

AFRICA RISK CONSULTING

Zimbabwe Briefing March 2024

Zimbabwe Summary 11 March 2024

The United States (US) on 4 March imposes sanctions on President Emmerson Mnangagwa (2017-present) and his close allies, including vice president Constantino Chiwenga and businessman Kudakwashe Tagwirei. Zimbabwe Farmers Union (ZFU) says the maize and tobacco crop for the current farming season is severely affected by the ongoing El Niño-induced drought compounding woes for Zimbabweans who are already suffering from runaway inflation, foreign currency and electricity shortages. The launch of the 2024 Monetary Policy Statement is delayed as the Reserve Bank of Zimbabwe (RBZ) (central bank) works on new measures to stabilise the freefalling currency.

US targets Mnangagwa and allies in new set of sanctions

The **United States (US)** on 4 March revoked the 2003 sanctions on dozens of **Zimbabwean** individuals and companies but issued a new set of measures targeted at President **Emmerson Mnangagwa** (2017-present) and his close allies, citing new and continuing corruption and serious human rights abuses in Zimbabwe. The US said the new sanctions regime, known as the **Magnitsky** sanctions, was aimed at refocusing and elevating its efforts to hold accountable the individuals and entities responsible for this exploitation in Zimbabwe.¹ On Mnangagwa, the treasury department's **Office of Foreign Assets Control (OFA)** noted:

*"Mnangagwa provides a protective shield to smugglers to operate in Zimbabwe and has directed Zimbabwean officials to facilitate the sale of gold and diamonds in illicit markets, taking bribes in exchange for his services."*²

The measures, which target 11 individuals and three entities, include travel bans and asset freezes, the same as under the previous sanctions regime.³ Those sanctioned include vice president **Constantino Chiwenga**, deputy security chief Brigadier General (retired) **Walter Tapfumaneyi**, and businessman **Kudakwashe Tagwirei**, who was already designated under the 2003 sanctions regime known as **Executive Orders**.

The US also sanctioned Mnangagwa's wife **Auxilia Mnangagwa**, accusing her of facilitating her husband's corrupt activities. The US also sanctioned Tagwirei's wife, **Sandra**, accusing her of being "*instrumental in Tagwirei's business activities*", and their company **Sakunda Holdings**.⁴ Tagwirei's business associate **Obey Chimuka** and his companies, **Fossil Agro** and **Fossil Contracting**, are also on the list for receiving government contracts that have facilitated acts of corruption. Notably, Fossil Contracting is one of the local companies currently working on government infrastructure projects such as the **Beitbridge** highway. Fossil Agro was already listed in December 2022.⁵

¹ [Reuters](#), 4 Mar 2024

² [US Department of Treasury](#), 4 Mar 2024

³ [Reuters](#), 4 Mar 2024

⁴ [US Department of Treasury](#), 4 Mar 2024

⁵ [Newswire](#), 4 Mar 2024

The US lifted sanctions on dozens of individuals and companies mostly linked to the regime of former president **Robert Mugabe** (1986-2017) including former finance minister **Patrick Chinamasa**, who currently heads the ruling party **Zanu-PF**'s treasury, and Mugabe loyalist **Saviour Kasukuwere**, who is now in self-imposed exile. However, the US is opting to maintain the **Zimbabwe Democracy and Economic Recovery Act (ZDERA)**, a separate set of sanctions that it imposed on Zimbabwe in 2001 in response to land reform and rights abuses. Repealing this law would require legislation by US lawmakers.

While the US says the new sanctions on these individuals and entities do not represent sanctions on Zimbabwe or its public, the Zimbabwean government has rejected Biden's sanctions review and has demanded total removal.⁶ Government spokesperson **George Charamba** added that the Zimbabwean government strongly rejects the damaging accusations against the sanctioned people and demanded that the Biden administration provide evidence to back their accusations. Zimbabwe's neighbours, **Botswana, Zambia** and **Namibia** backed Mnangagwa and called for the total removal of all sanctions against the country.⁷ Prior to the news sanction regime, the US pulled out of talks, led by the **African Development Bank (AfDB)** and including the **European Union** and other creditors, for debt relief for Zimbabwe (*see ARC Briefing Zimbabwe Feb 2024*).⁸ The addition of sanctions will add renewed tensions and likely also indicate that the US is not yet ready to rejoin the key talks.

