

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing August 2022

Zimbabwe Summary 11 August 2022

The Reserve Bank of Zimbabwe (RBZ) (central bank) launches a one-ounce gold coin to combat soaring inflation by soaking up excess Zimbabwean dollars. The move seems to have had its desired effect as the parallel market exchange rate has strengthened from its early July weakest level, while the monthly inflation rate moderated to 25.6% in July from 30.7% in June. The African Development Bank (AfDB) agrees on 14 July to help Zimbabwe clear its \$13.5 billion debt during a visit by the Abidjan-based lender's president, Akinwumi Adesina. Caledonia Mining Corp. agrees to buy Bilboes Gold Ltd. for approximately \$53.3m in shares, plus a royalty on revenues. The purchase could make Caledonia Zimbabwe's largest gold producer, with the potential to more than double its annual output to over 200,000 ounces. The police charge two from national paper News Day under provisions of the country's Cyber and Data Protection Act that cover "false data messages". Covid cases continue to trend near zero in July and early August despite the lifting of the curfew in June.

The Reserve Bank of Zimbabwe launches gold coin to combat soaring inflation...

The **Reserve Bank of Zimbabwe (RBZ)** on 25 July started selling one-ounce, 22-carat gold coins, known as "*Mosi-oo-Tunya*".¹ The coins, which can be traded in Zimbabwe and overseas, can also be exchanged for cash. The RBZ hopes that the launch of the coins will reduce the quantity of Zimbabwean dollars in circulation to eventually restore that currency's value. Gold is traditionally the ideal hedge against inflation and general economic uncertainty, no country has previously tried to tackle a weakening currency by selling gold coins.² The **International Monetary Fund's** representative to Zimbabwe, **Carlos Caceres**, went as far as to call the situation "*unusual*".

The RBZ announced that each coin will have a serial number, come with a certificate of authentication, and be sold at a price "*based on the prevailing international price of gold and the cost of production*".³ Buyers of the coin must also hold it for a minimum of 180 days so that speculators cannot rapidly get in and out of trading positions depending on the gold price movements.

Gold has been trading close to \$1,800 per troy ounce indicating that institutional investors may be the principal buyers of the coins. Companies with excess cash could find the coins useful to store value and as an alternative investment asset, although, individuals and companies are likely to continue preferring the **United States (US)** dollar as it is convenient and highly liquid.

The RBZ will also have to buy the gold from miners, possibly including informal artisanal miners which could present challenges and increase the risks of smuggling.

The current currency crisis is similar to what occurred under former President **Robert Mugabe** (1980-2017). Annual inflation hit a record 489 billion percent in September 2008, and the Zimbabwean dollar held little to no value. In 2015 the country was forced to switch out the Zimbabwean dollar for the US dollar. The Zimbabwean dollar was reintroduced in 2019, following the resignation of Mugabe and the appointment of President **Emmerson Mnangagwa** (2017-present).

¹ Reserve Bank of Zimbabwe, 25 July 2022

² Associated Press, 25 July 2022

³ Reserve Bank of Zimbabwe, 25 July 2022

History is now repeating itself, with confidence falling in the currency. Finance minister **Mthuli Ncube** has warned businesses who refuse to accept the currency from customers could lose their trading licenses.⁴

Rising consumer inflation has put businesses at a disadvantage among regional peers such as **Botswana, Malawi, and South Africa**. Zimbabwe's inflation rate is the highest in **Southern Africa** and almost eight times that of **Angola**, the country with the second highest rate in the region. The government has stepped up measures to stabilise the Zimbabwean dollar and contain inflation, including lifting the key interest rate to 200% from 80% and reintroducing the US dollar as legal currency. The RBZ hopes to remove speculative froth from trading in Zimbabwean dollars in the parallel market and divert it into gold coins.

