

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing May 2023

Zimbabwe Summary 12 May 2023

Finance minister Mthuli Ncube threatens to increase interest rates again if the local currency continues with its free-fall on the parallel which has seen premiums rising to over 100% against the official exchange rate. The International Monetary Fund (IMF) cautions Zimbabwe against adopting a gold-backed digital currency as a way of stabilising, macroeconomic fundamentals. Australia-headquartered Invictus Energy announces on 8 May it has found oil, helium, and gas in mud samples dug up from its Cabora Bassa exploration wells in northern Zimbabwe. President Emmerson Mnangagwa (2017-present) is forced to backtrack on a new controversial law that would have opened the door for the looting of public funds through opaque procurement of construction equipment and medical supplies.

Finance minister threatens to raise interest rates as local currency plummets

Finance minister **Mthuli Ncube** has threatened to raise interest rates sharply again after the local currency fell sharply leading to a spike in the prices of goods and services across the country.¹ The Zimbabwean dollar has fallen from trading at ZW1,200 to the US dollar at the end of March to the current range of between ZW\$2,500 and ZW\$2,700 to the US dollar on the black market, where the majority of citizens get foreign currency. This has resulted in a more than 100% premium on the US dollar which is trading at just over ZW\$1,000 on the official market.

Ncube raised interest rates to as high as 200% in 2022 in a bid to contain runaway inflation and the move, along with other measures such as the introduction of gold coins and fiscal restraint, appeared to have worked as inflation receded while the foreign currency exchange rate on the parallel market stabilised. After the success of 2022, the **Reserve Bank of Zimbabwe (RBZ)** (central bank) reduced the policy rate twice this year to 140%. This decision came as annual inflation softened to 87,6% in March after declining from 101,5% in January and 92,3% in February.²

Annual inflation, based on the government's measure which blends the US dollar and Zimbabwean dollar prices, was down again to 75.2% in April from 87.62% in March. But month-on-month inflation, reflecting the latest increases in prices, rose 2.3 percentage points to 2.4% in the month.

While the finance minister appears to be blaming the monetary policy loosening for the exchange rate collapse, the currency's latest bout of weakness could actually be attributed to rising US dollar demand and increased government spending in supplier payments and wages. Election spending may also fuel inflation, but Ncube insists that he will not exceed the budget for the planned August elections.

President **Emmerson Mnangagwa** (2017-present) re-introduced the local currency in 2019 after a decade of dollarisation. A **Zimbabwe National Statistics Agency** report released early this year showed that the economy is on a dollarisation trajectory with 78% of transactions for food purchases now being done in foreign currency.³

¹ [Newswire](#), 26 Apr 2023

² [Business Times](#), 6 Apr 2023

³ [Newsday](#), 26 Apr 2023

... as IMF cautions against gold-backed digital currency

The **International Monetary Fund (IMF)** has advised against Zimbabwe's planned adoption of a gold-backed digital currency to address macroeconomic issues such as volatility in the local currency.⁴ The central bank began selling digital tokens on 8 May to reduce demand for US dollars, currently the preferred currency for transactions. The move is part of a wider plan by the central bank to stabilise the local currency, which has been weakening against the US dollar, by mopping up excess liquidity in the market (see above).

The tokens are available for purchase by individuals for a minimum price of ZW\$10 (\$0.031) and by corporations and other entities for a minimum price of ZW\$5,000 (\$15.53) and will eventually be used for transactions. Backed by a certain amount of gold, which helps keep its value stable, this currency is tied to the market value of the gold – unlike a fiat currency. The Zimbabwe gold-backed digital currency will be used as legal tender and a store of value alongside the Zimbabwean dollar and bond notes.⁵ Users can buy and sell it using Zimbabwean dollars and other foreign currencies. The tokens have a vesting period of 180 days with a prescribed asset status, and the RBZ says they are acceptable as collateral for loans, as well.

Instead of adopting digital currency, the IMF recommends that Zimbabwe uses conventional measures like maintaining a tight monetary policy and accelerating the liberalisation of the foreign currency market to address economic challenges. Zimbabwe joins other countries such as Nigeria, Ghana and South Africa that have introduced digital while the Central African Republic (CAR) in March 2023 backtracked and repealed a law that gave Bitcoin and other cryptocurrencies legal tender status.

