible businesses for organisations that meet the qualifying criteria. The **European Investment Bank (EIB)** provided a developmental line of credit worth \$15m to **First Capital Bank (FCB)** on 3 June.¹⁴ The funding is set to develop eligible investment projects undertaken by small to medium enterprises (SMEs) and MidCap companies locally under FCB. The credit line is part of the **Zimbabwe Private Sector Facility** from the **Impact Finance Envelope** of the **Investment Facility (IF)** extended by the EIB to a group of financial institutions located in Zimbabwe. A key objective of the strategic alliance is to address financing gaps within these segments and raise the production profile in sectors that will directly impact the overall productivity of the country.

The EIB private sector facility with FCB follows a similar package agreed earlier with the **Central African Building Society (CABS)** and addresses a significant bottleneck to doing business in Zimbabwe, namely access to finance.¹⁵ Ambassador **Timo Olkkonen**, head of the **European Union (EU)** delegation to Zimbabwe, noted that the facility transforms the joint **Covid-19** response package of “*Team Europe*” – the EU institutions and member states – into concrete support:

“As we continue to work towards a more resilient post-pandemic Zimbabwe, we look forward to see how this facility supports the private sector in the challenging economic environment.”¹⁶

The **World Bank** has commended the government’s establishment of the **Commercial Division of the High Court** on 6 May as a step to enhance investor confidence and help to raise the country’s economic rating globally.¹⁷ The court is expected to deal swiftly with commercial disputes and improve the ease of doing business in the country. World Bank country manager **Marjorie Mpundu** noted that the government began its journey to establishing the court when it embraced an extensive climate reform agenda in 2015, which saw the **Office of the President** and the cabinet lead a series of rapid report initiatives.¹⁸ Mpundu urged the government to continue working towards coming up with strategies aimed at promoting local investment, saying the foreign investment is determined by how a country treats its local investors:

“The primary beneficiary of investment reforms is the domestic entrepreneur.”¹⁹

Tourism improves and domestic demand rises as Covid restrictions ease

The easing of Covid-19 restrictions has boosted Zimbabwe’s tourism sector and demand for alcoholic beverages. The March 2020 decision of governments globally to ground airlines and restrict international travel to stem the spread of Covid-19 hit hospitality and tourism hard, leaving millions worldwide out of employment. Tourism minister **Mangaliso Ndlovu** announced on 27 May that tourist arrivals in Zimbabwe increased to 126,955 in the first quarter of 2022, from 65,882 during the same period in 2021.²⁰ Business travel has also increased in the past few months, and more conferences have been held, driving hotel occupancy levels. Ndlovu said domestic tourism also rebounded during the period, pushing hotel occupancy rate to over 30% from about 14% previously.

Zimbabwe’s tourism sector lost a critical mass of skilled manpower when the sector was shut down in 2020.²¹ Ndlovu said Zimbabwe needs to improve its tourism products in order to compete with regional peers and global players:

¹⁴ The Zimbabwe Independent, 3 Jun 2022

¹⁵ The Zimbabwe Independent, 3 Jun 2022

¹⁶ The Zimbabwe Independent, 3 Jun 2022

¹⁷ The Herald, 11 May 2022

¹⁸ The Herald, 11 May 2022

¹⁹ The Herald, 11 May 2022

²⁰ The Zimbabwean Independent, 27 May 2022

²¹ The Zimbabwean Independent, 27 May 2022

“There is a need for support to reskill our workforce to remain competitive. The industry has not been able to refurbish [hotels] due to limited lines of credit and high cost of borrowing.”²²

The beverage sector has also seen growth following eased restrictions. Listed beverages manufacturer **Delta Corporation Limited** has recorded volume growth across segments on the back of significant expenditure increases by the consuming public.²³ Lager beer volumes for the year grew by 38% compared to the prior year, attributed to consistent product supply with respect to both brand and pack, while sorghum beer volume in Zimbabwe grew by 43% for the year on improved product supply. Sparkling beverages’ volume grew by 65% over the previous year, responding positively to ongoing initiatives to recover market share through competitive pricing, focused market execution and consistent supply of brands, flavours, and packs.²⁴

Planner

July 2023 **(Zimbabwe)** General elections

Chronology

7 Jun 2022 **Harare (Zimbabwe)** *Financial Gazette*. The **Chamber of Mines of Zimbabwe (CMZ)** has approached the **Reserve Bank of Zimbabwe** (central bank) to obtain clarity on new foreign exchange regulations, as mining companies have been using 15%-30% of their export proceeds to meet local taxes, levies and electricity payments;

