

AFRICA RISK CONSULTING

Zimbabwe Briefing November 2024

Zimbabwe Summary 13 November 2024

The government will from January 2025 start levying a 5% export tax on unrefined platinum exports in a bid to push miners to beneficiate the base metal locally. Finance minister Mthuli Ncube says Zimbabwe will resume talks with external creditors this month to restructure \$21 billion in external debt. The Reserve Bank of Zimbabwe (RBZ) (central bank) plans to stop participation in the determination of the value of ZiG and let the new currency freely float on the foreign exchange but does not give timeframes for this new plan.

Government to introduce 5% tax on unrefined platinum exports in January

The finance ministry announced on 11 November that it from January 2024, a 5% export tax on unrefined platinum exports will be charged in a bid to push miners to beneficiate the base metal locally. The export tax was first introduced in 2014 at 15% but postponed several times to give miners time to set up refineries. The export tax is part of government plans to push beneficiation of minerals locally with similar plans earmarked for other minerals such as lithium.¹

Zimbabwe has three platinum producers:

- **Zimplats**- a unit of **South Africa's Implats**;
- **Mimosa** – jointly owned by South Africa's **Sibanye -Stillwater** and Implats;
- **Unki**- owned by **United Kingdom**-headquartered **Anglo American**.

Platinum miners currently process the metal into concentrates and mattes, which they export to refineries in South Africa but the government wants them to refine platinum to the final product in the country.

Zimplats and Unki have smelters to process and convert platinum into mattes with the former having recently commissioned a new smelter. Zimplats has also budgeted \$190m on its base metal refinery, which would also refine mattes from other local producers. However, it has only spent \$29m on the refinery and placed the project on pause in response to a collapse in platinum prices. The government is looking for this project to be completed and will be hoping that the export tax speeds up the process.

The drop in global commodity prices has seen most producers pause their expansion plans.² As prices fell, platinum miners also faced increased costs with royalty fees rising from 2.5% to 7% and power tariffs jumping from \$0.098 cents per kWh to \$0.14 cents per kWh.

Zimplats delayed key initiatives in 2023 within a \$1.8 billion investment plan and reduced some jobs. **Karo Platinum**, owned by **Cyprus-based Tharisa Holdings**, postponed the construction of a new \$391m mine and Mimosa also put its \$134m **North Hill** project on hold.³ Going into 2025, the **Chamber of Mines of Zimbabwe (COMZ)** says the industry expects profits to decline

¹ Newswire, 11 Nov 2024

² Zimbabwe Mail, 2 Jun 2024

³ African Mining Market, 10 Jun 2024

on the back of anticipated high costs of production. Costs of production are expected to increase by an average of 8% in 2025, while energy needs are expected to grow to 800MW per day in 2025 from 600MW this year.

Despite the concerns of rising costs impacting profits, miners are more confident of a rebound in global commodity prices in 2025. The COMZ **State of Mining Industry Report** indicates that the **Mining Business Confidence Index**, which measures how confident miners are about the coming year, is +5.4 this year, an improvement from -0.3 in October 2023. This confidence is driven mostly by their expectations of better commodity prices next year, following the surge in gold prices this year.⁴ Miners expect revenue to rise 10% to \$6 billion in 2025 from about \$5.5 billion in 2024. Approximately 80% expect to increase production in 2025 by an average of 20%.

However, miners are pessimistic about any positive change in the fiscal regime, such as to taxes and royalties, with the confidence index for the fiscal regime's prospects for 2025 at under zero at -5.9.

Zimbabwe to resume talks with external creditors

Finance minister **Mthuli Ncube** told lawmakers on 6 November that Zimbabwe will resume talks with creditors this month to restructure \$21 billion in external debt as it seeks to exit a default that has kept the country closed out of international capital markets for over two decades.

The negotiations will include notable facilitators such as **African Development Bank (AfDB)** president **Akinwumi Adesina** and former **Mozambican** president **Joaquim Chissano** (1986-2005), who were brought into the discussions by President **Emmerson Mnangagwa** (2017-present) in 2022. Notable international creditors Zimbabwe owes include the **World Bank**, **Paris Club**, **European Investment Bank**, and the AfDB. It remains unknown if they will attend the talks. In February 2024, the **United States (US)** suspended its participation in the talks following the disputed 2023 general elections which observers said were not free, fair and credible.⁵

As part of plans to resume the negotiations, Zimbabwe hired **France**-based boutique firm **GSA&Co SAS** in October as its financial and legal advisers to help it navigate potential talks.⁶ The firm specialises in debt restructuring and insolvency.

Since his first election to power in 2018, Mnangagwa has been reaching out to the West under his re-engagement drive, seeking support not only to end the sanctions and rejoin the **Commonwealth** but to have Zimbabwe's external debts cleared so it can access new lines of credit. However, the US, **Commonwealth**, **European Union (EU)** and the AfDB had stipulated a free and fair 2023 election as a pre-condition for any further talks.

