

## AFRICA RISK CONSULTING

### Zimbabwe Briefing October 2024

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#### Zimbabwe Summary 10 October 2024

*The Reserve Bank of Zimbabwe (central bank) devalues the Zimbabwe Gold (ZiG) by more than 40% as the gap between formal and black-market exchange rates widens leading to widespread shortages of basic commodities. Government announces a major shift in land tenure, doing away with the leases and offer letters that have been used since land reform began 24 years ago, introducing bankable tenure documents. The government eases its requirements for lithium miners to process the mineral locally.*

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#### Currency devalued by over 40% as pressure mounts

The **Reserve Bank of Zimbabwe (RBZ)** (central bank) on 27 September moved to devalue the Zimbabwe Gold (ZiG) currency as the gap between formal and black-market exchange rates widened leading to widespread business failures and shortages of basic commodities. The RBZ allowed the currency to slide to 24.3902 to the **United States (US)** dollar versus 13.9987 per US dollar on the previous day, a 42.6% fall.<sup>1</sup> The move comes after the ZiG lost more than 47% on the black market. The central bank's **Monetary Policy Committee (MPC)** also hiked the benchmark policy rate on the day from 20% to 35% in a bid to stem money supply growth.

The ZiG is Zimbabwe's sixth attempt at a stable currency in 15 years after a bout of hyperinflation under then-longtime leader **Robert Mugabe** (1985-2017), but authorities have struggled to convince a sceptical population to stop transacting in foreign currencies. The introduction of the ZiG has drawn comparisons to the Zimbabwe bond note, introduced in 2016 by then-RBZ governor **John Mangudya**, which was initially pegged at parity with the US dollar. There are even forecasts that Zimbabwe could face the currency and economic chaos of 2008 thanks to the ZiG.<sup>2</sup>

The devaluation also came days after Zimbabwe's biggest retailers told finance minister **Mthuli Ncube** that their businesses face closures if he does not fix an exchange rate policy that is driving customers away from their stores. The **Retailers Association of Zimbabwe (RAZ)**, which includes companies such as **OK Zimbabwe, Pick n Pay, Spar** and **Edgars**, told Ncube of the extent of the crisis, which has driven most retailers to major losses:

*"The situation is clearly untenable and will lead to company closures if authorities do not intervene with policy measures to protect the formal retail sector."<sup>3</sup>*

Formal retailers are forced to use the overvalued official exchange rate in their shops, making supermarkets more expensive than unregulated tuckshops. Their suppliers also often use parallel market rates. To narrow their losses, supermarkets have had to increase their prices so that they can restock. The RAZ gave an example of popular brands, and how their pricing is affected by the exchange rate gap - Schweppes supplies 2 litre (L) Mazoe juice at \$3.48 or ZiG 74.70. If **OK** supermarket sells the product at \$4.60, it must price it at ZiG68.08, making a 10%

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<sup>1</sup> Reuters, 27 Sep 2024

<sup>2</sup> Newsday, 25 Sep 2024

<sup>3</sup> Newswire, 23 Sep 2024

loss. As a result, retailers have started to introduce limits on the sale of essential goods like milk, with a 'one item per person' policy, as panic-buying spreads due to growing distrust in the ZiG.<sup>4</sup>

The devaluation can be viewed as the authorities' admission that the imposed exchange rate was artificially too high. The devaluation has caused challenges for business but has further caused hardships for Zimbabweans who are paid in ZiG but have to pay some of their bills in foreign currency - the 46% devaluation means they now require almost double the amount of local currency to buy a US dollar.

### Government in major land policy shift

Information minister **Jenfan Muswere** announced on 8 October a major shift in land tenure, doing away with the leases and offer letters that have been used since land reform began 24 years ago. Farmers on resettled land are to get new tenure documents which they can use as collateral when accessing bank loans.

