

## AFRICA RISK CONSULTING

### Zimbabwe Briefing December 2023

---

#### Zimbabwe Summary 6 December 2023

*The cash-strapped Zimbabwean government, cut off from accessing international credit lines, resorts to heavily taxing its citizens to fund its expenditure with a battery of new and increased taxes and fees announced by finance minister Mthuli Ncube in the 2024 national budget speech. Government is using proceeds from platinum sales to repay a budget-support loan advance by African Export-Import Bank (Afreximbank) in February this year. The South African government has extended until 2025 special permits giving roughly 180,000 Zimbabweans the right to work and live in the country, a major relief for the Zimbabweans who faced the prospect of being sent back home. The United States (US) extends sanctions to Zimbabwe Electoral Commission (ZEC) and judiciary officials who it says were responsible for aiding the rigging of elections in the August national elections.*

---

#### Cash-strapped government increases taxes

With little external financial support, the **Zimbabwe** government is putting pressure on the public to raise money to fund expenses such as infrastructure, health and education. Presenting the 2024 national budget on 30 November, finance minister **Mthuli Ncube** announced a battery of new taxes and increased fees, including taxes on carbonated drinks, fuel levy, higher toll gate and passport fees and lithium levies.<sup>1</sup>

Cut off from regional and international credit lines over payment defaults and faced with reduced mineral revenue this year due to low global commodity prices, as well as an El Nino-induced drought, Ncube aims to raise an additional Z\$10 trillion (\$1.67 billion) from new taxes to meet the 2024 revenue target of Z\$53.9 trillion (\$8.98 billion).<sup>2</sup> The revenue target is set against projected expenditure of Z\$58.2 trillion (\$9.7 billion), leaving a budget gap of Z\$4.3 trillion (\$716m). The budget sees the following levies and taxes increased or introduced:

- The **Strategic Reserve Levy** has been increased by \$0.03 and \$0.05 per litre of diesel and petrol respectively.
- A levy of \$0.02 per gram of sugar contained in beverages will be introduced.
- A wealth tax will be levied at a rate of 1% of market value of residential properties, with a minimum value of \$100,000,
- A 1% levy on gross proceeds of lithium, black granite and other cut or uncut dimensional stones and quarry stones.
- Toll fees from the current \$2 to \$5 or equivalent have been introduced on what Ncube calls “premium roads”.
- In a bid to raise foreign currency, passport fees will increase from \$120 to \$200 with fees for an emergency passport rising to \$300 from \$200.

With retail trade having largely moved to the informal sector as formal retailers are not allowed to price goods in foreign currency, Ncube is targeting informal traders to include them in the tax base. Ncube has introduced a regulation that a trader can only buy from a manufacturer or wholesaler if the trader are licensed and tax compliant. Only traders registered for VAT and

---

<sup>1</sup> [Newswire](#), 30 Nov 2023

<sup>2</sup> [Newsday](#), 1 Dec 2023

with valid tax clearance certificates can buy goods from manufacturers. The VAT registration threshold will be reduced from US\$40,000 to US\$25,000, or the local currency equivalent, starting in January.

The budget had both good and bad news for civil servants. The US\$300 Covid allowance will be part of pensionable salaries with effect from January, becoming taxable income. Ncube is increasing the tax-free threshold to Z\$750,000 (\$125) per month from Z\$500,000 (\$83) but with the high rate of inflation may quickly erode the benefit of the higher threshold.

Ncube has also targeted foreign companies by introducing the domestic minimum top-up tax (DMTT). The tax ensures that qualifying entities located in Zimbabwe with an aggregate effective tax rate below 15% will be charged a top-up amount, raising the cost of doing business. The DMTT allows the country where the low tax profits arise from the tax incentive to collect the top-up tax rather than ceding taxing rights to the headquarters' jurisdiction. Ncube said the calculation of the DMTT would be based on the effective tax rate charged on the jurisdictional profits, not the jurisdictions' statutory corporate income tax.

