

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing July 2023

Zimbabwe Summary 12 July 2023

Police bar a planned Citizen Coalition for Change (CCC) rally on 9 July, a third such incident, prompting more concerns over Zimbabwe's shrinking democratic space. President Emmerson Mnangagwa (2017-present) successfully launches his campaign on 24 June in Chipinge. Hyperinflation returns with the annual inflation rate reaching 175.8% in June up from 86.5% in May as the Zimbabwean dollar continues to freefall against the United States dollar. State-owned mining company, Kuvimba Mining House (KMH) uses internal resources to develop its platinum mine after failing to secure funding from international markets. This is due to its links to sanctioned businessman, Kuda Tagwirei. US-headquartered The Sentry and Open Secrets release a report on 6 July indicating how treasury bills were used to balloon Zimbabwe's public debt. The report alleges that Tagwirei, also an advisor to Mnangagwa, received favourable terms to redeem the instruments before siphoning the money out of the country.

Opposition decries clampdown

The **Zimbabwe Republic Police** barred a planned rally by the main opposition **Citizen Coalition for Change (CCC)** to launch its election campaign on 9 July in **Bindura** as the democratic space in Zimbabwe continues to shrink.¹ Police cited that the CCC's venue choice was not suitable for a gathering and had a lack of accessibility to water and sewer facilities.² The incident came a few days after president **Emmerson Mnangagwa** (2017-present) launched his presidential election campaign in **Chipinge** on 24 June.

CCC lawyers filed an urgent application at the high court challenging the police's decision, but a judge referred the matter back to a lower court, which in turn upheld the ban because the party did not notify the police on time.³ This was the third CCC rally to be banned in a week. Led by **Nelson Chamisa**, the CCC is the main challenger to Mnangagwa's **ZANU-PF**. The CCC has accused Mnangagwa of using state institutions to clamp down on his rivals ahead of the 23 August vote, which comes amid a deep economic crisis, high inflation and a currency that slid more than 50% in May against the **United States (US)** dollar. The elections may lose credibility if the clampdown on the opposition continues.

In addition to rallies being banned, the CCC has alleged that there has been manipulation of the election process including obscure management of the voters' roll, manipulation of traditional leaders' influence over villagers, violence by ZANU-PF and biased coverage by state media. The opposition has further said that the intimidation tactics being employed by the ruling party include new laws meant to curtail freedom of speech and expression while opposition leaders are being jailed for politically charged reasons. Parliament failed to pass electoral reforms bills before the election date proclamation, but it did pass the controversial **Criminal Law (Codification and Reform) Amendment Bill** on 7 June, which is aimed at punishing citizens who "wilfully damage the sovereignty and national interest" of Zimbabwe.⁴

¹ [Reuters](#), 25 Jun 2023

² [Newsday](#), 8 Jul 2023

³ [Reuters](#), 9 Jul 2023

⁴ [zwnews](#), 8 Jun 2023

This year 11 candidates will contest the presidential election, down from 23 candidates in 2018, while a total of 19 political parties will participate in the vote down from 55 parties in 2018. In a sign of what could be decreased appetite to participate in elections, there are 637 candidates registered to compete for the 210 seats in the **National Assembly** down from 1,648 candidates in 2018.⁵

Hyperinflation returns ahead of the election as currency crisis deepens

Reserve Bank of Zimbabwe (RBZ) (central bank) governor **John Mangudya** has ruled out further interest rate increases citing the risk of triggering a spike in non-performing loans as the country battles with a currency crisis that has seen the local currency plummet drastically, causing a return to hyperinflation.⁶

The bank's key lending rate was increased by 10% to 150% in June, its level before the 30 March rate cut to 140%, as part of a raft of measures meant to contain a currency crisis that has seen the local currency fall to as low as Z\$10,000 to US dollar on the black market from approximately Z\$4,000 two months ago.