Shut out from global capital markets due to debt arrears, Zimbabwe has had to fund critical infrastructure from its budget, fuelling inflation. The government is now looking at other funding models for its projects, and Build Operate and Transfer (BOT) deals are becoming its favourite route.

In May, the government announced a BOT deal with **Zwane Enterprises** for the \$110m upgrade of the 120km **Old Gwanda Road** from **Bulawayo**, through **Matobo**, to **Gwanda**. In October, the

⁴ Newswire, 10 Oct 2024

⁵ Voice of America, 30 Jan 2024

⁶ Bloomberg, 9 Oct 2024

government announced a BOT agreement with local firm **Bitumen World** to refurbish the 760km **Beitbridge-Victoria Falls** highways.⁷

Cabinet has also awarded the **Chirundu Border Post** project to **Zimborders**, the same consortium that led the **Beitbridge Border Post** upgrade. Zimborders, led by businessman **Glynn Cohen**, raised \$297m from South African banks and other investors to upgrade the Beitbridge Border Post. Cabinet also granted a group led by contractor **JR Goddard** a BOT to build a dam – **Bopoma** - to supply Bulawayo with water. The consortium is now looking to raise \$150m for the dam, which they would run privately for 25 years.⁸

Central bank to let currency float freely

The **Reserve Bank of Zimbabwe (RBZ)** (central bank) has announced it will let the ZiG freely float on the foreign exchange market moving away from the current practice where the central bank intervenes to determine its value. Deputy governor **Innocent Matshe** said on 6 November the plan is to have independent price discovery that is not interfered with by administrative measures and that the switch from the current system, where the central bank sets a daily price and permits incremental day-to-day changes, will be determined by market developments.⁹ He did not confirm when the change will happen.

Introduced in April, the ZiG has been weakening on the parallel market leading the central bank to devalue the currency in September.

After several months of resisting pressure to allow greater exchange rate flexibility, the central bank on 27 September allowed the mid-rate for the ZiG currency to slide to 24.3902/\$ versus 13.9987/\$ on the previous day, a 42.6% fall.¹⁰ The currency has since fallen further to 27.6880/\$ as of 25 October.¹¹

The ZiG is Zimbabwe's sixth attempt at a stable currency in 15 years after a bout of hyperinflation under former president **Robert Mugabe** (1985-2017). However, authorities have struggled to convince a sceptical population to stop transacting in foreign currencies.

The ZiG's devaluation in September came after it lost more than 47% on the black market in the five months after its launch, with some analysts saying its death was imminent and the country was on its way back to the currency and economic chaos of 2008. Following the devaluation, consumer inflation surged to 37.2% month on month in October in local currency terms.¹² In September, before the devaluation, consumer inflation was at 5.8% month on month in local currency terms.

The country's largest brokerage firm, **Imara Asset Management**, believes the gold-backed currency is likely being undermined by the state tapping the central bank for funding and selling Treasury bills to pay for its overspending:

“As long as the government borrows from the central bank or issues ZiG or US-dollar short-term debt, the currency will be undermined”¹³

⁷ Newswire, 7 Nov 2024.

⁸ The Chronicle, 14 Oct 2024

⁹ Bloomberg, 7 Nov 2024

¹⁰ Reuters, 27 Sep 2024

¹¹ www.rbz.co.zw, accessed 25 Oct 2024

¹² Reuters, 25 Oct 2024

¹³ Bloomberg, 17 Oct 2024

Planner

16-20 Nov **Harare (Zimbabwe)** Extraordinary **Southern African Development Community (SADC)** Summit of Heads of State and Government

18-20 Nov **Victoria Falls(Zimbabwe)** **Zimbabwe-Zambia Energy Projects Summit**

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

3 Dec 2024 **Harare (Zimbabwe)** **Monetary Policy Committee(MPC)** decision

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

Chronology

10 Nov 2024 **Harare (Zimbabwe)** *The Sunday Mail*. Recent elections in **Mozambique** and **Botswana** and the upcoming polls in **Namibia** are expected to be on the agenda of an extraordinary **Southern African Development Community (SADC)** Summit of Heads of State and Government to be held in Zimbabwe between 16 and 20 November;

10 Nov 2024 **Harare (Zimbabwe)** *The Sunday Mail*. Government is drafting an omnibus **Constitutional Amendment Bill** proposing changes to the electoral framework that will among other things allow Zimbabweans turning 18 to be automatically registered on the voters' roll;

9 Nov 2024 **Harare (Zimbabwe)** *Newsday*. Following the **El Niño**-induced drought impact which started in December 2023 and resulted in a poor harvest, the **World Food Programme (WFP)** says it requires \$139m to effectively support affected communities in Zimbabwe as the peak of hunger season, January to March 2025, approaches;

8 Nov 2024 **Harare (Zimbabwe)** *The Herald*. Cabinet approves the setting up of an inter-ministerial taskforce to clampdown on errant business malpractices which include currency manipulation, use of fraudulent scales, and underweight and unlabelled goods;

