

AFRICA RISK CONSULTING

Zimbabwe Briefing February 2025

Zimbabwe Summary 6 February 2024

President Emmerson Mnangagwa's (2017-present) supporters press ahead with plans to extend his presidential term by a further two years to 2030 amid strong resistance from various sectors including war veterans and civil society. Additional tax increases loom in Zimbabwe to plug the large gap left by potential United States (US) foreign aid cuts. The finance ministry unveils a series of measures aimed at combating the informalisation of the economy as informal traders thrive while the number of formal retailers closing increases.

Tense political climate over plans to extend Mnangagwa's term

Zimbabwe's political climate has become increasingly tense over the last month as President **Emmerson Mnangagwa's** (2017-present) supporters press ahead with plans to extend his presidential term by two more years to 2030. This is despite strong resistance from various sectors, including the **Zimbabwe National Liberation War Veterans Association (ZNLWVA)**, which is believed to be backing vice president **Constantino Chiwenga** to take over in 2028. ZNLWVA, made up of war veterans who played a pivotal role in Zimbabwe's liberation struggle, have called for Mnangagwa to step down accusing him of failing to deliver on his promises, citing widespread corruption, nepotism, and incompetence.

Mnangagwa has previously affirmed his intention to step down at the end of his second and final term, but his supporters have been rallying support for an extension to 2030, holding weekly meetings to promote the agenda. However, Chiwenga, widely seen as Mnangagwa's likely successor, has been quietly consolidating support within the military and **Zanu-PF** to block the president's ambitions.¹

Mnangagwa loyalists are pushing back and have resorted to expelling party officials who oppose the controversial term extension – the ruling party's **Mashonaland West** provincial executive unanimously recommended that **Blessed Geza**, a war veteran and Zanu-PF **Central Committee** member, be expelled.² The decision to oust Geza was made during a meeting attended by thousands of party supporters who accused him of undermining and threatening Mnangagwa, with party officials labelling his actions as treasonous. Zanu-PF **Politburo** member **Ziyambi Ziyambi** condemned Geza for allegedly using his position to attack the party's leadership, stating that such behaviour violates the party's constitution, which demands loyalty to elected leaders.

Former **Citizens Coalition for Change (CCC)** leader **Nelson Chamisa** has also weighed in on the succession battle, criticising Zanu-PF's plans to extend Mnangagwa's term and describing the move as "*baffling*" given the deteriorating state of Zimbabwe's infrastructure and public services:

"Instead of addressing these issues, the focus is on extending one man's stay in power."³

¹ Zimbabwe Mail, 28 Jan 2025

² Zimbabwe Mail, 4 Feb 2025

³ Newsday, 26 Jan 2025

Supporters of Mnangagwa argue that continuity is necessary to achieve **Vision 2030**, a development agenda aimed at transforming Zimbabwe into an upper-middle-income economy. However, critics contend that the government has failed to deliver on its promises, with the economic situation worsening and social services in decline.

As tensions rise, a conglomeration of civil society organisations under the banner of the **Crisis in Zimbabwe Coalition** also held a consultative meeting on 22 January and agreed to mobilise opposition politicians and ordinary people to unite against the 2030 push. The meeting was attended by members of civil society, who include labour, the church, the informal sector, business, parliamentarians, war veterans, political parties, students and women and youth organisations.⁴

The tensions are also creating a risk of division with the military due to the involvement of the war veterans association, who are pushing against Mnangagwa, the official commander in chief. Chiwenga also likely still has allies in the military as a former army general and is said to have the support of the war veterans association.

Tax increases loom as Trump cuts aid

Finance minister **Mthuli Ncube** said on 23 January that Zimbabwe will have to rely on taxes to plug a large gap left by **United States** President **Donald Trump's** (2025-present) foreign aid cuts. In a series of executive orders on 20 January, Trump withdrew the US from the **World Health Organisation (WHO)** and announced a 90-day freeze on all foreign aid, pending an assessment of whether programmes align with his 'America First' agenda.⁵

The **U.S. President's Emergency Plan for AIDS Relief (PEPFAR)**, which includes support for health workers' wages and other funding for HIV prevention, provides over \$200m of aid alone. In 2024, the **United States Agency for International Development (USAID)** provided approximately \$360m in funding to Zimbabwe. This funding supported a variety of programmes in the areas of health, agriculture, and governance.

Although the waiver on life-saving aid was later imposed, Ncube has said the country's response should be to rely on domestic resource mobilisation, referring to a set of taxes he has introduced. These include a tax on sugar content in drinks, plus a 1% tax recently introduced on fast food.⁶ Already, Zimbabweans pay an AIDS levy – a 3% tax on corporate profits and personal incomes – and sin tax on beer, which is also used to fund healthcare.

