

AFRICA RISK CONSULTING

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Zimbabwe Summary 12 June 2023

President Emmerson Mnangagwa (2017-present) announces on 31 May that the 2023 national election will take place on 23 August. Mnangagwa and his ruling Zimbabwe African National Union–Patriotic Front (ZANU–PF) are predicted to win the election, albeit unfairly. The opposition says the election will be held on an uneven playing field, citing that political and electoral reforms have not been implemented while the government has introduced new draconian laws aimed at limiting democratic space. The Reserve Bank of Zimbabwe (RBZ) (central bank) announces a new raft of measures on 6 June aimed at stemming economic turmoil caused by a fresh currency crisis that has seen food and stock prices spike. Businesses lament the adoption of the blended inflation figures which has caused planning and accounting difficulties. South Africa once again extends the Zimbabwe Exemption Permits (ZEP) by another six months to 31 December 2023.

Mnangagwa sets election date

President **Emmerson Mnangagwa** (2017-present) announced on 31 May that the 2023 harmonised general election in which he will face his main challenger **Nelson Chamisa** of the **Citizen Coalition for Change (CCC)** will take place on 23 August.¹ A run-off election has also been provisionally scheduled for 2 October. A run-off election will be necessary for the presidential election if no candidate receives more than half the votes cast on 23 August.

Voters will also elect parliamentary and local government (council) representatives on 23 August. Political parties have until 19 June to submit the names of their designated national and provincial office-bearers to the **Zimbabwe Electoral Commission (ZEC)** in terms of section 38A of the **Electoral Act**. While Mnangagwa initially threatened to bar election observers from “*unfriendly countries*”, he appears to have changed his mind, with the ZEC announcing that applications for accreditation of election observers must be made before 19 August.

Largely based on the incumbency effect, Mnangagwa is likely to beat Chamisa in the polls with the opposition seen dominating the towns and cities while the ruling party will get its numbers from its strong rural base.² **United States**-headquartered credit rating agency, **Fitch Solutions** published a report in May in which it also predicted that Mnangagwa and his ruling **Zimbabwe African National Union–Patriotic Front (ZANU–PF)** party will win the August polls supported by “*overarching resources*” and the influence it has entrenched in the country.³ The report also warns of unrest in the election build-up and after the election, a common occurrence in Zimbabwe’s election past.

Despite Mnangagwa’s claims that his government is on a reform path and prioritising governance reforms, ZANU-PF will probably use violence and intimidation to win the vote. The ruling ZANU-PF party has been accused of using state institutions to muzzle and oppress opposition members ahead of the 2023 general elections, in addition to accusations of using the law and security institutions against opponents (see below).⁴

¹ [The Herald](#), 31 May 2023

² [Zimbabwean Mail](#), 29 Jan 2023

³ [Newsday](#), 26 May 2023

⁴ [The Guardian](#), 1 Jun 2023

Opposition laments shrinking democratic space ahead of vote

The opposition has continued to lament the continued shrinking of the democratic space in the build-up to the harmonised election, with observers saying the political and electoral playing field remains as unlevel and unfair as the days of former president **Robert Mugabe** (1986-2017).⁵

Over the years there have been many calls for electoral reform in Zimbabwe - observers of the 2018 election made far-reaching recommendations while the **Motlanthe Commission**, which was set up to investigate post-election violence in 2018, also made recommendations for reform. In parliament, legislators were debating an **Electoral Amendment Bill**, which the opposition had hoped to have passed before elections were proclaimed, but the bill has yet to pass, and with the election date set, is unlikely to pass before then.

The bill provides for the election of ten youths to the **National Assembly** and continues the election of 60 women to the National Assembly under a party-list system. The opposition was also pressing for a diaspora vote, a law to keep all voting returns open to the public two months after the election, for observers to be allowed to begin operations six months before polls, and for a voters' roll with voters' pictures on it.⁶

The opposition says none of the recommended reforms have been implemented and now that the election proclamation has been published none of them can be implemented meaning the 2023 elections will have to be conducted without reforms again.⁷ Observers say the proclamation of the election date before parliament could pass these new laws will have serious consequences not just for the credibility of the elections and political stability, but also for economic development and international relations.