Zimbabwe National Statistics (ZimStat) revealed on 26 June that the blended annual inflation rate, which analysts say is a manipulated rate and does not reflect the situation on the ground, spiked to 175.8% in June up from 86.5% in May. Monthly inflation also rose sharply by 58.8% in June to 74.5% showing the effects of the sharp depreciation of the Zimbabwean dollar.⁷ **Gift Mugano**, executive director at **Africa Economic Development Strategies** said:

*"The issue is I don't want to read much on the meaning of inflation when it is blended inflation. To start with, it's a rigged inflation figure but when the rigged inflation figure becomes spiral you must worry."*⁸

Steve Hanke, a professor of applied economics at **Johns Hopkins University** in the US also dismissed ZimStat's figures, claiming that Zimbabwe's June annual inflation stood at 1,298%. As a result of the complexities that come with the blended inflation rate, some firms listed on the **Zimbabwe Stock Exchange (ZSE)**, including **Ariston Holdings Limited** and **National Tyre Services Limited (NTS)**, have failed to publish their financial results for the year ended 31 March due to non-availability of official inflation adjusting factors.⁹

The return of hyperinflation in Zimbabwe has also made it difficult for the average family to purchase basic commodities as shortages of basic goods resurface in several retail outlets while some wholesalers have been pushing their products to the black market where trade is predominantly in US dollars.

Inflation will further increase in this election period as the government has pledged to increase civil servants' salaries whose purchasing power has been severely eroded in the past few months. While the local currency has plummeted forcing 75% of local transactions to be US-dollar based, the government is adamant that the country will not ditch the local currency and has even hinted to a return to forcing a return to the Zimbabwean dollar as the "*mono currency*" post the August 2023 elections.¹⁰

⁵ [Newswire](#), 30 Jun 2023

⁶ [Bloomberg](#), 20 Jun 2023

⁷ [Newsday](#), 27 Jun 2023

⁸ [Newsday](#), 27 Jun 2023

⁹ [Newsday](#), 6 Jul 2023

¹⁰ [Newswire](#), 27 Jun 2023

Kuvimba looks inhouse for \$100m to revive platinum mine project

The controversial **Kuvimba Mining House (KMH)** has been forced to look inhouse for resources to develop its **Great Dyke Investments (GDI)** platinum deposit after its links to sanctioned businessman **Kuda Tagwirei** blocked it from receiving funding from international markets. The company's March attempt to force a \$400m equity injection into the project from state-owned **Zimbabwe Consolidated Diamond Company (ZCDC)** also failed delaying production at one of the country's largest platinum deposits.¹¹ KMH has now injected an initial \$100m into the project, which requires at least \$500m capital expenditure, and is looking to cut costs by changing the mining model from the planned underground mining to an open cast operation.¹²

ZCDC CEO **Mark Mabhudhu**, who initially blew the whistle on the controversial deal between ZCDC and GDI and resisted facilitating it, has also been fired from the company. Mabduhhu confirmed to the media on 12 June that his dismissal letter reads that one of the reasons for his termination was that *"he went on a trip outside the country and delayed the ZCDC/GDI deal"*.¹³ The proposed deal had attracted conflict of interest concerns as GDI's chief operating officer **Munash Shava**, who was driving the deal to happen, is also the chairman of ZCDC.

Despite the controversy, Shava, who is the project leader, says that GDI is ready to start operations after the capital injection, and notes that it will be looking for more funding in-house as well as from the treasury and local banks. GDI had planned to mine the first ore in 2021 and at its peak produce 860,000 ounces of platinum making it the biggest platinum mining venture in Zimbabwe.

KMH assumed full control of the mine after its joint venture partner, **Russian** firm **Vi Holdings**, withdrew as a result of **Western** countries' global sanctions against Russia which also apply to Russian investments abroad.¹⁴ KMH has extensive interests in gold, nickel, lithium, chrome, and platinum and is 65% owned by the government. It has bought several businesses since its founding in 2020, including **Bindura Nickel Mine (BNC)**, **Shamva Mine**, **Jena Mine**, **Sandawana Mine**, **Tiger and Club**, **Globe** and **Phoenix** and **Zimbabwe Alloys**, among others.

New investigation reveals Treasury Bills plunder

US-headquartered **The Sentry** and **Open Secrets** published a joint investigative report on 6 July exposing how Zimbabwe may have attracted large unaccounted-for public debt through treasury bills the RBZ issued between 2014 and 2018.¹⁵ The report reveals how state coffers were exploited through abuse of loose systems within the banking sector, with some business operators linked to the country's top leadership taking advantage of the treasury bills to line their pockets.

The report is focused on alleged illicit financial flows facilitated by one of Mnangagwa's advisors, Kuda Tagwirei (as mentioned above). The US sanctioned Tagwirei in 2020 on allegations of corruption it said helped derail economic development in Zimbabwe.¹⁶ This latest investigation unearths how the tycoon was able to move suspect funds across four countries to finance his purchase of two mines and how treasury bills were used to plunder government resources.

