

AFRICA RISK CONSULTING

Zimbabwe Briefing May 2024

Zimbabwe Summary 10 May 2024

Reserve Bank of Zimbabwe (RBZ) (central bank) Monetary Policy Committee (MPC) opts to keep the benchmark interest rate at 20% on 29 April. It is the first MPC meeting since the introduction of the new Zimbabwe Gold (ZiG) currency. The United Nations (UN) on 9 May launches a \$429m food aid appeal for Zimbabwe. Government places Trojan Mine, owned by state-controlled Bindura Nickel Corporate (BNC), under administration on 2 May. The lithium boom attracts back former prominent investors to Zimbabwe, including United Kingdom-headquartered Cluff Energy Africa, which is seeking a 65% stake in the Sandawana Lithium Mine.

Zimbabwe holds rate steady but new currency faces market resistance

At its first **Monetary Policy Committee (MPC)** meeting since unveiling the new **Zimbabwe Gold (ZiG)** currency, the **Reserve Bank of Zimbabwe (RBZ)** (central bank) on 29 April opted to keep the benchmark interest rate unchanged at 20%. Zimbabwe introduced the ZiG on 5 April, with the currency backed by 2.5 tonnes of gold and \$100m in foreign currency reserves held by the central bank. On the same day, the central bank reset interest rates from a world record 130% to 20%. While the currency was launched at a rate of ZiG 13.6 per \$1, the ZiG notes only started circulating on 30 April. This is Zimbabwe's fourth attempt at having a local currency in the last decade.¹

RBZ governor **John Mushayavanhu** said after the MPC meeting that the market had given the new currency a positive response, driving the MPC's decision. He also added that the MPC expects currency reforms to help provide "*stability, certainty and predictability in the exchange rate and inflation*".² At the sitting, The MPC also set the interest rate corridor at between 11% to 25%.

Although it has remained stable on the official market since its launch in early April, the ZiG has been off to a doubtful start on the parallel market, with traders charging a premium of 65% to the official rate to obtain **United States (US)** dollars.³ Some supermarkets are also charging a premium above the market rate for customers paying in the new currency while informal traders are rejecting the ZiG. On 6 May, Mushayavanhu issued a stern warning to supermarkets found using exchange rates higher than the official rate, threatening to revoke their shop licences.

The ZiG has been trading between ZiG 17 and ZiG 22 per \$1 on the parallel market, forcing the government to implement various measures to stabilise the exchange rate, including crackdowns on illegal foreign currency dealers. Collaborative efforts between the **Consumer Protection Commission (CPC)**, the police, and the central bank's **Financial Intelligence Unit (FIU)** to enforce compliance have been ongoing. Notably, police arrested women's affairs

¹ BBC, 5 Apr 2024

² Reuters, 29 Apr 2024

³ Reuters, 7 May 2024

minister **Monica Mutsvangwa** and ruling **Zanu-PF** spokesman **Christopher Mutsvangwa's** son **Neville Mutsvangwa** on 10 May for allegedly dealing in illegal foreign currency trading.⁴

The **Consumer Council of Zimbabwe (CCZ)** said on 10 May that the currency has brought more "*challenges*" for consumers than those they faced before its introduction because people are failing to use the new currency outside the formal retail sector.⁵

UN launches \$429m food aid appeal for Zimbabwe

The **United Nations (UN)** on 9 May launched a \$429m aid appeal to feed 3.1 million Zimbabweans needing urgent food aid after the worst drought in 40 years. UN resident coordinator and humanitarian coordinator **Edward Kallon** confirmed that the UN's Zimbabwe drought response will run from April 2024 to March 2025 and will target people in 46 of the most vulnerable districts.⁶ Interventions will include livestock production, food assistance, cash transfers, and the construction of solarised boreholes and water pans. Approximately 7.6 million people, or half the population, need "*lifesaving and life-sustaining*" humanitarian assistance but the UN funds will target 3.1 million of the most vulnerable.⁷

The **El Nino** weather phenomenon has impacted most of southern Africa, with President **Emmerson Mnangagwa** (2017-present) on 3 April declaring a national disaster, confirming that the country needs more than \$2 billion to help feed its population. Zimbabwe is among the hardest hit by the drought with harvests for the staple corn crop estimated at 700,000 tonnes for the 2023/2024 season, down 70% from last season. Zimbabwe requires 2.2 million tonnes annually to meet demand for humans and livestock.

The drought's consequences will also be felt across other economic sectors as over 55% of the raw materials required by Zimbabwe's industries come from the agricultural sector. Electricity generation will also be affected as less rain in the region means there's less water to generate power at **Kariba Dam** (see *ARC Briefing Zimbabwe Mar 2024*).