At the **Structured Dialogue Platform** meeting on the country's debt held on 15 May, the facilitators – **African Development Bank** president Dr **Akinwumi Adesina**, and former **Mozambique** president **Joaquim Chissano** (1986-2005) – are reported to have said that governance and electoral reforms were needed for creditors to agree on a scheme for debt relief:

*“Electoral reforms leading to free, fair and credible elections are a condition the country must meet if it is to rejoin the **Commonwealth**. We do not know what considerations prompted the President to publish the proclamation. Whatever they were, reforms have been put on the back burner”.*⁸

In addition to the absence of reforms, the conduct of the ZEC has been questioned. During the recent voters roll inspection exercise, many voters – including prominent politicians – found their names had been left off the rolls. The election will also be held using boundaries demarcated by ZEC's delimitation process which was concluded earlier this year. ZEC's demarcation of boundaries was criticised by both sides of the aisle when it came before parliament. Members of parliament (MPs) from ZANU-PF and the opposition, CCC and **MDC-T**, said the electoral commission had made grave errors in the report, including using wrong formulas to distribute voters among the 210 constituencies. A court challenge by opposition leader **Douglas Mwonozora** to set aside that delimitation report was dismissed.⁹

The opposition says the intimidation tactics the ZANU-PF has employed include new laws meant to curtail freedom of speech and expression while opposition leaders are being jailed for politically charged reasons. While parliament failed to pass the electoral reforms bills before the election date proclamation, it passed the controversial **Criminal Law (Codification and Reform) Amendment**

⁵ [The East African](#), 31 May 2023

⁶ [Newswire](#), 31 May 2023

⁷ [Newsday](#), 29 May 2023

⁸ [Veritas Election Watch](#), 1 Jun 2023

⁹ [New Ziana](#), 8 May 2023

Bill on 8 June which is aimed at punishing citizens who “*wilfully damage the sovereignty and national interest*” of Zimbabwe.¹⁰ The bill, which has become widely known as the **Patriotic Bill**, is meant to punish people for what the law's promoters call “*unpatriotic acts*” but the opposition says its sole aim is to instil fear in people ahead of the elections and will be used as another tactic to intimidate.

RBZ stops short of freeing up exchange rate as local currency crashes

The **Reserve Bank of Zimbabwe (RBZ)** (central bank) announced a raft of measures on 6 June meant to contain a currency crisis that has seen the local currency plummet by as much as 30% in a week against the US dollar (USD).¹¹ The crash in the local currency on both the formal and informal markets saw stocks rise by over 500% as the May monthly inflation hit double-digits. In a scramble to contain the crisis, the central bank reversed some measures that were just a week old such as raising interest rates and shelving the auction system as the main forex market.

The bank increased its key lending rate to 150%, its level before the 30 March rate cut to 140%. The foreign currency auction, introduced in 2020 to determine the exchange rate, will also be replaced as the “*primary source of forex*” by the interbank market, a move that analysts say signals a drive towards “*a more market-determined exchange rate policy*”.¹² Under the new rules, the RBZ will sell foreign exchange to local banks for onward sale to their clients, to establish an interbank foreign exchange market which becomes the primary source of foreign exchange in the economy.