### Government uses platinum revenue to settle external debts

Alongside his budget statement, finance minister Mthuli Ncube on 30 November also tabled the annual debt report. Zimbabwe remains trapped in debt distress with ballooning arrears and penalties. In total, public and public guaranteed debt (PPG) was \$17.7 billion in September. Of this debt, \$12.7 billion (72%) is foreign debt and \$5 billion (28%) is local. Of the \$9.1 billion bilateral and multilateral debt, 76% (\$7 billion) comprises principal arrears, interest arrears, and penalties. The 2024 budget has exposed the negative impacts of high indebtedness, as Zimbabwe now spends more resources on debt servicing than on social protection. In 2023, the Treasury paid \$55.6m and \$10.7m on external debt servicing and token payments respectively.<sup>3</sup>

Ncube noted that in February the government had secured a \$400m loan from **African Export-Import Bank (Afreximbank)** for budget support and the financing of trade-related infrastructure. Ncube said Zimbabwe is using the proceeds of its platinum exports to settle the loan as it turns to its vast mineral resources to open lines of credit closed by its defaults on repayments.<sup>4</sup> The loan is being repaid using 35% of platinum mining company **Zimplats'** export proceeds, which are managed by the **Reserve Bank of Zimbabwe (RBZ)** (central bank). The loan attracts 10.2% interest and the maturity period is six years.<sup>5</sup>

Zimbabwe's reliance on its platinum resources to secure borrowing underscores the difficulty it faces in getting loans from international financiers, as it remains ineligible for new lines of credit from multilateral lenders including the **World Bank**, the **International Monetary Fund** and the **African Development Bank (AfDB)**. Talks with creditors on a debt clearance plan that Zimbabwe is championing under AfDB president **Akinwumi Adesina** will resume in January, after a brief pause to allow for the August elections.

In 2024, budget resources totalling Z\$948.3 billion(\$158m) are earmarked for interest payments, an amount far exceeding resources earmarked for key ministries such as housing, which was allocated Z\$353 billion(\$58.8m), and energy with Z\$90 billion(\$15m). Analysts cite a need to continue dialogue with creditors and swift implementation of identified reform matrices (economic, governance, and land tenure systems) to receive debt relief.

<sup>3</sup> [www.zimcodd.org](http://www.zimcodd.org), accessed 5 Dec 2023

<sup>4</sup> [Bloomberg](#), 4 Dec 2023

<sup>5</sup> [Newswire](#), 4 Dec 2023

## South Africa extends permits for Zimbabweans to 2025

South Africa's home affairs minister, **Aaron Motsoaledi**, announced on 1 December that new permits will be issued for holders of the **Zimbabwe Exemption Permit (ZEP)** and **Lesotho Exemption Permit (LEP)**, which will be valid for two more years, until 29 November 2025.<sup>6</sup> Motsoaledi had faced a litany of litigation from civil society organisations challenging the decision to terminate the LEP (held by about 55,000 people) and the ZEP (held by about 178,000 people) by year-end. In November 2023, the **Gauteng High Court** had already extended the ZEP to 28 June 2024.<sup>7</sup>

Permit holders will be entitled to work, seek employment, and conduct business. The ZEP was introduced in 2009 by then home affairs minister **Nkosazana Dlamini-Zuma** as a temporary solution to a growing refugee crisis related to Zimbabwe. Since then, the immigration crisis has worsened as Zimbabwe's decades-long economic decay continues, resulting in a mass exodus of skilled and unskilled citizens, forcing neighbouring South Africa to put in place various mechanisms, including tightening security at its borders.<sup>8</sup>

Latest immigration data from the **United Kingdom (UK)** show the number of Zimbabweans who moved to the UK to perform health and care work rose by 169% in the year to September, deepening the skills crisis in the country.<sup>9</sup> In the 12 months to September, a total of 21,130 Zimbabweans received visas to work in the UK health system. The figure represents 13,284 more Zimbabweans than in the year to September 2022, a 169% increase.

While the mass exodus of citizens reflects the extent of the economic decay, it has come with increased remittances from the diaspora community. Faced with low minerals receipts due to low commodity prices, diaspora remittances are expected to anchor foreign exchange receipts this year, with the Reserve Bank of Zimbabwe now urging government to offer incentives for remittances.<sup>10</sup> These accounted for 16% of total foreign exchange inflows as of 31 October 2023, just as with Foreign Direct Investments (FDI).

