

## AFRICA RISK CONSULTING

### Zimbabwe Monthly Briefing October 2020

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#### Zimbabwe Summary 12 October 2020

*The government's decision to delay by-elections for as long as Covid-19 is "a formidable epidemic" attracts widespread criticism from the opposition and may impede efforts to persuade the international community to lift sanctions against Zimbabwe. Finance minister Mthuli Ncube says the Covid-19 pandemic will not hit Zimbabwe's economy as hard as initially expected. Zimbabwe has failed to capitalise on record-high gold prices amid a slump in its gold output. The Zimbabwe Energy Regulatory Authority (ZERA) allows state-owned Zimbabwe Electricity Transmission and Distribution Company (ZETDC) to increase electricity tariffs by 50% with an additional increase expected in November. Zimbabwe resumes international flights in a bid to revive its tourism industry hard hit by the Covid-19 pandemic.*

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#### Government's by-election ban may hinder call to lift sanctions ...

The government's decision to delay all by-elections in Zimbabwe for as long as **Covid-19** is "a formidable epidemic" has attracted strong criticism from the opposition. The **Zanu-PF**-led government published statutory instrument 225 of 2020 on 2 October, which prohibits the holding of by-elections in Zimbabwe indefinitely.<sup>1</sup> The government has cited Covid-19 as the reason for banning all by-elections but critics, including the opposition **Movement for Democratic Change (MDC)**, say the move is unconstitutional and marks the emergence of a dictatorship and the demise of democratic rule in the country.<sup>2</sup> The MDC has urged the government to reverse its decision and honour the by-elections called for 5 December.<sup>3</sup> A total of 26 civil society organisations have condemned the blanket ban on by-elections.<sup>4</sup>

The government's move is likely to impede its efforts to persuade the international community to lift sanctions against Zimbabwe. The **Southern African Development Community (SADC)** has declared 25 October as **Anti-Sanctions Day**, a multi-pronged diplomatic plan to lobby the international community to lift sanctions on Zimbabwe. SADC executive secretary **Stergomena Lawrence Tax** revealed that several activities would be held virtually on 25 October, a date it proclaimed in 2019 as a day of solidarity with Zimbabwe, with various member states vowing to observe the day annually until the embargo is lifted.<sup>5</sup> President **Emmerson Mnangagwa** (2017-present) will deliver the national anti-sanctions address, while SADC has directed its ambassadors in Western capitals to undertake intense lobbying on behalf of Zimbabwe in their host countries.

This year SADC aims to confront the **United States (US)** as its main target. Tax said the SADC secretariat is engaging with **Washington (US)** and other Western capitals to lift sanctions immediately:

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<sup>1</sup> Bulawayo 24, 3 Oct 2020

<sup>2</sup> Bulawayo 24, 3 Oct 2020

<sup>3</sup> New Zimbabwe, 9 Oct 2020

<sup>4</sup> New Zimbabwe, 11 Oct 2020

<sup>5</sup> Bulawayo 24, 11 Oct 2020

*“With this campaign, SADC is engaging the nations that have imposed sanctions, in particular the United States of America and the **European Union (EU)**, to put the lives of the Zimbabwean people first.”<sup>6</sup>*

Tax notes that sanctions on Zimbabwe have impact beyond the country’s borders. Zimbabwe’s economic collapse has created an economic burden for the region, with **South Africa** absorbing the majority of economic migrants. The undocumented inflow of these migrants into South Africa is creating tension in Zimbabwe’s southern neighbour, as economic opportunities become scarcer for South Africans, particularly in the wake of the coronavirus pandemic. The economic impact on the SADC region of sanctions against Zimbabwe may encourage SADC members to lobby more actively for the lifting of sanctions.<sup>7</sup>

Zimbabwe has made some progress in its bid to have sanctions lifted. EU dialogue with **Harare** resulted in the suspension of sanctions on three senior government officials early in 2019. Similarly, the US removed the **Infrastructure Development Bank of Zimbabwe** and **Agricultural Development Bank of Zimbabwe** from the sanctions list on 22 May, which Tax considers a move in the right direction.<sup>8</sup>

However, recent political developments in Zimbabwe may hamper SADC’s efforts to have sanctions on Zimbabwe lifted. Justice, legal and parliamentary affairs permanent secretary **Virginia Mabhiza** announced on 4 October that Zanu-PF plans to table in parliament the **Patriot Bill**, a law that will criminalise communicating with foreign embassies without government clearance.<sup>9</sup> The bill reportedly seeks to criminalise open criticism of the government, based on promotion and protection of national interests.<sup>10</sup> Zimbabwe’s ever-shrinking political freedom is unlikely to change the attitude of investors and creditors towards the country.<sup>11</sup>