El Nino drought adds to crises in Zimbabwe

The **Zimbabwe Farmers Union (ZFU)** confirmed the first week of March that almost all of the maize crop in the 2023/24 farming season has been written off due to the prevailing **El Niño**-induced drought while the tobacco crop, which is the country's second-largest foreign currency earner after minerals, has also suffered.⁹ Official data shows that the tobacco yield has fallen nearly 10% from 294 million kilogrammes to 265 million kilogrammes this season.¹⁰ The drought has affected crop yields in six southern African countries including **Zambia**, which has since declared a **National State of Disaster and Emergency**.¹¹

El-Niño-induced weather patterns, which are characterised by below-average rainfall, have amplified an already dire situation in Zimbabwe, which is battling to shake off an intractable economic crisis marked by a free-falling currency. The consequences of the drought will also be felt across other economic sectors as over 55% of raw materials required by Zimbabwe's industries come from the agricultural sector. **Confederation of Zimbabwe Industries (CZI)** president **Kurai Matsheza** noted that companies will likely switch to imported raw materials meaning the **Reserve Bank of Zimbabwe's** (central bank) already overstretched foreign currency auction system will fall under fresh pressures.

The **Food and Nutrition Council**, a committee of government and donors, says 2.7 million Zimbabweans need food aid. Local government and public works minister **July Moyo** says the government has 71,500 tonnes of grain in store to feed the hungry, enough for only four months. Low harvests also mean food prices will rise even further - **ZimStat** reported on 29 February that food prices were the biggest contributor to inflation in February, which climbed to 49.7% from 34.8% in January.¹²

⁶ [Chronicle](#). 7 Mar 2024

⁷ [Chronicle](#). 11 Mar 2024

⁸ [VOA](#). 24 Jan 2024

⁹ [The Independent](#). 1 Mar 2024

¹⁰ [The Independent](#). 8 Mar 2024

¹¹ [Newsday](#). 5 March 2024

¹² [Newswire](#). 1 Mar 2024

Further adding issues, less rain in the region means there's less water to generate power at **Kariba Dam**. The **Zambezi River Authority**, which manages the water at the lake, has allocated the least ever amount of water to Zimbabwe and Zambia for power generation because water levels are too low.¹³ This will result in more power cuts for both households and industry, further denting the economy.

Any available imports would require foreign currency, which is already in dire shortage as the minerals sector, the country's largest foreign exchange earner has been battered by the crash in global commodity prices. Lithium prices are down as much as 85% since last year and platinum prices are also falling, with the country's largest platinum miner, **Zimplats** reporting a 105% drop in earnings for the December half-year.¹⁴

These crises point to a difficult year for Zimbabwe in 2024 and with options limited due to a lack of open international credit lines, government will be left with minimal choice but to keep taxes high in the year.

Plans afoot for gold-backed currency

The 2024 **Monetary Policy Statement (MPS)**, the blueprint guide for interest rates, inflation and currency measures' direction for the year, due out last month has still not been released as authorities are still considering reforms to halt the ongoing currency freefall. Outgoing RBZ governor **John Mangudya** said on 7 March that the central bank was working on introducing a structured gold-backed currency for durable stability of prices which has delayed the launch of the 2024 MPS.¹⁵

RBZ has accumulated 793 kilogrammes (25,000 ounces) of gold reserves since introducing a law in September 2022 that compels mining companies to pay part of their royalties using the metal. The reserves were collected after mines in the country produced 30.1 tonnes of gold last year, compared with a record 35.3 tonnes a year earlier.¹⁶

While the idea of backing the currency with gold is welcome, its success will be limited to the extent to which policymakers create functional demand for the local currency. Due to its instability, the economy is almost dollarised with 70% of transactions conducted in the US dollar. The government will need to take decisive steps to create demand for the local currency by obligating that all taxes be payable in the local currency, without which the local currency will continue to be sidelined by the transacting public.