The adoption of the digital currency comes at a time when gold deliveries to **Fidelity Printers and Refiners (FPP)**, the security printing and gold refinery owned by RBZ, were down nearly 16% during the first four months of the year to 8,57 tonnes compared to the prior period owing to rains.⁶ The drop in gold deliveries is however not seen affecting the amount of reserves needed to back up the currency which is minimal compared to annual production. It is estimated that Zimbabwe currently holds 350kgs (12,346 ounces) of gold in reserves valued at \$22.80m at the current price and intends to build reserves to around \$100m. Gold production totalled 33 tonnes last year, up 5% from nearly 31,5 tonnes in 2021 and the country targets to produce up to 40 tonnes this year.

Invictus strikes oil in northern Zimbabwe

Australia-listed **Invictus Energy** confirmed on 8 May that it found the presence of light oil, gas condensate and helium at its **Cabora Bassa** project in northern **Zimbabwe** after an initial drilling programme in September 2022 appeared to have drawn a blank.⁷ The company said that mud gas analysis from the **Mukuyu-1** well drilled last year had proved the presence of hydrocarbons in multiple reservoirs pay zones. The company said that the analysis also confirmed the presence of helium gas in commercial concentrations comparable with global helium-producing fields.

Invictus also announced it plans to drill a second well, **Mukuyu-2**, during the third quarter of this year with success at Mukuyu-2 and confirmation of a significant discovery expected to further unlock the value of its material portfolio.

The company announced earlier this year on 3 January that it was suspending drilling operations on Mukuyu-1 and **ST1** wells before making any oil discoveries, citing “*unsuitable*” and “*not feasible*” conditions.⁸ Despite the setback at the Mukuyu-1 well, Invictus said it had negotiated to keep the rig

⁴ [Bloomberg](#), 9 May 2023

⁵ [Al Jazeera](#), 9 May 2023

⁶ [Newsday](#), 9 May 2023

⁷ [Reuters](#), 8 May 2023

⁸ [News24](#), 4 Jan 2023

on site for an additional 12 months and will look to recommence drilling of either the Mukuyu-2 or **Baobab-1** wells in 2023.

Discovery of commercial oil and gas in Zimbabwe will come as a boost to its plans to grow and diversify its extractive industry, which is dominated by gold, Platinum Group Metals (PGMs). Zimbabwe's exports, dominated by gold and PGMs reached \$5,6 billion in 2022 up 12.3% from \$5 billion in 2021.⁹

Mnangagwa forced to rescind controversial procurement law

Mnangagwa has been forced to rescind a controversial law that sought to hide details of some procurement processes from the public after an outcry from civil society and members of the public.¹⁰ Mnangagwa announced through a public statement on 10 May that the **Public Procurement and Disposal of Public Assets Act**, which was published in the government gazette on 5 May, had no legal standing despite some government officials supporting the law when it was gazetted.

In the gazette, the government declared 'special procurements in the public interest', specifically the health sector, would not be publicly disclosed. The specific procurement that was to be hidden from the public included construction equipment, biomedical and medical equipment, medicines, and drugs (pharmaceuticals), vehicles including ambulances, laboratory equipment, chemicals and accessories, hospital protective equipment, and repairs and maintenance services of hospital equipment and machinery.

The law initially drew strong criticism. Prominent business leader **Nigel Chanakira** posted on **Twitter** following the publication of the gazette:

"Do we citizens not have a right to know what national taxes that we pay are being used for? Why can a government not walk in the light? Is it not more corrupt deals for their cronies again? Can anyone justify this piece of legislation?"¹¹

Independent legal think-tank **Veritas Zimbabwe** had also criticised the law as flawed from both a legal and policy perspective as it contravened the **Public Procurement Act** while it also did not promote transparency and fairness. Veritas argued that without knowledge of what the government has procured, how much it has paid and who the supplier was, neither parliament nor the public would have been able to tell if the government has spent its money wisely, fairly, honestly and cost-effectively and competitively.