Zimbabwe began the fast-track land reform programme in 2000 and by 2010, over 200,000 households had been resettled. However, banks refused to lend to farmers based on offer letters or 99-year leases. This was because a bank could not sell that land if a borrower failed to pay back a loan. Government believes the new policy will now allow farmers to use their land as bank collateral as banks have long lobbied for the transferable title. The tenure changes do not apply to communal land under chiefs.

Muswere confirmed that all farmers who benefited from land reforms launched in 2000 will now be issued with a "*bankable, registrable and transferable document of tenure*," and the government is simultaneously putting an "*indefinite moratorium on the issuance of any new 99-year leases or permits for agricultural land*."<sup>5</sup>

The announcement appears to indicate the end of Zimbabwe's land reform programme which saw large swathes of land being seized from white landowners and parcelled out free of charge to indigenous blacks. While the move has been seen by some as a ploy for the elite and politically powerful to sell the land they got during the land reform programme at zero cost, others have hailed the policy shift saying the development was important for not only the land but Zimbabwe's economic development.

**Bankers Association of Zimbabwe (BAZ)** president **Lawrence Nyazema** welcomed the announcement, imploring farmers to demonstrate that they have revenue-generating projects to access bank loans, rather than relying solely on land as collateral.

However, former **Zimbabwe Farmers Union** vice-president and agro-economist **Berean Mukwende** said most farmers were heavily indebted to banks and contractors and could lose the land to the banks and land barons, thereby reversing the gains of the land reform programme:

*"Government should provide a corruption-free agricultural funding programme. Such funding should have a sound implementation system. The elephant in the room is corrupt. Some will argue that the government programme will be corrupted because some officials are corrupt. What will stop this new land programme and policy from being corrupted?"<sup>6</sup>*

Key questions still linger over the policy shift. Muswere noted landholders will only be able to sell their land to Indigenous Zimbabweans which raises the question of who is 'an indigenous Zimbabwean'.

<sup>4</sup> Zimbabwe Mail, 2 Oct 2024

<sup>5</sup> Zimbabwe Mail, 8 Oct 2024

<sup>6</sup> Newsday, 10 Oct 2024

The Constitution does not define the term. However, previous legislation, such as the **Indigenisation and Empowerment Act**, defined an Indigenous Zimbabwean as:

*"Any person who before the 18th of April 1980 (Independence Day) was disadvantaged by unfair discrimination on the grounds of his or her race, and any descendant of such person."*

If that definition is used, only black Zimbabweans would buy and sell agricultural land and Zimbabwean-born white citizens would not which could violate the Constitution, which states:

*"Every Zimbabwean citizen has a right to acquire, hold, occupy, use, transfer, hypothecate, lease or dispose of agricultural land regardless of his or her race or colour".<sup>7</sup>*

The land policy changes came days after **Ncube** announced that the government will this month pay an initial \$20m to foreign white and local black farmers who lost land in farm invasions under Mugabe at the turn of the century. Ncube confirmed that the spending was allocated in the 2024 budget as part of a series of measures to restore the country's once-thriving farming sector and help launch a long-promised economic revival. The victims being compensated include foreign farmers from countries including **Belgium**, and **Germany** and 400 black Zimbabweans.<sup>8</sup> A separate and much larger \$3.5 billion scheme for 4,000 white Zimbabwean farmers was announced in 2020, but the money has not been forthcoming owing to Zimbabwe's financial woes.

### **Zimbabwe eases lithium processing demand as Chinese firms remain invested**

Deputy mines minister **Polite Kambamura** confirmed on 3 October that government has eased its requirements for lithium miners to process the mineral locally as the industry battles to survive a price slump over the past year. According to Kambamura:

*"We are now considering them on a case-by-case basis and also considering the level of investments already put in the country."<sup>9</sup>*

Zimbabwe is Africa's largest producer of lithium and last year demanded that producers submit plans for local processing of the minerals to battery-grade lithium by March 2024. However, lithium prices have crashed by as much as 80% on the global market in the past 12 months mainly due to **China's** overproduction.