6 Jun 2022 **Harare (Zimbabwe)** *VOA*. Authorities detain local news outlet **ZimLive** editor **Mduduzi Mathuthu** over a Tweet commenting on President **Emmerson Mnangagwa** appearing drunk on national television;

6 Jun 2022 **Harare (Zimbabwe)** *Bloomberg*. **National Treasury** says state mining vehicle **Kuvimba Mining House** is taking over the 50% shareholding in **Darwendale** platinum mining project owned by **Russia-based Vi Holding NV**, and plans to make further mining acquisitions;

4 Jun 2022 **Harare (Zimbabwe)** *NewsDay*. Undisclosed sources say President **Emmerson Mnangagwa**’s poor stewardship of the economy has seen a renewed push to oust him as the ruling **Zanu-PF** leader at the elective congress expected in October;

3 Jun 2022 **Harare (Zimbabwe)** *Bloomberg*. People with knowledge of the matter say a major stake held by **Russian** tycoon **Vitaliy Machitskiy** in the \$3 billion **Darwendale** platinum mine is scaring off potential financiers;

3 Jun 2022 **Harare (Zimbabwe)** *EIB*. **NMB Bank** and **European Investment Bank** agree a new €12.5m (\$13.4m) seven-year facility to support business investment across Zimbabwe;

3 Jun 2022 **Harare (Zimbabwe)** *The Zimbabwe Independent*. **First Capital Bank Limited**, in partnership with the **European Investment Bank**, has secured a developmental line of credit worth \$15m;

3 Jun 2022 **Harare (Zimbabwe)** *The Zimbabwe Independent*. Economic experts warn that Zimbabwe’s economy will continue to underperform if the government does not deal decisively with re-engagement, debt restructuring and access to international markets;

3 Jun 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Listed beverages manufacturer **Delta Corporation Limited** reports it has seen a 38% rise in lager beer volumes and a 43% increase in sorghum beer volumes for the the year ended 31 March 2022;

²² The Zimbabwean Independent, 27 May 2022

²³ New Zimbabwe, 3 Jun 2022

²⁴ New Zimbabwe, 3 Jun 2022

2 Jun 2022 **Maputo (Mozambique)** *MozNewsAgency*. **Mozambican** government has banned the import of animals, and animal products and by-products from Zimbabwe due to the resurgence of cases of foot-and-mouth disease in that country;

2 Jun 2022 **Harare (Zimbabwe)** *Twitter*. Former cabinet minister **Jonathan Moyo** claims President **Emmerson Mnangagwa** wants to appoint finance minister **Mthuli Ncube** as next vice president, but three days later Moyo changes this to defence forces commander **Phillip Valerio Sibanda** as next vice president;

2 Jun 2022 **Harare (Zimbabwe)** *Business Times*. Government abandons its plan to access a debt relief facility under the **Highly Indebted Poor Countries** initiative meant to resolve its unsustainable debt, saying instead government has identified a “champion” (reportedly a regional bank) to support the country’s debt problem;

29 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Former finance minister **Christopher Kuruneri** dies of health problems; Kuruneri was dismissed as minister in 2004 facing charges of funneling millions of funds to buy a mansion in **South Africa**;

28 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. **Old Mutual Zimbabwe Group** finance director **Nyarai Takuranazvo Tsungayi Mudékunye** appears in **Harare Magistrates Court** facing allegations of unlawfully dealing in foreign currency;

27 May 2022 **Harare (Zimbabwe)** *africanews*. **African Union (AU)** chairperson and **Senegal’s** President **Macky Sall** reiterates the AU’s call for the lifting of **Western** sanctions targeting **Zimbabwe**;

27 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Finance minister **Mthuli Ncube** says **Zimbabwe** is taking steps to tackle an inflation rate that jumped to 132% after its currency slumped, saying “*We are not in panic mode*”;

27 May 2022 **Harare (Zimbabwe)** *The Zimbabwe Independent*. **Zimbabwe Coalition on Debt and Development** says the Zimbabwean government’s ambition to re-engage with Western states and promote the ease of doing business is “*off the rails*”;

27 May 2022 **Harare (Zimbabwe)** *The Zimbabwe Independent*. Tourism minister **Mangaliso Ndlovu** reports that tourist arrivals rose by 93% during Q1 2022 from a year ago;

26 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. **Confederation of Zimbabwe Industries (CZI)** praises **Reserve Bank of Zimbabwe (RBZ)** (central bank) for ensuring realistic stability as Zimbabwe dollar depreciated by 12.4% on the weekly auction platform to US\$1: ZW\$290.83;

26 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Civil servants under the **Zimbabwe Confederation of Public Sector Trade Unions (ZCPSTU)** are set to march on 27 May against government’s continued reluctance to pay them in US dollars;