However, additional taxes could also be on the cards to help address the deficit. The WHO estimates that over half of Zimbabwe's health spending is externally financed. Zimbabwe expects \$461m from donors for health programmes this year, up from \$353m in 2024.⁷ If aid is cancelled in full, Zimbabwe could face challenges in funding public services like healthcare, education and infrastructure development. A reduction in foreign currency inflows from aid could also exacerbate Zimbabwe's existing currency instability and inflation, particularly if the aid was used to stabilise the economy. Zimbabwe is already heavily indebted, and a reduction in aid might make it harder to service existing debts or secure new financing.

The long-term consequences of an aid cut will present both challenges and prospects for the country to build greater self-reliance. US aid is often tied to governance and human rights reforms and a cut could reduce the US' leverage to push for democratic reforms or anti-

⁴ Newsday, 23 Jan 2025

⁵ Newsday, 23 Jan 2025

⁶ Newswire, 23 Jan 2025

⁷ Newswire, 21 Jan 2025

corruption measures. On the other hand, Zimbabwe might seek alternative sources of funding from countries like **China** or **Russia**, potentially shifting its geopolitical alignment.

New measures to curb informalisation of economy

The finance ministry on 31 January unveiled a series of measures aimed at combating the informalisation of Zimbabwe's economy, as informal traders thrive while the number of formal retailers closing shop increases.⁸ The government's concern stems from a trend of manufacturers bypassing formal wholesalers and retailers to supply goods directly to informal traders, which has weakened the compliance structure and competitiveness of the formal sector. This has exacerbated issues such as tax evasion and the proliferation of smuggled goods in reserved sectors, severely affecting revenue collection and formal business operations.⁹

Established supermarket chains like **Spar**, **OK Zimbabwe** and **TM** are facing headwinds, with some even closing down as they are forced to sell products in the overvalued local currency while informal shops, commonly known as tuckshops, sell their products in US dollars. Tuckshops, with their low overheads and often informal operations, also offer goods at more competitive prices than larger retailers which grapple with taxes, import costs and other operational expenses.

To address these challenges, the government is implementing the following key initiatives under the **2024 Mid-Term Budget** and the **2025 National Budget**:

- **Tax Enforcement:** A 5% withholding tax has been introduced for non-registered Micro and Small Enterprises (MSMEs) supplying goods to wholesalers and manufacturers;
- **VAT Registration Threshold Adjustment:** The minimum threshold for Value Added Tax registration has been reduced from \$40,000 to \$25,000;
- **Crackdown on Smuggled Goods:** Goods such as alcoholic beverages, dairy products, and detergents now require proof of customs duty payment to be sold legally;
- **Tax Compliance via POS Systems:** MSMEs are mandated to use Point-of-Sale (POS) machines linked to **Zimbabwe Revenue Authority (ZIMRA)** systems;
- **Targeted Financial Support:** The **Reserve Bank of Zimbabwe** (central bank) has launched the targeted finance facility to provide working capital for SMEs and the retail sector.

The government has also proposed additional measures which include, mandating the use of POS machines by all informal traders and discouraging manufacturers from supplying goods directly to the informal market.¹⁰ Formal businesses have expressed optimism about these measures, noting that increased tax compliance will level the playing field between formal and informal sectors.

Planner

28 Mar 2025 **Harare (Zimbabwe) Reserve Bank of Zimbabwe** (central bank) **Monetary Policy Committee** decision

Jul 2025 **Harare (Zimbabwe)** Mid-Term Budget Review

28 Nov 2025 (**South Africa**) Expiry of special residence permits for **Zimbabweans** living in South Africa

⁸ Zimbabwe Mail, 31 Jan 2025

⁹ Newsday, 31 Jan 2025

¹⁰ Zimbabwe Mail, 2 Feb 2025

Chronology

5 Feb 2025 **Harare (Zimbabwe)** *Bloomberg*. The **United Arab Emirates** has overtaken **China** to become Zimbabwe's biggest export market and since 2022 has invested \$1.4 billion into everything from gold trading to real estate;

5 Feb 2025 **Harare (Zimbabwe)** *News Day*. The **Zambezi River Authority (ZRA)** reports that there is a gradual rise in water levels at the **Kariba Dam** following the recent rains with the water storage capacity rising by 6,17% to the current reading of 476,39 metres above sea level;

4 Feb 2025 **Harare (Zimbabwe)** *The Herald*. **Russia's** ambassador to Zimbabwe **Nokolai Krasilnikov** pays a courtesy call on President **Emmerson Mnangagwa** to convey Russia's President **Vladimir Putin's** support for Zimbabwe's bid for a non-permanent seat on the **United Nations Security Council (UNSC)**;

3 Feb 2025 **Harare (Zimbabwe)** *The Herald*. **National Statistics Agency (Zimstat)** reports that the country's trade deficit widened by 6% to \$2.1 billion in 2024 from \$1.98 billion in 2023 largely driven by lower exports due to the **El Nino**-induced drought as well as lower global commodity prices;