In the statement released to rescind the law, chief secretary to the president and cabinet **Misheck Sibanda** claimed that the document had been published without authorisation, and without the signature of the president as was the norm. Sibanda further said investigations surrounding its publication were underway.¹² Sibanda's statement was in stark contrast to government spokesperson **Nick Mangwana's** social media statement, who had the previous day supported the new law saying it aimed to "*disentangle purchases of emergency medical supplies or critical equipment repairs from the long-drawn procurement process*".¹³

⁹ [Xinhua](#), 9 Jan 2023

¹⁰ [Newsday](#), 10 May 2023

¹¹ Twitter, 9 May 2023

¹² [Sunday Mail](#), 11 May 2023

¹³ Twitter, 9 May 2023

Planner

May **Harare (Zimbabwe)** Monetary Policy Committee (MPC) decision

17-19 May **Harare (Zimbabwe)** Zimbabwe Debt Conference

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

July **Harare (Zimbabwe)** Mid-term National Budget Review

July/August 2023 **(Zimbabwe)** General elections

Chronology

8 May 2023 **Harare (Zimbabwe)** *Newswire*. **Bikita Minerals**, which **Chinese** metals giant **Sinomine** acquired in June 2022, expects to complete its new lithium processing plant in June, saying it has doubled revenue after the acquisition;

10 May 2023 **Harare (Zimbabwe)** *The Herald*. Information, publicity and broadcasting services minister **Monica Mutsvangwa** says **United States**-based **Strategen Company** has been engaged by **Kuvimba Mining House** as the lead consultant to drive the resuscitation of **Zisco Steel**;

8 May 2023 **Harare (Zimbabwe)** *Newswire*. **Canadian** think tank **Fraser Institute**, which polls over 2000 mining investors each year on where they prefer to invest, places Zimbabwe at the bottom of 62 mining jurisdictions, mostly due to investors' perception of how the Zimbabwean government regulates the industry;

8 May 2023 **Harare (Zimbabwe)** *The Standard*., **University of London** professor of world politics **Stephen Chan** says Zimbabwe's presidential election will decide the country's chances of being readmitted into the **Commonwealth**;

8 May 2023 **Harare (Zimbabwe)** *Newsday*. Opposition party **Movement for Democratic Change – Tsvangirai (MDC-T)** president **Douglas Mwonzora** filed an application seeking to postpone the 2023 harmonised election until delimitation is re-done, however, a full constitutional court bench led by chief justice **Luke Malaba** throws the application out;

5 May 2023 **Harare (Zimbabwe)** *The Business Weekly*. Finance minister **Mthuli Ncube** says Zimbabwe intends to join the **New Development Bank (NDB)**, the multilateral bank set up by the **BRICS** states, to expand sources of capital for infrastructure development. The NDB originally served the five BRICS countries- **Brazil, Russia, India, China** and **South Africa**- and has now added **Bangladesh**, the **United Arab Emirates** and **Egypt**;

2 May 2023 **Harare (Zimbabwe)** *Newsday*. **Zimbabwe National Statistics Agency (ZimStat)** says ZW\$33,044 could adequately sustain a consumer's basic needs in April, representing an increase of 11% when compared to the March figure of \$29778,08. At the prevailing official exchange rate, the Z\$33,044 translates to just US\$31,54 and just half of that at the parallel market rates;

1 May 2023 **Harare (Zimbabwe)** *Newsday*. Citizens react angrily to reports that President **Emmerson Mnangagwa** has acquired a \$54m presidential jet at a time the majority of the population is wallowing in abject poverty;

1 May 2023 **Harare (Zimbabwe)** *Newsday*. Civic organisations confirm the fifth edition of the **Zimbabwe Debt Conference** will be held from 17 – 19 May at a time when the government is struggling to service both its domestic and foreign debts. The national debt is currently estimated to be close to \$20 billion which includes resource-backed loans with **China** and the **African Import Export Bank**, multilateral partners, and domestic lenders;

28 Apr 2023 **Harare (Zimbabwe)** *Newshwaks*. Opposition party **Transform Zimbabwe's** leader **Jacob Ngarivhume** is sentenced to four years in prison for inciting locals to protest corruption and President **Emmerson Mnangagwa** government's mishandling of the economy;

27 Apr 2023 **Harare (Zimbabwe)** *Newsday*. **Zimbabwe Coalition on Debt and Development (Zimcodd)** says the **Reserve Bank of Zimbabwe (RBZ)** (central bank) is making a huge loss by selling gold coins in local currency using the official rate as the Zimbabwean dollar continues a free fall, said. The gold coins, weighing one troy ounce with a purity of 22 carats, sold at \$1,823.83 at launch last year, and the price has been gradually rising since then;

27 Apr 2023 **Harare (Zimbabwe)** *The Herald*. Finance minister **Mthuli Ncube** says Zimbabwe is set to surpass its earlier projected 3.8% economic growth on account of strong performance by the agriculture, industry and mining sectors, noting that plans are already underway to revise the growth forecast upwards;