¹¹ [The Independent](#), 19 May 2023

¹² [Newsday](#), 12 Jun 2023

¹³ [H Metro](#), 12 Jun 2023

¹⁴ [Newswire](#), 6 Jun 2022

¹⁵ [Newsday](#), 7 Jul 2023

¹⁶ Bloomberg, 5 Aug 2020

The report details how Tagwirei's deal to purchase BNC and **Freda Rebecca Gold Mine** in 2019 may not have been possible without enablers who knew or should have known that Tagwirei was the ultimate source of funds.¹⁷ Specifically, the report alleges that in 2019, Tagwirei used **Mauritian** management company agent **Sotic International** to buy BNC and Freda Rebecca Gold Mine for \$29.5m using proceeds from treasury bills redeemed at favourable exchange rates from **ASA Resource Group**, a bankrupt firm that was being run by UK company administrators **Duff & Phelps** (now known as **Kroll**). At the time of his deal, Tagwirei had been the subject of dozens of news articles mentioning his name in the context of corruption allegations or other wrongdoing.

In another case, Tagwirei's **Sakunda Holdings** was paid \$1 billion in US dollar-denominated treasury bills and \$230m in hard currency running for running the **Command Agriculture** programme from 2016 to 2019. Treasury bills were a major source of the short-term debt issued to finance Zimbabwe's public spending between 2014 and 2018, often bypassing parliamentary processes required to approve public spending and loans. They were also a major source of the country's domestic debt, which reached \$9 billion in 2019.

The Sentry has previously published reports revealing high-level corruption in Zimbabwe, but no action has been taken against those who were implicated.

Planner

23 Aug 2023 **(Zimbabwe)** General elections
 22 Sep 2023 **Harare (Zimbabwe)** Monetary Policy Committee(MPC) decision
 Nov 2023 **Harare(Zimbabwe)** 2024 National budget
 31 Dec 2023 **(South Africa)** Expiry of special residence permits for Zimbabweans living in South Africa

Chronology

7 Jul 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. **ZANU-PF** and the **MDC** receive ZWL\$1 billion (\$100,000) under the **Political Parties (Finance) Act** to be shared 70:30, equivalent to the votes each party received in the 2018 general elections. The leading opposition party **Citizen Coalition for Change (CCC)** was not eligible for funding as the Act stipulates that only parties that garnered at least 5% of votes in the last general election will be funded;

7 Jul 2023 **Harare (Zimbabwe)** *Newsday*. **Prospect Lithium Zimbabwe (PLZ)**, owned by **China**-headquartered Zhejiang **Huayou Cobalt**, says it has exported 30,000 tonnes of lithium concentrate valued at \$40m since April;

7 Jul 2023 **Harare (Zimbabwe)** *Newswire*. **ZimStats** data shows the manufacturing base is shrinking with the index, which measures output from manufacturers, down 14.8% in the first quarter compared to the same period last year;

6 Jul 2023 **Harare (Zimbabwe)** *Bloomberg*. Industrial electricity consumers and exporters, including mining companies, aim to raise \$250m to build the first phase of floating solar panels on **Lake Kariba**;

6 Jul 2023 **Harare (Zimbabwe)** *Bloomberg*. Environment Minister **Mangaliso Ndlovu** says Zimbabwe may make concessions on a law laid out in May that requires 50% of all carbon credit revenue to go to the state;

¹⁷ [The Sentry](#), 6 Jul 2023

5 Jul 2023 **Harare (Zimbabwe)** *Bloomberg*. Government will meet with **Bravura Holdings Ltd.**, a company owned by **Nigerian** tycoon **Benedict Peters**, to address delays at Bravura's platinum project;

5 Jul 2023 **Harare (Zimbabwe)** *The Herald*. Zimbabwe is considering exporting surplus wheat to **Mozambique** as this year's expected harvest of 420,000 tonnes is way above the country's annual demand of 360,000 tonnes;

30 Jun 2023 **Harare (Zimbabwe)** *Newsday*. Government plans to float housing bonds as an alternative means to raise funding in its quest to build 220,000 units by 2025;

30 Jun 2023 **Harare (Zimbabwe)** *The Herald*. President **Emmerson Mnangagwa** says biased observer missions will not be able to observe the country's harmonised elections on 23 August;