**Bikita Minerals**, owned by China's **Sinomine**, on 30 September announced plans to invest up to \$500m in a new lithium smelter, which would make more value-added products such as lithium sulphates. The mine is Zimbabwe's oldest lithium operation and Sinomine bought it in 2022 for \$180m from its previous **European** owners. Since then, Sinomine has spent a further \$200m on two processing plants to produce lithium concentrates.

Two other Chinese firms, **Zhejiang Huayou Cobalt** and **Tsingshan Holding Group** have also announced plans to develop a deposit of the battery metal with state-owned **Kuvimba Mining House**. Zhejiang Huayou Cobalt's and Tsingshan Holding Group's construction plans would cost between \$250-\$300m and produce approximately 500,000 tonnes of lithium concentrate a year.<sup>10</sup> The companies are finalising the cost and output capacity in a more comprehensive feasibility study due to be completed within three months.

<sup>7</sup> Newswire, 9 Oct 2024

<sup>8</sup> Reuters, 4 Oct 2024

<sup>9</sup> Reuters, 3 Oct 2024

<sup>10</sup> Newswire, 24 Sep 2024

## Planner

Nov 2024 **Harare (Zimbabwe)** 2025 National Budget announcement

3 Dec 2024 **Harare (Zimbabwe) Reserve Bank of Zimbabwe (RBZ) Monetary Policy Committee (MPC)** decision

31 Dec 2025 ( **South Africa**) Expiry of special residence permits for Zimbabweans living in South Africa

## Chronology

9 Oct 2024 **Harare (Zimbabwe) Bloomberg.** Government hires financial and legal advisors to help navigate talks with its creditors over the \$21 billion it owes;

8 Oct 2024 **Harare (Zimbabwe) The Chronicle.** **United Kingdom**-headquartered **Premier African Minerals Limited** enters discussions with a **Chinese** engineering, procurement and construction management (EPCM) company regarding payment options for the potential installation of an additional spodumene float plant at its **Zulu Lithium and Tantalum Project**;

8 Oct 2024 **Harare (Zimbabwe) The Chronicle** **Australian** oil and gas exploration firm, **Invictus Energy** says its focus in 2025 would be exploration on the **Musuma** prospect, estimated to hold one trillion cubic feet (TCF) of gas, alongside further appraisal drilling in the **Mukuyu** gas field;

8 Oct 2024 **Harare (Zimbabwe) The Herald.** Consultations on the 2025 national budget begin with the parliamentary portfolio committee on budget, finance and investments promotion holding public hearings countrywide;

7 Oct 2024 **Harare (Zimbabwe) New Zimbabwe.** Zimbabwe's second biggest city **Bulawayo** plans to extend water cuts to almost five and half days a week after closing a third of its six supply reservoirs amid the worst drought in 40 years;

7 Oct 2024 **Harare (Zimbabwe) Newswire.** Sovereign wealth fund, **Mutapa Investment Fund**, CEO **John Mangudya** says the fund has \$16 billion worth of assets under management spanning mining, agriculture, ICT, transport, banks, real estate, energy and trading;

7 Oct 2024 **Harare (Zimbabwe) Zimbabwe Mail.** **Chinese** mining giant, **Shanxi** says it is spending \$3.6 billion on a **Beitbridge** venture which is transforming the transit town with the first phase of construction on the 5,000 hectares of land that is part of the special economic zone;

6 Oct 2024 **Harare (Zimbabwe) Business Insider Africa.** Public service, labour and social welfare minister **July Moyo** confirms that salary increases and civil servants' annual bonuses will be paid in **United States (US)** dollars to mitigate the impact of the ZiG's recent devaluation;

3 Oct 2024 **Bulawayo (Zimbabwe) IOL.** **Zimbabwe Republic Police** commissioner **Paul Nyathi** says investigations are underway following an alleged robbery at a financial institution in which approximately \$4m was stolen;