26 May 2022 **Harare (Zimbabwe)** *Sunday Mail*. President **Emmerson Mnangagwa** praises **Chinese** investment for changing the economic landscape in his country, while blasting the West for allegedly plundering **African** resources for decades;

25 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. Mine workers have described their recent 100% wage hike as “*double nonsense*”, despite an agreement between the **Associated Mine Workers Union of Zimbabwe (AMWUZ)** and **Chamber of Mines** effecting the raise;

25 May 2022 **Harare (Zimbabwe)** *Reserve Bank of Zimbabwe*. Annual consumer inflation jumped to 131.7% in May from 96.4% in April, with a monthly increase of 21%, the most since July 2020, compared to 15.5% in April;

24 May 2022 **Harare (Zimbabwe)** *The Herald*. **Australia-based Invictus Energy** says it is on course to start drilling at its **Mukuyu-1** oil and gas prospect after raising \$8.5m to finance the basin opening drilling exercise;

23 May 2022 **Harare (Zimbabwe)** *Independent*. **Zimbabwe** opens international conference in an attempt to win international support for its campaign to be allowed to sell its stockpile of seized ivory;

23 May 2022 **Harare (Zimbabwe)** *Upstream*. **Australia-based junior Invictus Energy** raises \$8.53m from investors to support its **Mukuyu-1 wildcat** gas campaign in Zimbabwe where it is in talks with farm-in partners;

21 May 2022 **Harare (Zimbabwe)** *ZimLive.com*. Defence and war veterans ministry says it will pay one-off gratuities and monthly pensions to a new batch of 160,000 war veterans, war collaborators and ex-political prisoners who missed out during the first round of compensation in 1997;

21 May 2022 **Harare (Zimbabwe)** *ZimEye*. Outspoken **Zanu-PF MP Energy Mutodi** urges President **Emmerson Mnangagwa** to reshuffle his cabinet as a matter of urgency to avoid a humiliating defeat in the 2023 elections;

19 May 2022 **Harare (Zimbabwe)** *The Chronicle*. Parliament announces it will begin to post **2022 National Budget** meetings to gather feedback from various stakeholders;

17 May 2022 **Harare (Zimbabwe)** *The Herald*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) has lifted the temporary suspension of lending services by banks, but it excludes entities under probe by the RBZ for malpractices involving loans;

16 May 2022 **Harare (Zimbabwe)** *The Herald*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) has banned third country foreign payments, except for fuel, in measures to facilitate critical transactions to keep the economy going smoothly and encourage remittance of export proceeds back to the country;

14 May 2022 **Harare (Zimbabwe)** *Fin24*. **Reserve Bank of Zimbabwe** (central bank) backtracks on its blanket directive to stop banks' lending activities after sugar company **Tongaat Hulett's Zimbabwe** units and other companies stopped credit sales and advances to suppliers;

13 May 2022 **Harare (Zimbabwe)** *The Zimbabwe Independent*. **Reserve Bank of Zimbabwe** (central bank) has sale of 100%-owned gold buyer and seller **Fidelity Printers and Refiners** on hold, allegedly amid indications that it was on the verge of being hit by **United States** sanctions;

13 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. The **Confederation of Zimbabwe Industries (CZI)** says events of the past few weeks have demonstrated a lack of political will;

13 May 2022 **Harare (Zimbabwe)** *The Economist*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) issues a short statement on **Twitter** saying that the ban on bank lending will no longer apply to marketable commodities such as tobacco, cotton, sugar, maize, etc;

12 May 2022 **Harare (Zimbabwe)** *The Herald*. **Swiss Bioceuticals Limited** has commissioned its \$27m medical cannabis farm and processing plant at **Mount Hampden**;

11 May 2022 **Harare (Zimbabwe)** *The Herald*. The **World Bank** says reforms, including the establishment of the **Commercial Division of the High Court**, will enhance investor confidence and help to raise the country's economic rating globally;

11 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. **Canada**-based gold exploration and development company **Zephyr Minerals Ltd** says it is planning to acquire a 75% stake in Zimbabwe's **Manicaland**-based **Chikanga Gold Mine**;

10 May 2022 **Harare (Zimbabwe)** *The Herald*. Farmers are waiting for further guidance from authorities following the temporary suspension of lending by banks to both government and the private sector, arguing that agriculture needs to be exempted if all farmers are to plant their winter wheat;

9 May 2022 **Harare (Zimbabwe)** *New Zimbabwe*. The government has opened the public transport system to other players, effectively ending a two-year **Zimbabwe United Passenger Company (ZUPCO)** monopoly;

About Africa Risk Consulting:

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