On the day of the announcement of the new measures, the Zimbabwean dollar (Zim dollar) traded at ZW\$3,673 at the auction to the USD, marking a sharp fall from the ZW\$928 at the end of the first quarter. However, this was still far lower than rates on the more widely used parallel market where the Zim dollar was trading between Z\$4,100 and Z\$4,600 to the USD.¹³

Mnangagwa blames businesses working with foreign governments seeking regime change in Zimbabwe for the collapse of the currency and inflation spiral, but an internal audit by government agencies has rather blamed the government. A study undertaken by government agencies in May, including the **Competition and Tariff Commission, National Competitiveness Commission** and **Consumer Protection Commission** found that inflation was being driven by high money supply growth emanating from the government’s payments to contractors as well as central bank payments of the Zim dollar component of surrender requirements for exporters.¹⁴ The survey also found that the exchange rate was the biggest cause of the sharp increases in prices as businesses preferred USD payments over the local currency.

Blended Inflation figures cause headaches for business

The national statistics agency, **Zimstat**, announced on 26 May that the annual blended inflation rate had increased from 75.6% in April to 86.5% in May, while the month-on-month inflation spiked to 15.7% in May from 2.4% in April.¹⁵

Zimbabwe adopted the blended inflation rate in March, measuring inflation using a weighted average of goods and services priced in both Zim dollars and USD in reaction to the growing dominance of the USD in the economy. Previously, Zimstat only used the Zim dollar prices in measuring inflation. Switching to the blended inflation saw the annual inflation rate for January fall to 101.5% from the previously Zim dollar-only prices figure of 229.8%.

Business groups have come out to oppose the exclusive use of blended inflation as the price benchmark, saying not only does it make planning and accounting difficult but it distorts the real

¹⁰ [VOA Zimbabwe](#), 7 Jun 2023

¹¹ [Bloomberg](#), 7 Jun 2023

¹² [Bloomberg](#), 7 Jun 2023

¹³ [Newswire](#), 6 Jun 2023

¹⁴ [Newswire](#), 23 May 2023

¹⁵ [Newsday](#), 27 May 2023

value of their balance sheets.¹⁶ In reporting their financials, local companies have set aside the blended inflation rate saying it is of little use in understanding pure Zim dollar or USD inflation. **Fidelity Life Assurance** company secretary **Ruvimbo Chidora** noted:

*"... The spike in Zim dollar prices is not a true reflection of the blended inflation rate. In the short term, the Zim dollar is expected to remain under pressure on account of election-related spending and the ongoing infrastructure development projects."*¹⁷

Beverage maker, **Delta Corporation Limited** has also decided against using the blended inflation figures to determine its financial results for the year ended 31 March, noting they are not indicative of market trends. Three commercial banks listed on the **Zimbabwe Stock Exchange** say they are reporting their trading updates in historical terms due to difficulties with the blended inflation. One of the banks, **ZB Financial Holdings** in its first-quarter trading update, said its analysis was based on historical numbers, as it was not able to provide the inflation-adjusted financial statements because of challenges created in implementing the blended inflation indices.

Reprieve as South Africa extends Zimbabweans special permits again

South Africa's department of home affairs (DHA) extended the expiry of special permits for Zimbabweans living in South Africa for a third time on 8 June by another six months to 31 December.¹⁸ The **Zimbabwean Exemption Permits (ZEP)** were set to expire on 30 June resulting in approximately 178,000 ZEP holders being forced to leave the country or convert their permits to other waivers or visas.

The DHA implemented the ZEP in 2017 intending to regularise the stay of undocumented Zimbabweans in South Africa. Zimbabweans have flocked to South Africa as "economic refugees" in search of work opportunities in South Africa's relatively stronger economy and are particularly active in the hospitality industry.