30 Jun 2023 **Harare (Zimbabwe)** *The Independent*. Zimbabwe will seek the buy-in of neighbouring countries before rolling out a plan to turn its stockpiles of ivory into tradable commodities akin to its gold coins. Trade in ivory is currently ban by the **Convention on International Trade in Endangered Species (CITES)**;

30 Jun 2023 **Harare (Zimbabwe)** *The Independent*. **China**-headquartered **SQNeed Chrome Zimbabwe Ltd** abandons its lucrative chrome mine at **Lalapanzi**, which it got from **ZimAlloys** in 2015, after clashing with authorities over violations of environmental policies;

29 Jun 2023 **Harare (Zimbabwe)** *The Herald*. Small to medium-scale miners appeal to the government to scrap a mining law that protects individuals in possession of large tracts of land under an **Exclusive Prospecting Order (EPO)** resulting in prospective miners struggling to obtain new claims;

28 Jun 2023 **Harare (Zimbabwe)** *Newswire*. **United Kingdom**-listed mineral explorer, **Kavango Resources** invests in Zimbabwe with an option to buy 45 gold claims, saying it sees opportunity in a country that has seen years of low exploration activity. The company will pay \$4m for a two-year exclusive binding option for the gold claims in **Matabeleland**;

28 Jun 2023 **Harare (Zimbabwe)** *Newsday*. **Australia's Invictus Energy** awards contracts for well services to several leading international oilfield service providers for the drilling of the **Mukuyu-2** well;

26 Jun 2023 **Harare (Zimbabwe)** *Reuters*. **United Kingdom**-Listed **Premier African Minerals** shares plunge 40% after it declares force majeure at its Zimbabwe lithium mine, citing a defect at its processing plant which made it unable to produce sufficient spodumene concentrate to meet conditions of its offtake agreement with **China's Canmax Technologies**;

25 Jun 2023 **Harare (Zimbabwe)** *Newsday*. **Reserve Bank of Zimbabwe** report shows the banking sector was profitable in the first quarter of this year, registering profits of Z\$207.25 billion (\$20.7m), up 666% compared to the prior period;

23 Jun 2023 **Harare (Zimbabwe)** *The Independent*. Government says revenue from platinum exports is expected to plummet by 37% to \$413.1m in 2023 as a result of falling commodity prices and power issues that have disrupted production;

22 Jun 2023 **Harare (Zimbabwe)** *News24*. **United Kingdom's** new ambassador to Zimbabwe **Peter Vowles**, will arrive in the country after the general elections on 23 August;

19 Jun 2023 **Harare (Zimbabwe)** *Newsday*. Leading platinum producer **Zimplats** says it expects the construction of its 35MW solar plant at **Selous Metallurgical Complex (SMC)** to

be complete at the end of next month. The project is the first phase of the 185MW solar plant valued at \$201m;

19 June 2023 **Harare (Zimbabwe)** *Reuters*. **Australia's Invictus Energy** says it may sell a stake in the **Cabora Bassa** oil and gas project if its appraisal drilling campaign confirms commercially viable discoveries;

16 Jun 2023 **Penhalonga (Zimbabwe)** *Newsday*. **United Kingdom**-headquartered gold miner **Metallon Corporation** says it will take over operations at the scandal-ridden **Redwing Mine** after the supreme court removes the gold mine from corporate rescue;

16 Jun 2023 **Harare (Zimbabwe)** *Reuters*. President **Emmerson Mnangagwa** orders the **Reserve Bank of Zimbabwe** to stop foreign currency borrowing as the government battles to contain a plunge in the local currency ahead of a general election;

15 Jun 2023 **Harare (Zimbabwe)** *Newswire*. **United Kingdom**-listed companies **Galileo Resources** and **Red Rock** pass key milestones in their push to start mining lithium at separate projects in Zimbabwe, reflecting sustained interest in Zimbabwean lithium despite an uncertain outlook for the battery metal;

15 Jun 2023 **Harare (Zimbabwe)** *Newsday*. Leading platinum producer **Zimplats** and its **South African** parent company **Implats** issue 5% of the Zimplats shares to traditional leaders in the **Mhondoro-Ngezi** district, who will hold them on behalf of their communities;

14 Jun **Harare (Zimbabwe)** *Reuters*. **Tobacco Industry and Marketing Board** says Zimbabwe has recorded its highest-ever tobacco output after selling 263 million kg worth \$793.25m in the current marketing season, at least 30% higher than last year's output and topping the previous record of 261 million kg in 2019;

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