The launch of the gold coin seems to have had the desired effect thus far as monthly inflation moderated to 25.6% in July from 30.7% in June. The annual rate did still rise to 256.9% in July from 191.6% in June. Although high, the current annual inflation rate is well below the rates reached in September 2008 or the 837.53% peak reached in July 2020.⁵

The Zimbabwean dollar to US dollar exchange rate strengthened to an average rate of 1:710 on 9 August from as high as 1:850 at the beginning of July. The official exchange rate was US\$1:ZW\$458.40.⁶ **Denford Mutashu**, president of the **Confederation of Zimbabwe Retailers** noted:

*"It is quite encouraging to note that monetary authorities have realised where the current exchange rate instability has been emanating from and I can authoritatively state that there has been significant stability of the local currency to the extent that retailers who have been shunning the local currency are now demanding it albeit good rates as well."*⁷

Tawanda Ziwerere, an economic analyst also stated:

*"There has been a considerable change of fortunes on parallel market rate movements since last month and this, according to the news that we are receiving, is being caused by the actions of the central bank and if you go into the streets right now, it's no longer business as usual because the market is very dry."*⁸

... as the African Development Bank agrees to help Zimbabwe

The **African Development Bank (AfDB)** has agreed to help Zimbabwe clear its \$13.5 billion debt. The **Abidjan**-based lender's president **Akinwumi Adesina** visited Zimbabwe between 11 and 13 July to hold discussions on a debt plan for Zimbabwe.⁹ The AfDB has also started releasing loans from its **African Emergency Food Production Facility** fund, worth \$1.5 billion. The fund, benefitting 38 countries including Zimbabwe, is said to be aimed at helping Africa avert a looming food crisis fuelled by the ongoing **Russia-Ukraine** conflict. Adesina noted the following during his visit:

*"I believe that Zimbabweans, ordinary Zimbabweans, have suffered long enough. You have a country, a beautiful country in which you now have 40 percent of the population that is living in extreme poverty. And they do not have the resources to get out of that. So, we have to create a new hope, a new pathway so that tomorrow can be a better day than yesterday. Zimbabwe has a significant amount of debt areas that it needs to clear. But you cannot run up the hill if you are carrying a backpack of sand. So, Zimbabwe cannot run up a hill for its economic recovery and growth and prosperity if it's carrying a backpack of sand."*¹⁰

⁴ Associated Press, 25 July 2022

⁵ Reserve Bank of Zimbabwe, 29 July 2022

⁶ Bulawayo24, 10 August 2022

⁷ Bulawayo24, 10 August 2022

⁸ Bulawayo24, 10 August 2022

⁹ Voice of America, 14 July 2022

¹⁰ Voice of America, 14 July 2022

The AfDB and Zimbabwe are also looking for ways in which Zimbabwe can get access to international financial money while the debt is being settled over a long period. Finance minister Ncube has said:

“What we have done so far is to begin token payments for the African Development Bank, the World Bank, the European Investment Bank, and also all the 17 Paris Club partners. But what needs to be done is to fully implement the full roadmap for the arrears clearance. But for us to work well, we need a champion, and I am pleased to say that Dr Adesina has agreed to be the champion, to cajole all partners around the world for us to be able to implement our arrears strategy.”¹¹

Caledonia Mining Corp aims to become Zimbabwe’s biggest gold producer

Jersey-based Caledonia Mining Corp has agreed to buy **Bilboes Gold Ltd** for approximately \$53.3m in shares, plus a royalty on revenues.¹² The purchase could make Caledonia Mining Corp. Zimbabwe’s biggest gold producer, with the potential to more than double its annual output to over 200,000 ounces. Caledonia CEO **Mark Learmonth** commented on the deal:

“We are delighted to have signed an agreement for the purchase of Bilboes, the premier gold development project in Zimbabwe, and indeed one of the best gold development projects in Africa.”¹³

Bilboes also owns the **Isabella-McCays-Bubi** mines in northwest Zimbabwe, which can potentially produce about 168,000 ounces of gold. However, operations have been delayed as Bilboes’ owners searched for new investors. Caledonia has said it will conduct further studies to determine the “most judicious way” to exploit the deposit.

Caledonia, which has **South Africa**-based fund manager **Allan Gray** as one of its biggest shareholders, already operates the **Blanket** mine in southwest Zimbabwe.