### **Ncube says Zimbabwe economy is resilient to Covid-19 shock**

Finance minister **Mthuli Ncube** stated on 5 October that the coronavirus pandemic would not impact Zimbabwe’s economy as severely as initially feared.<sup>12</sup> In his mid-term budget statement on 16 July, Ncube had said the economy was set to shrink by 4.5% as a result of the coronavirus.<sup>13</sup> Ncube bases his current, more optimistic assessment on foreign currency inflows, which he says have shown resilience.<sup>14</sup> However, Ncube failed to provide details or a new economic growth forecast to support his claims,<sup>15</sup> prompting the parliamentary portfolio committee on budget and economic development to threaten action against him on 9 October for failing to submit documents detailing government debt as prescribed by national laws.<sup>16</sup>

The economic picture Ncube has painted only partially captures the full state of the economy.<sup>17</sup> Zimbabwe is grappling with runaway inflation, shortages of medicine in hospitals and strikes by public workers, among other problems.<sup>18</sup> Despite this, Ncube praised the government’s significant progress on economic reforms, including cutting its wage bill from 92% of the total budget in 2017 to below 50%. The government has stopped printing money in an attempt to

<sup>6</sup> The Sunday Mail, 11 Oct 2020

<sup>7</sup> Political analyst, Cape Town

<sup>8</sup> The Southern Times, 8 Oct 2020

<sup>9</sup> Sunday Mail, 4 Oct 2020

<sup>10</sup> Times Live, 4 Oct 2020

<sup>11</sup> Political analyst, Cape Town

<sup>12</sup> News 24, 5 Oct 2020

<sup>13</sup> CNBC Africa, 16 Jul 2020

<sup>14</sup> Bulawayo 24, 5 Oct 2020

<sup>15</sup> News Day, 5 Oct 2020

<sup>16</sup> News Day, 9 Oct 2020

<sup>17</sup> Political analyst, Cape Town

<sup>18</sup> Political analyst, Cape Town

stabilise the exchange rate.<sup>19</sup> Ncube said that mining and agriculture will be the backbone of Zimbabwe's economic recovery.<sup>20</sup> Ncube also pledged that the government will honour payments to its creditors, including **the World Bank** and the **African Development Bank (AfDB)**, on its \$1 billion debt.<sup>21</sup>

For ordinary Zimbabweans life has become significantly more challenging since Ncube's appointment as finance minister in 2018. Salaries lag below inflation as the price of a basic basket of goods continues to increase exponentially.<sup>22</sup> Teachers have refused to return to work after schools re-opened on 22 September, saying they do not earn enough to work under current conditions.<sup>23</sup>

### ... as Zimbabwe fails to capitalise on record-high gold prices

Zimbabwe is missing an opportunity to capitalise on record-high gold prices, above \$2,070. The government had ambitious plans to grow the mining sector's annual earnings to \$12 billion by 2020, with a targeted \$4-billion contribution from gold.<sup>24</sup> In 2018 Zimbabwe earned \$1.3 billion from its delivery of 33.2 tonnes of gold, but output slumped in both gold deliveries and earnings in 2019 when it earned \$946m from the delivery of 27.6 tonnes of bullion.<sup>25</sup>

The government's failure to achieve its higher targets partly stems from its inability to pay gold miners as a result of empty state coffers.<sup>26</sup> The sole buyer of Zimbabwe gold is **Fidelity Printers and Refinery (Fidelity)**, which is wholly owned by the **Reserve Bank of Zimbabwe** (central bank). Fidelity's figures for gold deliveries from January to September show production decreased to 14.7 tonnes from 20.8 tonnes in the same nine-month timeframe in 2019.<sup>27</sup> Mining analysts lay the blame for lower production on the government's payment policy for local miners. Gold miners can retain only 70% of their earnings in hard currency, while the balance is converted into Zimbabwe dollars, which depreciate continually as a result of the exchange rate.

Home affairs minister **Kazembe Kazembe** blames falling gold revenues on smuggling. Kazembe estimates that Zimbabwe is losing at least \$100m worth of gold every month, as it is smuggled out the country through porous borders.<sup>28</sup> Kazembe says the government is in the process of rolling out measures to plug the leakages:

*"The figures are large. I don't know how gold leaves the airport, but it leaves, we are told on some flights. How it leaves [...] I don't know."*<sup>29</sup>

This is not the first time Zimbabwe has missed out on a gold price rally. In 2009, the price of gold rose as high as \$1,900, just as Zimbabwe was experiencing political turmoil and hyperinflation. In 2010, prior to the gold rally, the government had implemented indigenisation and economic empowerment laws that compelled miners, including gold producers, to pay 51% of equity to indigenous (black) Zimbabweans. The government scrapped the law in March 2019 in a bid to encourage investment.