South Africa's home affairs minister **Aaron Motsoaledi** said the extension had been given for Zimbabweans to apply for other visas and waivers, ordering those current ZEP holders not to be arrested or deported due to expired permits. **Ngqabutho Mabhena**, the chairperson of the **Zimbabwe Community in South Africa**, welcomed the extension:

*"It became clear to us that they were not going to be able to meet their own deadline because many people have been applying, and it has been difficult on the part of the Verification Visa Centre to accommodate everyone."*¹⁹

The latest extension comes amid growing anti-foreigner sentiment in South Africa, driven in part by a fragile economy with an unemployment rate topping 30%. **Freeman Bhengu**, a leader of the 'Put South Africa First' movement, said they are disappointed by the extension and that it would negatively impact South Africans who are unemployed:

*"We have got such a high unemployment rate in South Africa that we need all avenues possible for us to employ our people"*²⁰

Motsoaledi said the decision to extend the date was to allow for more time to process new visa applications as the department has been receiving between 1,000 and 1,500 daily applications for visas and waivers from Zimbabweans looking to extend their stay in South Africa.²¹ The Zimbabwean embassy in South Africa has also said close to 10,000 Zimbabweans had registered to receive assistance to return to Zimbabwe at the end of June when the permits had been due to expire.

¹⁶ [Newshawks](#), 18 May 2023

¹⁷ [Business Times](#), 18 May 2023

¹⁸ [News24](#), 8 Jun 2023

¹⁹ [VOA Africa](#), 8 Jun 2023

²⁰ [VOA Africa](#), 8 Jun 2023

²¹ [Africanews](#), 12 May 2023

Planner

Jul **Harare (Zimbabwe)** Mid-term National Budget Review
 23 Aug 2023 **(Zimbabwe)** General elections
 22 Sep 2023 **Harare (Zimbabwe)** Monetary Policy Committee (MPC) decision
 Nov 2023 **Harare (Zimbabwe)** 2024 National budget
 31 Dec 2023 **(South Africa)** Expiry of special residence permits for **Zimbabweans** living in South Africa

Chronology

7 Jun 2023 **Harare (Zimbabwe)** *Newsday*. The **Consumer Council of Zimbabwe (CCZ)** says a family of six now requires ZW\$1m (\$222) a month to survive, up from ZW\$611,275(\$135) in April, reflecting the depth of the local currency crash and resultant price spikes;

8 Jun 2023 **Harare (Zimbabwe)** *China Daily*. Foreign affairs minister **Frederick Shava** says Zimbabwe's relations with **China** are based on solidarity, mutual respect and win-win cooperation, thanking China for its construction of infrastructure projects in Zimbabwe and lauding its **Belt and Road Initiative** for helping with development;

7 Jun **Harare (Zimbabwe)** *The Standard*. **Australian** firm **Invictus Energy** raises a combined A\$35.4m(\$23.57m) to fund the next phase of its **Cabora Bassa** oil exploration and appraisal programme in northern Zimbabwe;

6 Jun 2023 **Harare (Zimbabwe)** *Newsday*. Self-exiled former **Zanu PF** political commissar and cabinet minister, **Saviour Kasukuwere** joins the presidential race ahead of this year's harmonised elections, calling himself 'President Kasukuwere' on **Twitter**;

4 Jun 2023 **Harare (Zimbabwe)** *The Standard*. **United Kingdom** resources firm, **Contango Holdings Plc** commenced production of **coking coal** at its **Lubu Project** in **Matabeleland North** at the back of heightened demand for the product on the local market;

3 Jun 2023 **Harare (Zimbabwe)** *New Zimbabwe*. State power utility **Zimbabwe Electricity Supply Authority (ZESA)** says it aims to more than double national grid capacity by 2025 to respond to increased demand from the mining sector;

1 Jun 2023 **Harare (Zimbabwe)** *Newswire*. **Kuvimba Mining House**, majority-owned by the government, believes the **Sandawana Mine** potentially has the largest resource of lithium in Zimbabwe and expresses desire to re-open the shut-down emerald mine;

1 Jun 2023 **Harare (Zimbabwe)** *Newswire*. Mines minister **Winston Chitando** says government wants lithium miners to work towards producing battery-grade lithium locally and could impose a tax on exports of lithium concentrate in the future. Zimbabwe holds significant reserves of lithium, which government hopes will help revive its ailing economy;