Government places its largest nickel miner under administration

Justice minister **Ziyambi Ziyambi** on 2 May gazetted a reconstruction order for **Bindura Nickel Corporation's Trojan Mine**, placing the country's largest nickel miner under administration. **Musta Remba** was appointed as administrator for the mine, which has been hard hit by the prevailing low commodity prices on the global market coupled with plant failures.⁸

Bindura Nickel Corporation is 70%-owned by state-owned **Kuvimba Mining House** which in turn is wholly owned by the sovereign wealth fund, the **Mutapa Investment Fund**. This means the government can use the **State Indebted Insolvent Companies Act** which tries to rescue distressed state-affiliated companies.

BNC said in a statement on 2 May that nickel prices are stuck at "*unsustainably low economic levels for the business*" set against high input costs, especially power –with tariffs increasing by 40% for miners last year.⁹ The company has warned that its losses for the six months to March will widen by 8% compared to the same period of last year.

Nickel hit record highs of \$100,000 per tonne in 2022, helped by supply fears after the **Ukraine** conflict, however, a surplus supply has driven prices to less than \$19,000 per tonne. Prices have

⁴ Newsday, 10 May 2024

⁵ Newsday, 10 May 2024

⁶ Newswire, 9 May 2024

⁷ Business Standard, 10 May 2024

⁸ Newswire, 2 May 2024

⁹ Chronicle, 3 May

fallen by 25% from this time last year.¹⁰ Due to the reconstruction order, the **Victoria Falls Stock Exchange (VFEX)** on 6 May voluntarily suspended trading in BNC shares.¹¹

Lithium boom attracts former investors

At the invitation of Mnangagwa, **British** mining tycoon **Algy Cluff** is returning to Zimbabwe's mining industry to dive into the lithium boom, almost 30 years after leaving the country.¹² Cluff became a prominent investor in Zimbabwe after its independence, establishing the **Freda Rebecca Mine** through **Cluff Resources**, which became the country's biggest gold producer.

Cluff left Zimbabwe in 1996 after Cluff Resources sold the Freda Rebecca Mine to **Ghana**-based **Ashanti Goldfields** following the land reform programme. His energy company **Cluff Energy Africa** announced in 2021 that it had agreed to fund 33.33% of the costs of a two-well exploration campaign by **Australia**-headquartered **Invictus Energy** in exchange for a potential future stake in the project.

Cluff, through Cluff Energy Africa, is now keen to partner with the government on the **Sandawana Lithium Mine**, seeking a 65% stake with the Mutapa Investment Fund taking the remainder.¹³ Sandawana was previously an emerald mine owned by Australia's **Rio Tinto** but shut down in 2010. Kivumba Mining House has since been seeking \$220m in funding to develop what company officials say holds an estimated 200 million tonnes of lithium ore. Cluff was in Harare in early April and said his company had completed its due diligence on the project and was keen to start production which will produce a substantial cash flow for the country for 30 or 40 years.

Zimbabwe is estimated to hold the largest lithium reserves in Africa and many investors from **China** and the **United Kingdom (UK)** are seeking opportunities in Zimbabwe as critical minerals boom. Cluff's move also comes as Zimbabwe has asked lithium miners to beneficiate more minerals in the country. Miners currently process raw lithium into concentrates for export, but the government wants them to go further and produce battery-grade lithium, a further stage of processing. Chinese-owned **Prospect Lithium Zimbabwe** previously said it was not feasible to produce battery-grade lithium in Zimbabwe due to shortages of power and other key inputs but has since expressed a change of opinion and now plans to set up a lithium sulphate plant in Zimbabwe to comply with local processing rules.¹⁴

¹⁰ Reuters, 12 Feb 2024

¹¹ The Chronicle, 8 May 2024

¹² The Herald, 17 Apr 2024

¹³ Newswire, 16 Apr 2024

¹⁴ Newswire, 22 Apr 2024

Planner

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

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

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

Chronology

8 May 2024 **Harare (Zimbabwe) *Newsday*. United Kingdom**-headquartered **IKavango Resources** says it is consolidating bulk mining to increase Zimbabwe's gold production;

7 May 2024 **Harare (Zimbabwe) *Newsday*. Finance minister Mthuli Ncube** says government will tax \$0.02 for every \$1 leaving the country to ensure forex availability locally, as government desperately tries to protect the **Zimbabwe Gold (ZiG)** currency introduced a few weeks ago;

7 May 2024 **Harare (Zimbabwe) *Moneyweb*. South Africa's** constitutional court rules that 25 Zimbabwean farmers and companies who had their land dispossessed cannot claim R2 billion (\$108.11m) in damages, citing the matter had prescribed;