### Power tariffs set to increase by 50%

The **Zimbabwe Energy Regulatory Authority (ZERA)** has given state-owned **Zimbabwe**

<sup>19</sup> Reuters, 5 Oct 2020

<sup>20</sup> News 24, 5 Oct 2020

<sup>21</sup> Reuters, 5 Oct 2020

<sup>22</sup> Political analyst, Cape Town

<sup>23</sup> Bulawayo 24, 5 Oct 2020

<sup>24</sup> Mining Weekly, 11 Oct 2020

<sup>25</sup> Mining Weekly 11 Oct 2020

<sup>26</sup> Fin 24, 11 Oct 2020

<sup>27</sup> Mining Weekly 11 Oct 2020

<sup>28</sup> Fin 24, 11 Oct 2020

<sup>29</sup> The Herald, 7 Sep 2020

**Electricity Transmission and Distribution Company (ZETDC)** permission to increase electricity tariffs by 50% on 1 October with a further 50% price hike in November.<sup>30</sup> ZERA CEO **Edington Mazambani** said on 1 October that the government backs the energy regulator's tariff adjustments.<sup>31</sup>

The ZETDC had already raised electricity tariffs on 23 September, bringing them in line with inflation running upwards of 700%. In previous years, the power utility raised the electricity tariffs by 320% in an attempt to increase production and improve electricity supply. Businesses are likely to pass the higher cost of electricity on to the consumers.<sup>32</sup> The increase will have a significant impact on ordinary Zimbabweans, whose salaries have not kept pace with inflation.

The ZETDC has managed to keep the power utility running at full capacity since March when many businesses either shut down or cut production after the government imposed Covid-19 restrictions. However, the power utility's woes will do little to boost investor confidence, which is at an all-time low, with soaring costs for electricity and frequent power cuts as the economy continues to plummet.<sup>33</sup>

### International flights resume

Zimbabwe resumed international flights on 1 October under strict coronavirus protocols, in a bid to increase tourism. Zimbabwe had closed its international borders on 30 March to stem the spread of Covid-19. All tourist attractions closed, forcing many hotels and resorts to lay off workers.

Vice president **Constantino Chiwenga** cited the drop in coronavirus cases as part of the government's justification for resuming international travel. As of 21 September, when the decision was made to open international borders, Zimbabwe had recorded 7,706 Covid-19 cases including 226 deaths.<sup>34</sup> The number of new cases had fallen below 50 per day, a number Chiwenga felt justified re-opening of the borders. The government had lifted the ban on inter-city travel on 15 September and extended working hours by two hours from 06:00-20:00.<sup>35</sup> The **Africa Centres for Disease Control and Prevention** reports total cases for Zimbabwe at 8,011 and 230 deaths, as of 12 October.

Chiwenga assured Zimbabweans that the country is ready for international travellers. Travellers will be required to have Covid-19 clearance certificates according to the government's directive:

*"All travellers will be required to have a PCR (polymerase chain reaction) COVID-19 clearance certificate issued by a recognised facility within 48 hours from the date of departure."<sup>36</sup>*

Zimbabwe's tourism sector, which receives an average of two million tourists per year, is expected to contract by 7.4% in 2020.<sup>37</sup> Tourism, along with mining and tobacco exports, accounts for the bulk of foreign currency inflows. The continuing shortage of foreign currency has prevented Zimbabwe from importing essential goods such as fuel and medicines, which were already in short supply before the coronavirus restrictions.<sup>38</sup>

<sup>30</sup> Reuters, 2 Oct 2020

<sup>31</sup> Reuters, 2 Oct 2020

<sup>32</sup> Bloomberg, 2 Oct 2020

<sup>33</sup> Political analyst, Cape Town.