7 Nov 2024 **Harare (Zimbabwe)** *The Herald*. Zimbabwe harvests a record 518,502 tonnes of wheat from 106 238 hectares, as of 1 November, while the wheat harvesting continues. This season, approximately 121 900 hectares were put under the cereal, the largest area planted since commercial wheat production began in the 1960s;

5 Nov 2024 **Harare (Zimbabwe)** *Newswire*. **Australian Stock Exchange (ASX)-listed Prospect Resources** is putting two lithium prospects in Zimbabwe and another in Namibia on pause to focus on its new copper project in **Zambia**;

5 Nov 2024 **Harare (Zimbabwe)** *Newsday*. **South African** agriculture and agri-processing firm **Tongaat Hulett Limited's** competition filings by its Zimbabwe and **Mozambique** subsidiaries still await approval, delaying a debt-to-asset swap deal;

4 Nov 2024 **Bulawayo (Zimbabwe)** *Newsday*. **Australian** energy firm **Invictus Energy** says it has identified a new gas and oil prospect at its **Cabora Bassa** project in northeast Zimbabwe;

30 Oct 2024 **Harare (Zimbabwe)** *Newswire*. Despite the impact of low platinum prices, **Zimplats**, the Zimbabwean unit of **South Africa's Amplats** has pressed ahead with some key expansion projects, completing a new mine upgrade while commissioning a new solar plant and processing facility;

30 Oct 2024 **Harare (Zimbabwe) Herald**. Finance minister **Mthuli Ncube** signs an \$81m financing agreement with the **European Union (EU)** ambassador to Zimbabwe **Jobst von Kichmann**, aimed at improving agriculture, gender equality and biodiversity;

29 Oct 2024 **Harare (Zimbabwe) Bulawayo 24**. **Zimbabwe Electricity Supply Authority (ZESA)** executive chairman **Sidney Gata** reports that nine public and private power projects are expected to add 2,690MW to Zimbabwe's electricity grid by the end of 2025, including restoring existing stations such as the **India**-headquartered **Jindal**-owned **Hwange** power station to full power capacity;

29 Oct **Harare (Zimbabwe) Newsday**. The **Victoria Falls Stock Exchange (VFEX)** is operationalising the buying and selling of minerals on the soon-to-be functioning commodities exchange following the gazetting of regulations governing the **Victoria Falls Commodities Exchange (VCOMEX)** through Statutory Instruments 148 and 149 of 2024 to expand the securities offered on the VFEX;

28 Oct 2024 **Harare (Zimbabwe) Newswire**. Agriculture secretary **Obert Jiri** confirms government owes over \$300m to suppliers of its agriculture programmes, causing delays in the rollout of inputs ahead of a critical farming season;

26 Oct 2024 **Harare (Zimbabwe) Bloomberg**. President **Emmerson Mnangagwa** declines an offer by ruling **Zanu-PF** to extend his term of office by two years until 2030 despite the party adopting a resolution to extend his tenure with all ten provinces agreeing;

25 Oct 2024 **Harare (Zimbabwe) Reuters**. **Reserve Bank of Zimbabwe (RBZ)** (central bank) reports inflation increased to 37.2% in October in local currency terms from 5.8% in September following a devaluation of the ZiG;

25 Oct 2024 **Harare (Zimbabwe) Newsday**. **United Kingdom**-based miner, **Ariana Resources Plc** identifies a significant potential upside at its **Dokwe Gold** project, with prospects identified of increasing the resource base even further through drilling;

23 Oct 2024 **Harare (Zimbabwe) Newswire**. Local renewable energy provider **Grid Africa** signs an agreement with **China's Huawei Technologies** towards installing 72MW of solar energy for Zimbabwean mining companies;

18 Oct 2024 **Harare (Zimbabwe) Bloomberg**. Finance and economic development secretary **George Guvamatanga** says Zimbabwe will not allow the street rate of the ZiG to determine where its official rate should be, as it is not driven by market fundamentals;

16 Oct 2024 **Harare (Zimbabwe) Newsday**. **Canada's Caledonia Mining Corporation Plc** experiences a near 15% drop in gold production to 18,992 ounces at flagship unit, **Blanket Mine**, but says it is bullish about meeting its annual target;

15 Oct 2024 **Harare (Zimbabwe) Newsday**. Zimbabwe will receive part of a \$34.79m **African Development Bank (AfDB)** grant to enhance resilience and adaptation to climate disaster risks for vulnerable communities;

15 Oct 2024 **Harare (Zimbabwe) Bloomberg**. President **Emmerson Mnangagwa** re-assigns foreign affairs minister **Frederick Shava** to the higher education docket and moves **Amon Murwira** to the foreign affairs ministry;

13 Oct 2024 **Harare (Zimbabwe) Reuters**. Zimbabwe confirms its first two cases of mpox without specifying which variant had been recorded. The first case was detected in an 11-year-old boy who developed symptoms last month after travelling to **South Africa** while the second case was in a 24-year-old man who fell ill after travelling to **Tanzania**;

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