6 May 2024 **Harare (Zimbabwe) *Business Times*. United Kingdom (UK)**-headquartered accountancy firm, **PwC** is set to withdraw from Zimbabwe by the end of this year, following fellow UK-based **Deloitte's** recent departure through a management buyout;

6 May 2024 **Harare (Zimbabwe) *Zimbabwean Mail*. A United Kingdom (UK)**-based virtual carrier, **Fly Phoenix Direct Limited**, is set to inaugurate direct charter flights connecting **London** and Harare by June;

2 May 2024 **Harare (Zimbabwe) *Newswire*. Grain millers** plan to import 1.4 million tonnes of maize by July next year following forecasts that the drought has reduced crops by 60%;

1 May 2024 **Harare (Zimbabwe) *Newsday*. KUVIMBA Mining House (KMH)** group chief executive officer **Simbarashe Chinyemba** is reportedly leaving the mining giant to join the **Mutapa Investment Fund** as chief investment officer;

1 May 2024 **Harare (Zimbabwe) *Newswire*. Econet Wireless** has opened two free remittance corridors into the country, cutting out the cost to both sender and receiver meaning Zimbabweans in the **United Kingdom** and **South Africa** can now send money free of charge to Zimbabwe via Econet associate **Sasai Money Transfer**;

28 Apr 2024 **Harare (Zimbabwe) *SABC News*. United Kingdom**-headquartered **Amnesty International** says Zimbabwe's overall human rights record remains poor despite enacting the **Children's Amendment Act of 2023** which criminalises marriage of people under the age of 18;

26 Apr 2024 **Harare (Zimbabwe) *Newsday*. Sabi Star Mine** says it is close to completing its \$25m 15 megawatts (MW) thermal power plant as it targets to fully integrate the station in the second half of this year;

24 Apr 2024 **Harare (Zimbabwe) *The East Africa*. President Emmerson Mnangagwa** re-shuffles his cabinet, notably bringing **Winston Chitando** back to his role as mines minister, a position he held before the 2023 elections;

- 23 Apr 2024 **Harare (Zimbabwe)** *Newswire*. **Australia's Invictus Energy** signs a memorandum of understanding with gold producer **Dallaglio** that could lead to a maiden gas offtake agreement with Dallaglio, involving the supply of gas to the **Eureka** gold mine, in Zimbabwe;
- 22 Apr 2024 **Harare (Zimbabwe)** *The Herald*. Finance minister **Mthuli Ncube** says Zimbabwe will not require a supplementary budget to cover grain imports that are being necessitated by the **El-Nino**-induced drought
- 21 Apr 2024 **Nairobi (Kenya)** *The Herald*. The 4th **Zimbabwe-Kenya Joint Permanent Commission on Cooperation** begins ahead of a state visit by President **William Ruto** to Zimbabwe on Friday;
- 20 Apr 2024 **Harare (Zimbabwe)** *eNCA*. President **Emmerson Mnangagwa** pardons 4,000 prisoners in commemoration of Zimbabwe's 44th Independence Day;
- 19 Apr 2024 **Harare (Zimbabwe)** *Newswire*. Finance Minister **Mthuli Ncube** asks the **United States (US)** government to tell banks that they will no longer be fined for dealing with Zimbabwe, citing that Zimbabwe has lost 102 correspondent banking relationships as international banks fear attracting penalties from the **US Treasury Department**;
- 18 Apr 2024 **Harare (Zimbabwe)** *Business Insider Africa*. **Reserve Bank of Zimbabwe** (central bank) governor **John Mushayavanhu** says the bank will refrain from printing additional **ZiG** notes unless it has reserves to support the new currency;
- 17 Apr 2024 **Harare (Zimbabwe)** *Bloomberg*. Finance minister **Mthuli Ncube** says Zimbabwe hopes to deepen ties with the **International Monetary Fund (IMF)** this year as it seeks a staff-monitored programme in the second half of 2024;
- 15 Apr 2024 **Harare (Zimbabwe)** *Bloomberg*. Grain millers say they will visit **Brazil** as Zimbabwe considers importing corn from Brazil for the first time since 2014 as the **El-Nino**-induced drought continues to impact crop growth;
- 11 Apr 2024 **Harare (Zimbabwe)** *Bloomberg*. **Reserve Bank of Zimbabwe** (central bank) governor **John Mushayavanhu** expresses concern that the appreciation of the new **ZiG** currency against the **United States** dollar could spark deflation;
- 11 Apr 2024 **Harare (Zimbabwe)** *New Zimbabwe*. Local media report that most retail outlets and government departments have still not switched to the new **ZiG** currency, with only half of the country's 27 financial institutions able to process ZiG payments;

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