In a monetary policy statement released on 1 December, the RBZ said foreign currency inflows have been supported by diaspora remittances, which have consistently surpassed FDI since 2009, citing a need for the government to extend fiscal and non-fiscal incentives for FDI to diaspora investments in the country. In his budget speech on 30 November, finance minister Mthuli Ncube said remittances are projected to continue driving the country's current account surplus and are estimated to close the year 2023 at \$2.1 billion, before rising further to \$2.2 billion in 2024.

## US extends sanctions to Zimbabwe Electoral Commission officials

**United States (US)** Secretary of State **Antony Blinken** announced on 4 December that the US has targeted **Zimbabwe Electoral Commission (ZEC)** and judiciary officials for travel sanctioning for brazenly rigging elections.<sup>11</sup> The US already has sanctions in place against Zimbabwe, aimed at institutions and individuals who it says undermine democracy and commit human rights abuses.

A report from the **Southern African Development Community (SADC)** election observer mission on the August election accuses the ZEC of assisting the ruling **Zanu-PF** and its leaders,

<sup>6</sup> [News24](#), 1 Dec 2023

<sup>7</sup> [Daily Maverick](#), 8 Nov 2023

<sup>8</sup> [BBC](#), 5 Oct 2023

<sup>9</sup> [Newswire](#), 28 Nov 2023

<sup>10</sup> [www.rbz.co.zw](#), Accessed 5 Dec 2023

<sup>11</sup> [Review and mail](#), 5 Dec 2023

including President **Emmerson Mnangagwa** (2017-present), to remain in power through undemocratic means. The report questions the independence of ZEC officials, some of whom are closely related to senior Zanu-PF officials. SADC said the election was fraught with irregularities and did not meet regional and international benchmarks governing the running of credible polls.<sup>12</sup> The ZEC is headed by Justice **Priscilla Chigumba**.

Without naming the individuals, Blinken says the US is mainly going after those who undermine democracy through "*acts [that] may include manipulating or rigging the electoral process; disenfranchising voters or preventing individuals from exercising their right to vote.*" Anyone who undermines the democratic process in Zimbabwe – including in the lead-up to, during and following Zimbabwe's August elections – may be ineligible for US visas under this policy.

The US extended on 1 March its sanctions on Zimbabwe, a month after the **European Union (EU)** did the same. US President **Joe Biden** (2021-present) indicated that Zimbabwe had not made any reforms to warrant the lifting of the sanctions that were first imposed in 2003 for alleged human rights violations and electoral fraud.<sup>13</sup> Biden noted that President Mnangagwa has not made the necessary political and economic reforms that would warrant terminating the existing targeted sanctions programme, adding that the government's security services throughout the year routinely intimidated and violently repressed citizens, including members of opposition political parties, union members and journalists. The US says the absence of progress on the most fundamental reforms needed to ensure the rule of law, democratic governance and the protection of human rights leaves Zimbabweans vulnerable to ongoing repression and presents a continuing threat to peace and security in the region.

However, sanctions have largely failed to improve democratic behaviour among the ruling elites in Zimbabwe and are seen as mainly symbolic. For most individuals on the US sanctions list, the prospect of travelling to the US has always been remote, so banning them is of little import.

Despite the fresh sanctions, Mnangagwa's administration has been buoyed by the acts of solidarity against the sanctions shown towards **Harare** by African institutions such as the **African Union** and SADC, which have openly rebuked the sanctions. Heads of state such as South Africa's **Cyril Ramaphosa** (2018-present) and **Botswana's Mokgweetsi Masisi** (2018-present) have also spoken against the measures.<sup>14</sup>

---

<sup>12</sup> [Zimlive](#). 13 Oct 2023

<sup>13</sup> [Eastafrican](#). 4 March 2023

<sup>14</sup> [Xinhua](#). 26 Oct 2023

## Planner

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

5-8 Feb 2024 **Cape Town( South Africa)** Africa Mining Indaba

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

## Chronology

5 Dec 2023 **Harare (Zimbabwe) The Herald. Reserve Bank of Zimbabwe (RBZ)** (central bank) **Monetary Policy Committee** maintains bank policy rate at 130% and the medium-term bank accommodation facility interest rate for the productive sector, including individuals and micro and small and medium enterprises(MSMEs), at 75%, which will be reviewed in line with inflation developments;