31 Jan 2025 **Harare (Zimbabwe)** *Zimbabwe Independent*. **China Natural Resources Inc** extends the deadline to complete its acquisition of a Zimbabwean lithium mine, valued at \$1.75 billion, to 31 December 2025;

31 Jan 2025 **Harare (Zimbabwe)** *Newswire*. The **World Bank** warns that Zimbabwe must be ready for higher taxes and spending cuts if it takes up a Staff-Monitored Programme (SMP) with the **International Monetary Fund (IMF)** this year;

30 Jan 2025 **Harare (Zimbabwe)** *Zimbabwe Mail*. About 545 Zimbabweans are set to be deported from the **United States (US)** as newly inaugurated US President **Donald Trump's** administration clamps down on illegal immigrants;

30 Jan 2025 **Harare (Zimbabwe)** *Zimbabwe Mail*. **National Statistics Agency (Zimstat)** reports that the weighted month-on-month inflation rate surged to 11.5% in January 2025, marking a sharp increase of 10.5 percentage points from December's rate of 1.1%;

27 Jan 2025 **Harare (Zimbabwe)** *Bloomberg*. **Reserve Bank of Zimbabwe** (central bank) governor **John Mushayavanhu** says Zimbabwe will keep a tight monetary policy stance this year to support its currency that's lost 48% of its value in the nine months since it was introduced with high interest rates also expected to help contain month-on-month inflation to single-digit levels;

26 Jan 2025 **Harare (Zimbabwe)** *News Day*. A group of veterans hosts a press conference in Harare, calling for President **Emmerson Mnangagwa** to step down for alleged constitutional violations and failing to rein in corruption;

25 Jan 2025 **Harare (Zimbabwe)** *Zimbabwe Mail*. **Netherlands-based KLM Royal Dutch Airlines** announces it will cease freighter operations to Harare starting in April 2025 in a blow to exporters, particularly those in the horticulture industry;

23 Jan 2025 **Harare (Zimbabwe)** *Newsday*. Finance minister **Mthuli Ncube** says local investors could close the gap that has been left by the firms that closing or exiting the country amid an increasing number of businesses entering corporate rescue or leaving Zimbabwe;

22 Jan 2025 **Harare (Zimbabwe)** *Zimbabwe Mail*. The **Zimbabwe Investment Development Agency (ZIDA)** 2024 fourth-quarter report shows that the number of investment licences issued increased by 19.04% compared to the previous quarter;

22 Jan 2025 **Harare (Zimbabwe)** *Newsday*. **Minerals Marketing Corporation of Zimbabwe (MMCZ)**, the sole authorised marketing and selling agent for all minerals produced in Zimbabwe, excluding gold and silver, appoints **Nomsa Moyo** as the new general manager;

22 Jan 2024 **Harare (Zimbabwe)** *Newsday*. Local tea producer, **Tanganda Tea Company Limited** says it is finalising a circular detailing a planned secondary listing on the **Victoria Falls Stock Exchange (VFEX)** and a \$8m capital raising plan;

21 Jan 2024 **Harare (Zimbabwe)** *Newswire*. State-owned **Kuvimba Mining House** CEO **Trevor Barnard** says he expects to finalise a deal agreed with two **Chinese** companies this month on a \$270m lithium project on the basis that lithium prices will recover;

18 Jan 2024 **Harare (Zimbabwe)** *Zimbabwe Mail*. **United Kingdom**-based **PricewaterhouseCoopers (PwC)** announces the exit of its Zimbabwean unit, effective 17 January 2025 with local partners continuing operations under a newly established firm, **Vista Chartered Accountants**;

17 Jan 2025 **Harare (Zimbabwe)** *Newswire*. **World Bank** says cold Zimbabwe could register 6.2% economic growth in 2025, a significant increase compared to 2% growth in 2024;

16 Jan 2025 **Harare (Zimbabwe)** *News24*. **South Africa**-headquartered sugar producer **Tongaat Hulett** says its Zimbabwean subsidiary plans to lay off 1,000 employees by August in a bid to cut costs amid Zimbabwe's currency instability;

14 Jan 2024 **Harare (Zimbabwe)** *Newswire*. Gold producer, **Caledonia Mining** confirms plans to invest an additional \$41.8m into its operations this year after its **Blanket Mine** met its production targets of 76,656 ounces of gold in 2024. In 2025 Caledonia expects to produce between 73,500 and 77,500 ounces;

13 Jan 2024 **Harare (Zimbabwe)** *Newswire*. International money transfer operator, **Mukuru** launches a mobile wallet in Zimbabwe to compete with more established fintech providers such as market leader **EcoCash** and **InnBucks**;

9 Jan 2024 **Harare (Zimbabwe)** *Newsday*. Intensive energy user group subsidiary, **Green Hybrid Power (Pvt) Ltd** says it is expecting to spend about \$250m in developing a 1,000MW hybrid floating solar photovoltaic (PV) project on **Lake Kariba** which is set to be completed in less than 18 months.

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