2 Oct 2024 **Harare (Zimbabwe) Reuters.** President **Emmerson Mnangagwa** says the government will implement corrective measures to protect people's incomes as the Zimbabwe Gold (ZiG) continues to lose value on the black market;

1 Oct 2024 **Harare (Zimbabwe) Newswire.** **Canada's Caledonia Mining** sells a 12.2MW solar plant for \$22.35m to energy company **CrossBoundary Energy (CBE)**, less than two

years after commissioning it for \$14.3m and will use the profits for its gold mining operations;

30 Sep 2024 **Harare (Zimbabwe)** *Newsday*. Annual inflation rises to 5.8% in September from 1.4% in August following the sharp depreciation of the Zimbabwe Gold (ZiG);

29 Sep 2024 **Harare (Zimbabwe)** *Sunday Mail*. Zimbabwe is ramping up efforts to establish three new e-passport centres in the **United Kingdom, Zambia** and the **United States** to facilitate easier access to essential civic documents for citizens living outside the country;

27 Sep 2024 **Harare (Zimbabwe)** *Bloomberg*. The Zimbabwe Gold (ZiG) is trading at 14.01 per **United States** dollar, its weakest level on the official market since it started trading five months ago;

25 Sep 2024 **Harare (Zimbabwe)** *News Day*. Government reverses the ban on unleaded fuel following President **Emmerson Mnangagwa's** intervention;

24 Sep 2024 **Harare (Zimbabwe)** *Newswire*. **Chinese** miners **Zhejiang Huayou Cobalt** and **Tsingshan Holding Group** announce plans to develop a lithium deposit with state-owned **Kuvimba Mining House**;

22 Sep 2024 **Harare (Zimbabwe)** *Bloomberg*. **Reserve Bank of Zimbabwe (RBZ)** (central bank) governor **John Mushayavanhu** says the bank will consider using its reserves to protect the Zimbabwe Gold (ZiG) while maintaining a tight monetary policy stance;

22 Sep 2024 **Harare (Zimbabwe)** *Business Times*. **Old Mutual Zimbabwe**, the country's largest financial services group, launches a renewable energy fund, to promote local projects and help Zimbabwe achieve its Sustainable Development Goals (SDGs);

17 Sep 2024 **Harare (Zimbabwe)** *CNBC Africa*. A government official says Zimbabwe is struggling to get independent energy projects due to lack of funding and economic instability;

17 Sep 2024 **Harare (Zimbabwe)** *Newswire*. Some of Zimbabwe's biggest miners are seeking \$182m to develop 200MW of locally generated solar power after an agreement was signed between **South Africa**-headquartered **Grid Africa** and the intensive energy user group, whose members include **Zimplats, Tsingshan's Afrochine and RioZim** among others;

16 Sep 2024 **Harare (Zimbabwe)** *Mining.com*. Mines minister **Winston Chitando** says the country plans to decrease gold smuggling by deploying monitoring teams to mines to ensure that all output flows to the state-authorized buyer, **Fidelity Gold Refinery**;

12 Sep 2024 **Harare (Zimbabwe)** *VOA*. The government says it is considering a proposal to cull elephants to address food shortages and reduce the effects of the **El Nino**-induced droughts;

12 Sep 2024 **Harare (Zimbabwe)** *Newswire*. One of Zimbabwe's biggest ferrochrome producers, **ZimAlloys**, fires up the first of its three furnaces for the first time since 2013 and is now investing \$45m to restart two other furnaces and reach annual ferrochrome output of 120,000 tonnes annually;

12 Sep 2024 **Harare (Zimbabwe)** *Reuters*. Zimbabwean farmers aim to capitalise on increasing global demand for blueberries, but self-funded growers cite a lack of finance and minimal government support as barriers.

### About Africa Risk Consulting:

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