<sup>34</sup> Africa CDC, 21 Sep 2020

<sup>35</sup> News 24, 15 Sep 2020

<sup>36</sup> The Herald, 22 Sep 2020

<sup>37</sup> Reuters, 22 Sep 2020

<sup>38</sup> Daily Nation, 22 Sep 2020

## Planner

25 Oct 2020 **(Zimbabwe)** Anti-Sanctions Day  
 June 2023 **(Zimbabwe)** General elections  
 5 Dec 2020 **(Zimbabwe)** by-elections (to be determined)

## Chronology

12 Oct 2020 **Harare (Zimbabwe)** *Miningmx*. Illegal gold mining, assisted by rangers, is on the rise in Zimbabwe's national parks as miners take advantage of the lack of visitors, leaving a trail of environmental destruction in their wake;

11 Oct 2020 **Harare (Zimbabwe)** *New Zimbabwe*. A total of 26 civil society organisations condemn the blanket ban of by-elections by the **Zimbabwe Elections Commission** and the government;

9 Oct 2020 **Harare (Zimbabwe)** *NewsDay*. Parliamentary portfolio committee on budget and economic development threatens unspecified action against finance minister **Mthuli Ncube** for failing to submit documents detailing government debt as prescribed by national laws;

9 Oct 2020 **Harare (Zimbabwe)** *EWN*. The **European Union (EU)** and the **United Kingdom** have urged Zimbabwe to abolish the death penalty as a key indicator of the state's commitment to promote human rights;

9 Oct 2020 **Harare (Zimbabwe)** *Al Jazeera*. The **United Nations Food Programme** warns that more than eight million Zimbabweans will not have enough food by December as prolonged droughts, the battered economy and the **Covid-19** pandemic have contributed the rising rates of hunger in Zimbabwe;

8 Oct 2020 **Harare (Zimbabwe)** *NewsDay*. Opposition party **MDC Alliance** calls on ruling party **Zanu-PF**'s vice president **Constantino Chiwenga** to reverse a controversial directive, which the opposition describes as unconstitutional, to ban all by-elections;

8 Oct 2020 **Harare (Zimbabwe)** *New Zimbabwe*. Health and child care deputy minister **John Mangwiro** denies widespread media reports that junior doctors will now be recruited through the security services;

7 Oct 2020 **Harare (Zimbabwe)** *Bloomberg*. Sources close to the deal say the owners of a **Russia**-backed project to build **Zimbabwe**'s biggest platinum mine have held talks to sell a stake of at least 20% to **South Africa**-based **Impala Platinum Holdings**;

5 Oct 2020 **Harare (Zimbabwe)** *News 24*. Finance minister **Mthuli Ncube** says **Covid-19** will not hit Zimbabwe's economy as hard as initially feared and that the "economy will surprise us";

4 Oct 2020 **Harare (Zimbabwe)** *Sunday Mail*. Justice, legal and parliamentary affairs permanent secretary **Virginia Mabhiza** says the ruling **Zanu-PF** party will, in the next few weeks, table in parliament the **Patriot Bill**, a law that will criminalise communicating with foreign embassies without government clearance;

4 Oct 2020 **Harare (Zimbabwe)** *Sunday Mail*. National hero **Brigadier General Chigudu** will be laid to rest at the **National Heroes Acre**, where public attendance will be restricted due to **Covid-19** regulations;

2 Oct 2020 **Harare (Zimbabwe)** *Bulawayo24*. **Zanu-PF** party-led government publishes statutory instrument **225 of 2020**, which prohibits the holding of by-elections in **Zimbabwe** "for the duration of the period of the declaration of **covid-19** as a formidable epidemic", which some commentators describe as a death to democracy and emergence of a dictatorship;

30 Sep 2020 **Harare (Zimbabwe)** *Bloomberg*. **Zimbabwe Stock Exchange** data shows foreign investors who had been stuck with their holdings in Zimbabwe stocks because of hard-currency shortages have latched onto dollar auctions to exit the market and repatriate funds;

30 Sep 2020 **Harare (Zimbabwe)** *Bloomberg*. President **Emmerson Mnangagwa** says at a state dinner with visiting **Malawian** president **Lazarus Chakwera** that **Southern African** countries should consider holding their general elections without the presence of international observers;

24 Sep 2020 **Harare (Zimbabwe)** *EWN*. President **Emmerson Mnangagwa** says during his address to the **United Nations General Assembly** that Western governments' sanctions against **Zimbabwe** have had a negative impact on the country and calls for their removal;

16 Sep 2020 **Harare (Zimbabwe)** *Bloomberg*. Finance minister **Mthuli Ncube** says **Zimbabwean** authorities are in discussions with several international investment banks to support a new stock exchange that will trade exclusively in foreign currency, the **Victoria Falls Stock Exchange**;

15 Sep 2020 **Harare (Zimbabwe)** *Pindula*. **Zimbabwe National Statistics Agency** says price inflation slowed to 761.02% year-or-year in August 2020 compared to 837% the previous month;

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