The plans for a new gold-backed currency by Zimbabwe come at a time when the **World Bank** and the **International Monetary Fund (IMF)** have advised monetary authorities to liberalise the exchange rate in addition to restricting the central bank's activities to its core functions. Apart from reduced foreign exchange inflows set against high demand, the free fall in the local currency has been partly blamed on high growth rates in the money supply. The IMF noted the increase in money supply is being aggravated by quasi-fiscal activities at the central bank, which the government has used to fund its bloated budgets. On 14 February, IMF deputy chief **Wojciech Maliszewski** said:

"The mission encourages the authorities to accelerate the foreign exchange market reform by promoting a more transparent and market-driven price discovery in the official

¹³ [Bloomberg](#), 20 Dec 2023

¹⁴ [Newswire](#), 27 Feb 2024

¹⁵ [Sunday Mail](#), 10 Mar 2024

¹⁶ [Bloomberg](#), 13 Feb 2024

exchange rate and by removing existing exchange restrictions and distortions. The RBZ Act should be amended, including to narrow its legal mandate to core functions.”¹⁷

In a report published on 29 February, the World Bank said liberalisation of the foreign exchange market, abolition of foreign exchange surrender requirements, and reform of the RBZ’s quasi-fiscal operations are the most urgent measures to reestablish macroeconomic equilibrium and without such measures, efforts to tighten monetary and fiscal policy will not be effective.¹⁸ The World Bank recommended that Zimbabwe end currency controls and remove the retention scheme, under which exporters are compelled to sell 25% of their earnings to RBZ in Zimbabwean dollars.

Planner

Mar 2024 **Harare (Zimbabwe)** 2024 Monetary Policy Statement

Mar 2024 **Harare (Zimbabwe) Reserve Bank of Zimbabwe (RBZ)** (central bank) **Monetary Policy Committee (MPC)** decision

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

Chronology

9 Mar 2024 **Harare (Zimbabwe)** *SABC News*. **United States (US)** says Zimbabwean officials last month “*abruptly detained and deported*” **US Agency for International Development (USAID)** officials who were conducting an assessment in the country;

8 Mar 2024 **Harare (Zimbabwe)** *The Herald*. President **Emmerson Mnangagwa** announces 27 April as the date for by-elections for **Harare East** and **Mount Pleasant** constituencies following the resignation of **Citizens Coalition for Change (CCC)** legislators **Rusty Markham** and **Fadzayi Mahere**;

8 Mar 2024 **Harare (Zimbabwe)** *Moneyweb*. **United States (US)** confirms that US companies may review their stance on doing business in Zimbabwe following changes in its sanctions programme;

8 Mar 2024 **Harare (Zimbabwe)** *Newsday*. Zimbabwe is set to resubmit its final tariff order for technical verification to the secretariat of the **African Continental Free Trade Area (AfCFTA)** as it prepares to enter the second phase of the **Guided Trade Initiative (GTI)**;

7 Mar 2024 **Harare (Zimbabwe)** *Newsday*. The **South African** department of home affairs appeals to the constitutional court to overturn a high court ruling compelling the department

¹⁷ [Newsday](#). 15 Feb 2024

¹⁸ [Newswire](#). 1 Mar 2024

to halt the deportation of nearly 178,000 holders of **Zimbabwean Exemption Permits (ZEPs)**;

7 Mar 2024 **Harare (Zimbabwe) *Newsday***. Business tycoon **Strive Masiyiwa's Cassava Technologies** partners with global technology leader **Google Cloud** and artificial intelligence (AI) company **Anthropic** to deliver advanced cloud and cyber security solutions across **Africa**;

6 Mar 2024 **Harare (Zimbabwe) *Newswire***. **Mimosa Mine**, co-owned by **Wojciech Maliszewski** giant **Sibanye Stillwater** and **Impala Platinum**, says it is retrenching 33 managers and putting on hold a key \$100m expansion project, in the latest damaging response by platinum producers to falling global metal prices. The company says platinum prices have fallen by 35% since April last year, hitting its cash flows and profits;