31 May 2023 **Harare (Zimbabwe)** *Newsday*. **Chamber of Mines of Zimbabwe (CoMZ)** president **Colin Chibafa** confirms the mining sector contributed almost 80% of exports last year and supported more than 38,000 formal jobs in addition to 500,000 artisanal and small-scale miners. The sector generates more than 20% of government revenue;

30 May 2023 **Goromonzi (Zimbabwe)** *Newshwaks*. **Prospect Resources Limited (PRL)**, owned by **Chinese** miner **Huayou Cobalt Co Ltd**, announces the discovery of high-grade

lithium deposits at its **Step Aside Mine** following the completion of its second diamond drilling phase;

29 May 2023 **Harare (Zimbabwe)** *The Chronicle*. Health ministry says recorded **Cholera** cases have surpassed 2,000, killing at least 10 people and potentially 32 others;

28 May 2023 **Harare (Zimbabwe)** *The Standard*. Government dispatches an audit team to mining areas to determine whether players in the industry are abiding by all applicable laws, including those on labour, taxes, the environment, and immigration;

26 May 2023 **Harare (Zimbabwe)** *The Independent*. **Chamber of Mines of Zimbabwe (CoMZ)** chief executive officer **Isaac Kwesu** says mining firms are planning to invest in 435 megawatts (MW) of power projects this year, as they move to address blackouts precipitated by subdued output from the national power utility;

21 May 2023 **Harare (Zimbabwe)** *Newshawks*. The ruling **ZANU-PF** party dispatches two senior party officials to the **Midlands** province to hold crisis meetings following political turmoil that has gripped president **Emmerson Mnangagwa's** home province ahead of the August general elections;

19 May 2023 **Harare (Zimbabwe)** *The Independent*. Platinum output at **Unki Mine**, owned by **United Kingdom**-headquartered **Anglo American**, rose by 17% during the first quarter of 2023 to 62 500 ounces due to improved plant stability;

19 May 2023 **Harare (Zimbabwe)** *Reuters*. **Food Crop Contractors Association (FCCA)** chairman **Graeme Murdoch** says the private sector will fund three-quarters of Zimbabwe's wheat crop this year, playing a growing role in agriculture as the government opens the sector to boost food security;

17 May 2023 **Harare (Zimbabwe)** *Bloomberg*. Government says it will take control of the production of carbon credits in the country, stipulating that it will be entitled to half of the revenue from the securities;

15 May 2023 **Harare (Zimbabwe)** *Newswire*. **Bikita Minerals**, owned by **Chinese** global metals giant **Sinomine** halts operations to address "administrative concerns" potentially delaying a \$200m investment in new capacity at the country's oldest lithium mine;

15 May 2023 **Harare (Zimbabwe)** *Bloomberg*. The **African Development Bank** says it plans to help Zimbabwe raise the \$3.5 billion needed to compensate white farmers evicted from their land more than two decades ago, a condition set by the nation's largest creditors before they accept a proposed debt-clearance programme;

15 May 2023 **Harare (Zimbabwe)** *Newshawks*. Zimbabwe is currently facing issues in rolling out its 5G network by year-end amid high expectations that the new technology will spur economic growth as acting **TelOne** managing director **Lawrence Nkala** says the telecoms regulator is yet to finalise paperwork on the assignment of spectrum for the new technology;

12 May 2023 **Harare (Zimbabwe)** *The Independent*. Mines and mining development permanent secretary **Pfungwa Kunaka** says Zimbabwe is targeting to generate \$3 billion from Platinum Group Metals (PGMs) this year, an increase of 36% compared to last year. Zimbabwe is the third largest PGMs producer in the world after **South Africa** and **Russia**;

12 May 2023 **Harare (Zimbabwe)** *Newswire*. **United Kingdom**-listed **Kavango Resources** says it is in the late stages of discussions over a potential two-year option to acquire a gold exploration and development project in Zimbabwe as well as separate talks for equity investment;

About Africa Risk Consulting:

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