4 Dec 2023 **Harare (Zimbabwe) The Herald.** Finance minister **Mthuli Ncube** announces that lithium-producing companies have until 31 March 2024 to submit their beneficiation plans, and that no licences will be granted to a prospective lithium company without approval of a beneficiation plan, with any lithium value-addition process not resulting in the production of lithium carbonate not regarded as beneficiation, and liable to an export tax;

3 Dec 2023 **Harare (Zimbabwe) Newswire.** Zimbabwe signs an agreement with **United Kingdom**-backed **Africa GreenCo** at the **COP28** climate summit in **Dubai**, meant to ease the risks that have kept energy investors away from Zimbabwe, with state-owned power utility **ZESA** separately announcing supply deals with a **Swedish** company for the building of solar infrastructure to replace its coal-fired boilers, and another contract with a Dubai company to make cables in Zimbabwe;

2 Dec 2023 **Harare (Zimbabwe) Zimbabwean Mail. Zimbabwe Mining and Smelting Company (Zimasco)**, the country's largest **ferrochrome** producer with an output of 180,000 tonnes per annum, has switched off four of its six furnaces at the **Kwekwe** plant due to increased cost of power and declining prices on the world market;

2 Dec **Harare (Zimbabwe) Zimbabwean Mail. Zimbabwe Miners Federation (ZMF)** president **Henrietta Rushwaya**, who was recently convicted of **gold** smuggling, received the backing of eight provinces within the **Artisanal and Small Miners' Association** to retain her presidency at a meeting held in Harare on 24 November;

1 Dec 2023 **Harare (Zimbabwe) The Herald.** A delegation from the **International Monetary Fund (IMF)** and the **World Bank** pays a courtesy call on President **Emmerson Mnangagwa** at his offices, pledging to support Zimbabwe's economic reforms;

1 Dec 2023 **Harare (Zimbabwe) Zimbabwe Independent.** Resources giant **Kuvimba Mining House (KMH)** has floated a \$200m bond on the market to capitalise its lithium-producing subsidiary, **Sandawana Mines**, located in the **Midlands province**, which entails the issuance of a \$100n local currency convertible bond and a \$100m bond to be paid over two years;

1 Dec 2023 **Harare (Zimbabwe) Zimbabwe Independent.** The demand for maize firmed last week on the **Zimbabwe Mercantile Exchange (ZMX)**, as consumers restocked in anticipation of a looming severe drought in the current farming season;

30 Nov 2023 **Harare (Zimbabwe) Newswire.** The **Competition and Tariff Commission (CTC)** has turned down a request by **Varun Beverages**, the bottler of **Pepsi** in Zimbabwe, to restrict imported energy drinks;

29 Nov 2023 **Harare (Zimbabwe) *Newsday***. **United Kingdom**-based economic researcher **World Economics** has described Zimbabwe's official Gross Domestic Product (GDP) and population data as "unusable", a week after state media applauded the firm for saying Zimbabwe was now a \$66-billion economy, 88% larger than official estimates;

28 Nov 2023 **Harare (Zimbabwe) *Newsday***. Main opposition **Citizens Coalition for Change (CCC)** vice-president **Tendai Biti** blames activists linked to party president **Nelson Chamisa** for creating parody social media accounts to link him to self-imposed controversial interim secretary-general **Sengezo Tshabangu**, who has recalled several CCC legislators;

28 Nov 2023 **Harare (Zimbabwe) *Newswire***. The number of Zimbabweans who moved to the **United Kingdom** to do health and care work rose by 169% to 21,130 in the year to September, compared to the same period last year, deepening the skills crisis in Zimbabwe where migration is rising as people seek refuge from high inflation and unemployment;

28 Nov 2023 **Harare (Zimbabwe) *Newsday***. Australian oil and gas exploration firm **Invictus Energy** says it has successfully commenced the drilling of its second exploratory well, **Mukuyu-2** side-track, in northern Zimbabwe, following drilling of **Mukuyu-1**, and the company is expected to spend \$20m on the project;