The first journalists are charged under the new cybercrime law

The government has charged two journalists from the national paper, **News Day**, under its new cybercrime law. Media advocates have criticised the move, stating it runs counter to global trends to support and promote press freedom.¹⁴

The police charged **Wisdom Mdzungairi**, editor of News Day, and senior reporter **Desmond Chingarande** under the provisions of the country’s **Cyber and Data Protection Act** which covers “false data messages.”¹⁵

Mbungairi and Chingarande both deny the charges with Chingarande stating he was surprised when police called:

“They allege I published a false statement on internet, but I see this as an intimidation tactic. There were allegations that they are burying people on a part of Glen Forest Memorial Park called Chikomo Chemhute, which is situated at the confluence of Mazowe River, without approval from responsible ministries.”¹⁶

The **Media Institute of Southern Africa** has said such laws are a means to target journalists and citizens. Zimbabwe is not alone in passing such laws - **Zambia, Eswatini** and **Tanzania** enacted cybersecurity laws between 2015 and 2021, while **Namibia** and **Lesotho** are finalizing similar legislation.

¹¹ Voice of America, 14 July 2022

¹² Bloomberg, 21 July 2022

¹³ Bloomberg, 21 July 2022

¹⁴ Voice of America, 8 August 2022

¹⁵ Voice of America, 8 August 2022

¹⁶ Voice of America, 8 August 2022

Controversy sparked by the appointment of the former vice president's daughter to the electoral commission

President Mnangagwa on 7 July appointed former vice president **Kembo Mohadi's** daughter, **Abigail Millicent Mohadi Ambrose**, as one of the **Zimbabwe Electoral Commission (ZEC)** commissioners.¹⁷ The decision has sparked controversy as she joins at least two other children of the ruling **Zimbabwe African National Union-Patriotic Front (ZANU-PF)**, loyalists on the commission. This includes **Cathrine Mpfu**, the daughter of former mines minister **Obert Mpfu** and **Kudzai Shava**, son of current foreign affairs minister **Frederick Shava**.¹⁸

Civil society groups are also raising the alarm about the appointments, warning of conflicts of interest on the part of Mohadi and other relatives of government officials. A report by the **Zimbabwe Democracy Institute (ZDI)** read:

*"The fact that Abigail Ambrose's father Kembo Mohadi is an interested party in Zimbabwe's elections is enough to dismiss her appointment as part of a patron-client relationship which is detrimental to the conduct of credible elections in Zimbabwe."*¹⁹

The pro-democracy group said the "conflict of interest" also applies to the military personnel who serve in ZEC since the army transformed from being the armed wing of what is today the ZANU-PF. In the past, ZEC has been criticised for appointing people with military backgrounds, especially after a 2018 statement by chairperson **Priscilla Chigumba** who said at least 15% of its 380-person staff were ex-service personnel. **Zimbabwe Election Support Network (ZESN)** chairman **Andrew Makoni**, noted the following:

"When you are recruiting a person for an independent commission role, one of the critical factors is that they must be independent and have to be seen to be independent."

Covid cases remain near zero in July

Health minister **Constantino Chiwenga** has responded to a drop in the **Covid-19** caseload by easing some restrictions implemented in March 2020 to curb the spread of the virus. Covid-19 cases plunged from a peak of 6,181 on 10 December 2021 to 190 on 6 March and zero on 9 August.²⁰ As of 7 July, the health ministry has recorded a total of 256,490 Covid-19 cases in Zimbabwe's population of 14.86 million, with 5,586 Covid-19-related deaths.²¹

Despite mandatory vaccination for civil servants, who constitute the largest sector of formal employment, Zimbabwe's vaccination rate has plateaued, with only 31% of the adult population fully vaccinated.

The following changes have been made regarding measures:

- On 23 June the midnight to 5:30 am curfew was lifted;
- Fully vaccinated residents and visitors no longer need to undergo quarantine when they enter Zimbabwe, but must have a valid negative PCR test performed no more than 48 hours before entry;
- Quarantine for returning residents and visitors is lifted for those who are fully vaccinated;
- The wearing of face masks in public places, especially public transport and closed space gatherings, remains mandatory and must be enforced.²²