26 Apr 2023 **Harare (Zimbabwe)** *Newsday*. Information minister **Monica Mutsvangwa** tells journalists in a post-cabinet briefing that nine out of the country's ten provinces have recorded cholera cases with **Matabeleland South** province named as the worst affected. By 23 April, the cumulative total of cholera cases had reached 536;

25 Apr 2023 **Harare (Zimbabwe)** *Newshawks*. Gold production at the **Victoria Falls Stock Exchange**-listed **Caledonia Mining Corporation** fell by 13% to 16,036 ounces during the first quarter of this year due to "several individually insignificant mechanical breakdowns and logistical issues". Caledonia, which is also listed in the **United States** and **United Kingdom** controls **Blanket Mine** in **Gwanda** and has acquired **Bilboes Gold Limited**, **Maligeen** and **Motapa** gold assets;

21 Apr 2023 **Harare (Zimbabwe)** *Zimbabwe Independent*. **Prospect Lithium Zimbabwe (PLZ)**, owned by **Chinese** firm **Zhejiang Huayou Cobalt**, says it was due to begin exports from **Arcadia**, its new Zimbabwean operation near Harare, following the completion of a \$275m processing facility. The firm said while lithium prices had declined, production was due to commence soon;

21 Apr 2023 **Harare (Zimbabwe)** *Zimbabwe Independent*. A report by **United Kingdom**-headquartered **Hogan Lovells** and local **Scanlen & Holderness Solicitors** states that Zimbabwe is likely to provide 20% of global lithium in a few years, noting that demand is surging exponentially. The report further says that following significant strides into developing lithium mines in **Australia**, **Chile** and **Brazil**, the global focus had shifted to Zimbabwe, a market that experts estimate could be holding the world's sixth largest resource;

21 Apr 2023 **Harare (Zimbabwe)** *Zimbabwe Independent*. **British** parliament's decision to enact legislation shutting **African** wildlife trophies out of that market has shaken Zimbabwean authorities as fears mount that the country's major tourism plan, which hopes to grow sector revenue to \$5 billion by 2025, may be thrown into jeopardy with this new bill;

21 Apr 2023 **Harare (Zimbabwe)** *Zimbabwe Independent*. Official data shows the trade deficit widened by 22% to \$332.7m in the first two months of this year, driven mostly by fuel and electricity imports, compared to \$272.3m in the same period last year;

20 Apr 2023 **Harare (Zimbabwe)** *The Standard*. **Reserve Bank of Zimbabwe (RBZ)** comes under renewed pressure to deal with allegations of gold smuggling and money laundering after a leading legal think tank **Veritas** said the central bank's operations should be audited following a damning exposé by **Qatar**-based **Al Jazeera**;

19 Apr 2023 **Harare (Zimbabwe)** *NewsWire*. Government predicts maize output will increase by 58% this year to reach 2,298,281 metric tonnes leading the government to raise its economic growth estimates for the year;

16 Apr 2023 **Harare (Zimbabwe)** *The Standard*. Industry and Commerce minister **Sekai Nzenza** says the government is using \$22.5m from Zimbabwe's Special Drawing Rights (SDR) allocations to strengthen value chains in the country. The **International Monetary Fund (IMF)** gave Zimbabwe SDRs worth \$961m in August 2021;

14 Apr 2023 **Harare (Zimbabwe)** *NewsWire*. **Karo Platinum**, owned by Cyprus-headquartered **Tharisa**, says it plans to start trial mining to test the resource at its new \$391m mine at **Selous** village, noting that "*extensive earthworks*" at the site have started and contracts have been awarded for the pouring of the foundations for all plants and infrastructure, and the installation for a 31km high-voltage power line plus transformers;

13 Apr 2023 **Harare (Zimbabwe)** *NewsWire*. Finance minister **Mthuli Ncube** says government will "*shortly conduct deeper and direct bilateral engagements with the capitals — Washington DC, London and Brussels*" over the \$14 billion the country owes to external creditors in a presentation to the **International Monetary Fund** and **World Bank** executive directors. The economy has been locked out of international capital markets since defaulting on payments to the World Bank and other multilateral lenders more than two decades ago;

12 Apr 2023 **Harare (Zimbabwe)** *NewsWire*. A new **International Monetary Fund (IMF)** forecasts Zimbabwe's economy will grow by only 2.5% this year, slower than what government expects.

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