28 Nov 2023 **Harare (Zimbabwe) *Newsday***. The **Zimbabwe National Statistics Agency (ZimStat)** says the total consumption poverty line (TCPL) (the minimum total income needed for an individual not to be deemed poor) for November increased 9.5% to Z\$115,090.00 (\$12.80) for an individual from Z\$105,071.98 (\$11.60) in October amid a rise in prices;

27 Nov 2023 **Harare (Zimbabwe) *Newsday***. Tourism and hospitality industry minister **Barbara Rwodzi** says tourism receipts rose by nearly 18% to \$724m in the nine months ended 30 September, owing to increased travel despite investments declining by more than half to \$139.3m;

24 Nov 2023 **Harare (Zimbabwe) *Newsday***. Zimbabwe's largest mobile operator, **Econet Wireless Zimbabwe Limited (EWZ)**, says the volatile operating environment characterised by high inflation is eroding any benefits from the recent adjustments to the tariff regime;

24 Nov 2023 **Harare (Zimbabwe) *New Zimbabwe***. Conservation expert **Charles Nondo** says the emergence of carbon credits trading in Zimbabwe has seen various remote communities benefitting through life-changing infrastructural development projects despite Western media painting a gloomy picture of the environmental action;

23 Nov 2023 **Harare (Zimbabwe) *Newsday***. **British** ambassador to Zimbabwe, **Peter Vowles**, says his country is keen to have Zimbabwe readmitted into the **Commonwealth** and end two decades of isolation;

22 Nov 2023 **Harare (Zimbabwe) *Newsday***. Efforts to curb the spread of cholera in Harare are under threat after a power cut this week affected the city's main water supply treatment plant, leaving many parts of the city without water;

17 Nov 2023 **Harare (Zimbabwe) *Newsday***. Finance deputy minister **Kudakwashe Mnangagwa** says a clear and transparent roadmap towards de-dollarisation will be unveiled in due course to avoid shocks that may hurt the economy and drive citizens deeper into poverty;

15 Nov 2023 **Harare (Zimbabwe) *Newsday***. Pan-African bank **Afreximbank** has roped in Zimbabwe and two other countries to grow agricultural produce for export to **Egypt** under the **Export Agriculture for Food Security (ExAFS)** initiative, a \$2 billion plan to boost food production on the continent;

15 Oct 2023 **Harare (Zimbabwe) *Newsday***. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) has approved **FBC Holdings Limited's (FBCHL)** purchase of **Standard Chartered Bank Zimbabwe Limited (SCBZL)**, making it one of the largest banks in the country;

13 Nov 2023 **Harare (Zimbabwe) *Newsday***. The health and childcare ministry reports that suspected cholera cases have risen to 6,939 with about 142 people having succumbed to the disease and the **Buhera district** in **Manicaland** province being the major hotspot;

11 Nov 2023 **Harare (Zimbabwe) *Newsday***. President Emmerson Mnangagwa has removed investment promotion agency **Zimbabwe Investment Development Agency (ZIDA)** from finance minister **Mthuli Ncube's** portfolio amid fears that the president is planning to move ZIDA to his office as part of efforts to consolidate power and ensure he has total control of the country's key economic pillars;

8 Nov 2023 **Harare (Zimbabwe) *Newsday***. **United States** senator **Jim Risch** calls on the **Joe Biden**-led administration to tighten screws on Harare and condemns President **Emmerson Mnangagwa's** regime for "systematic" repression of the opposition;

7 Nov 2023 **Harare (Zimbabwe) *Newsday***. Infrastructural development minister **Felix Mhona** says the **Forbes Border Post**, about 10 kilometres from **Mutare** and one of Zimbabwe's major border posts with **Mozambique** on the highway to the port of **Beira**, will undergo a significant upgrade to improve the quality of services transport;

7 Nov 2023 **Harare (Zimbabwe) *Newsday***. **Chipo Mtasa** is appointed as chair of the board of the **Mutapa Investment Fund** as the government moves to operationalise the former sovereign wealth fund, which now houses 17 state-owned enterprises including mines;

### 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 whistle-blower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://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](http://www.africariskconsulting.com)

### **Getting in touch**

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

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