¹⁷ Al Jazeera, 1 August 2022

¹⁸ Al Jazeera, 1 August 2022

¹⁹ Al Jazeera, 1 August 2022

²⁰ Worldmeter, 10 August 2022

²¹ Worldmeter, 10 August 2022

²² Department of Health, 23 June 2022

Planner

1 Jan 2023 **(South Africa)** Expiry of special residence permits for Zimbabweans living in South Africa;

6-8 Feb 2023 **Cape Town (South Africa)** Investing in African Mining Indaba

August 2023 **(Zimbabwe)** General elections

Chronology

10 Aug 2022 **Harare (Zimbabwe)** *Bulawayo24*. **Better Brands (Private) Limited**'s operations at **Redwing Mine** in **Penhalonga** are under scrutiny amid concerns over gold leakages and poor health and safety practices as the general peace of residents is now under threat due to violence by artisanal miners. The company is owned by **Scott Sakupwanya**, an ally of President **Emmerson Mnangagwa**;

9 Aug 2022 **Harare (Zimbabwe)** *Bulawayo24*. The **Zimbabwean** dollar to **United States** dollar exchange rate strengthens to an average rate of 1:710 from as high as 1:850 at the beginning of July;

8 Aug 2022 **Harare (Zimbabwe)** *Voice of America*. Zimbabwe has charged two journalists editor **Wisdom Mdzungairi** and senior reporter **Desmond Chingarande** from the national paper, **News Day**, under its cybercrime law in a move media advocates say runs counter to global trends to support and promote press freedom;

8 Aug 2022 **Harare (Zimbabwe)** *Bulawayo24*. The Zimbabwe government bans "*President*", the Oscar-nominated documentary by **Danish** filmmaker **Camilla Nielsson** about Zimbabwe's 2018 presidential election;

8 Aug 2022 **Harare (Zimbabwe)** *Financial Gazette*. Construction works for **Makuti** inland dry port will commence this month following the completion of designs for the pilot project;

5 Aug 2022 **Pretoria (South Africa)** *Business Report*. The **Zimbabwe Electricity Transmission and Distribution Company (ZETDC)** has signed a power purchasing agreement with **South African** independent power producer, **Matshela Energy Limited**, which will pave way for the construction of a 100-megawatt solar plant in the southern town of **Gwanda**;

1 Aug 2022 **Harare (Zimbabwe)** *Al Jazeera*. The recent appointment of former vice president **Kembo Mohadi**'s daughter, **Abigail Millicent Mohadi Ambrose**, to the **Zimbabwe Electoral Commission** continues to spark controversy;

1 Aug 2022 **Harare (Zimbabwe)** *Financial Express*. President **Emmerson Mnangagwa** unveils the \$500m **Zim Cyber City**, which will be a cutting-edge mixed-use hi-tech park built on the outskirts of **Harare**. It is being developed by UAE-based diversified industrial conglomerate **Mulk International**;

29 Jul 2022 **Harare (Zimbabwe)** *Reserve Bank of Zimbabwe*. Monthly inflation drops to 25.6% in July from 30.7% in June, although the annual rate rose to 256.9% in July from 191.6% in June;

28 Jul 2022 **Harare (Zimbabwe)** *Business Day*. Finance minister **Mthuli Ncube** says the government will double the royalty rate it charges mining companies on the platinum group metals they produce to 5% from January 2023 in a bid to increase government revenues;

26 Jul 2022 **Lusaka (Zambia)** *Xinhua*. The **Zambian** government announces that it will use its surplus electricity to fulfil power agreements with **Namibia** (180 MW) and **Zimbabwe** (100 MW);

25 Jul 2022 **Harare (Zimbabwe)** *Associated Press*. **Zimbabwe** launches gold coins to be sold to the public in a bid to tame runaway inflation that has further eroded the country's unstable currency. The central bank disbursed 2,000 coins to commercial banks;

21 Jul 2022 **Harare (Zimbabwe)** *Bloomberg*. **Caledonia Mining Corp.** agrees to buy **Bilboes Gold Ltd.** for about \$53.3 million in shares, plus a royalty on revenues.;

20 Jul 2022 **Harare (Zimbabwe)** *News Day*. **Zimbabwe** aims to export 5,000 tons of avocados this season. Zimbabwe is the fifth largest exporter of avocados in **Africa**;

14 Jul 2022 **Harare (Zimbabwe)** *Voice of America*. The **African Development Bank (AfDB)** agrees to help **Zimbabwe** clear its \$13.5 billion debt;

12 Jul 2022 **Harare (Zimbabwe)** *The Herald*. The government of **Zimbabwe** revokes the privileges allowing **Schweppes** to import duty-free raw material to use at their **Beitbridge Juicing Plant**;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)