6 Mar 2024 **Harare (Zimbabwe) *Mining Zimbabwe***. Information minister **Jenfan Muswere** says the government will discontinue the issuance of cement import licenses to boost local demand as depressed local demand has led to cement manufacturers stockpiling and decreasing production;

5 Mar 2024 **Harare (Zimbabwe) *Bloomberg***. Finance minister **Mthuli Ncube** says talks on restructuring Zimbabwe's \$18 billion debt remain on track despite the **United States** pausing its involvement;

5 Mar 2024 **Harare (Zimbabwe) *Newsday***. President **Emmerson Mnangagwa** engages his **Zambian** counterpart **Hakainde Hichilema** about the ongoing **El Niño**-induced drought after Zambia declared a **National State of Disaster and Emergency**;

2 Mar **Harare (Zimbabwe) *Newswire***. **World Bank** says in a report on Zimbabwe's private sector that telecom operators charge economic tariffs to allow them to invest, lamenting digital connectivity as one of the main issues holding back economic growth;

1 Mar 2024 **Harare (Zimbabwe) *Newsday***. Platinum group metals (PGM) miner **Zimplats Holdings**, owned by **South Africa's Implats** has spent \$702.1m during the half year ended 31 December 2023, towards major capital projects, including the development of **Mupani Mine** and **Bimha Mine** upgrade;

1 Mar 2024 **Harare (Zimbabwe) *Mining Technology***. **United Kingdom**-based mining company **Galileo Resources** says it has met all the requirements to acquire an additional 51% stake in **BC Ventures** up from the existing 29%. **BC Ventures** owns the **Kamativi Lithium Project** in south-west Zimbabwe and the **Bulawayo** gold project;

1 Mar 2024 **Harare (Zimbabwe) *Newsday***. President **Emmerson Mnangagwa** is forced to abort a trip to **Victoria Falls** following threats of a bomb attack at the resort town's airport;

29 Feb 2024 **Harare (Zimbabwe) *News Day***. **European Union (EU)** ambassador to Zimbabwe, **Jobst von Kirchmann**, says the EU will not lend to Zimbabwe as the country has significant debt arrears with international banks that need to be cleared first;

23 Feb 2024 **Harare (Zimbabwe) *The Independent***. A **Kuvimba Mining House** official reveals that **Sandawana Mine** holds an estimated 100 million tonnes of lithium resources, making it one of the biggest lithium assets in the world;

21 Feb 2024 **Harare (Zimbabwe) *News24***. Government issues a warning to the media to report with care on matters linked to the security sector following media reports on an alleged corruption scandal in the army last week;

20 Feb 2024 **Harare (Zimbabwe)** *Newswire*. **South Africa** based-**Anglo American Platinum (Amplats)** says its Zimbabwe operation, **Unki**, will be shielded from the full impact of planned job cuts across the group because it is one of its top performers;

18 Feb 2024 **Harare (Zimbabwe)** *Herald*. **United Nations Development Programme (UNDP)** country representative **Ayodele Odusola** says Zimbabwe should apply economic diplomacy by leveraging its lithium resources to negotiate itself out of sanctions;

16 Feb 2024 **Harare (Zimbabwe)** *New Zimbabwe*. Leading professional services firm, **Deloitte Zimbabwe** announces its exit from the **United Kingdom**-based multinational network, **Deloitte Touche Tohmatsu Limited (Deloitte)** as part of a management buyout;

12 Feb 2024 **Harare (Zimbabwe)** *eNCA*. Main opposition **Citizens Coalition for Change (CCC)** members of parliament continue to resign in solidarity with former leader **Nelson Chamisa** who resigned three weeks ago stating that the ruling **ZANU-PF** has "hijacked" the government;

12 Feb 2024 **Harare (Zimbabwe)** *Herald*. Senior government officials say Zimbabwe and the **United Arab Emirates (UAE)** will expand bilateral agreements that have allowed trade to grow over 300% in the last five years reaching \$3 billion in 2023;

7 Feb 2024 **Harare (Zimbabwe)** *Business Insider Africa*. Cabinet confirms it will eliminate the death penalty for murder offences, officially ending the practice which has not been implemented in nearly two years.

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