

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing March 2023

Zimbabwe Summary 10 March 2023

Finance ministry issues a statutory instrument on 3 March announcing a change in the calculation of the annual inflation rate to factor in United States (US) dollar prices. This follows revelations that over 76% of Zimbabwean's spending is now in US dollars. The finance and economic development ministry fails to provide parliament with information on the structure of the state-owned-Kuvimba Mining House and the Zimbabwe Asset Management Corporation (Zamco) despite calls from legislators throughout February. This raises concerns about the government's commitment to transparency. United States president Joe Biden (2021-present) extends the sanctions on Zimbabwe on 1 March by a year. Biden notes that President Emmerson Mnangagwa (2017-present) has failed to implement reforms that would warrant terminating the existing targeted sanctions programme. Kuvimba Mining House makes a fresh attempt to raise funds for a stalled mega platinum mining project and asks Zimbabwe Consolidated Diamond Company to invest \$400m in the project for a 33% stake. Zimbabwe's creditors meet for a second time in Harare on 23 February to try and find solutions on how the country can clear its \$6 billion debt.

Zimbabwe factors in US dollar in measuring inflation

Zimbabwe has changed the way it measures inflation moving away from strictly using Zimbabwean dollar prices to one that blends with **United States (US)** dollar transactions after a survey found out that the bulk of the expenditure and transactions in the country are now US dollar-denominated.¹

The national stats agency, **Zimstat** uses the average prices of a basket of selected goods and services to measure inflation, but with the changes, the agency will use the US dollar and Zimbabwean dollar prices of these goods, and not just the Zimbabwean dollar prices as before. Zimstat conducted a household survey in January that found that 76.56% of people's spending is now in US dollars, with just 23.44% in Zimbabwean dollars.

Reserve Bank of Zimbabwe's (RBZ) (central bank) tight monetary policy has been credited with the declining use of local currency and this has brought stability in inflation, but analysts say it has had the unintended consequences of driving the economy towards dollarisation at a faster pace. RBZ governor **John Mangudya** said in his 2 February monetary policy statement that there was a need for recalibration of the calculation of the inflation rate to reflect the dual currency nature of incomes and prices in the economy. The central bank argues that local currency inflation is no longer a true representative of the cost of living in Zimbabwe as the country is in a dual currency system.²

¹ Ministry of Finance, 3 Mar 2023

² Monetary Policy Statement, 2 Feb 2023

Business groups have opposed the exclusive use of 'blended inflation' as the price benchmark, saying it makes planning and accounting harder, with the **Confederation of Zimbabwe Industries (CZI)**, the country's biggest business grouping, disagreeing with the recommendation of publishing both the local currency and blended inflation rates.³

The CZI argues that while the RBZ has total control over the Zimbabwe dollar inflation rate, it has very little influence over the US dollar inflation rate, even if the US dollar is circulating within the economy. Analysts also say the new law on blended inflation is likely to impact how companies prepare their accounts as the IAS 29 accounting standard requires the use of a general price index that reflects changes in general purchasing power.

ZimStat announced on 3 March that the blended annual inflation rate for February was 92.3% down from 101.5% in January, while Zimstat announced in February that annual inflation, in Zimbabwean dollars, stood at 229.8% in January.⁴

Government fails transparency test

The finance and economic development ministry is failing to provide parliament with information on the structure of the state-owned **Kuvimba Mining House** and the **Zimbabwe Asset Management Corporation (Zamco)** despite several calls during February from legislators raising concerns about the government's commitment to transparency.

Hatcliffe legislator **Allan Markham** says parliament is protecting cabinet and the president from answering crucial questions after the treasury for the fourth time failed to answer questions on the shareholding of Kuvimba and Zamco.⁵ Local media reported on 6 March that Deputy finance minister **Clement Chiduwa** is reported to be stubbornly dragging his feet in furnishing parliament with information on the two organisations, sparking an outcry from opposition members of parliament (MPs).

The shadowy Kuvimba, which has been linked to President **Emmerson Mnangagwa's** (2017-present) adviser and businessman **Kudakwashe Tagwirei**, has been acquiring vast public assets, with the government reluctant to reveal its beneficial owners. Questions still linger over the government's claim to 65% of Kuvimba with the remainder belonging to **Ziwa Investments**, another privately registered Zimbabwean company.

Some government and local mining industry officials say Tagwirei, and the government, created Kuvimba to shield the businessman's mining companies from US and **United Kingdom** financial sanctions that would have crippled their operations. To this day, the government insists Tagwirei is not a shareholder in Kuvimba but indications on the ground may suggest otherwise.

RBZ set up Zamco in 2014 to resolve the problem of excess non-performing loans (NPLs) of banking institutions in Zimbabwe. Markham wanted the finance ministry to share with parliament a list of the "*end beneficiaries*", namely the borrowers, both individuals and companies, whose NPLs were acquired, how they were selected, and other information relating to the operations of Zamco.

Zamco mopped up NPLs from the market in 2021 using a \$1.2 billion facility borrowed from the government, reducing the ratio from 20.45% against the internationally acceptable threshold of 5%. The refusal to answer the questions, which point to cover-up and corruption, also comes at a time when the state has failed to answer how it ended up borrowing \$88m for the construction of the **Mbudzi Interchange** project after having previously said \$144m from the

³ [Newswire](#), 3 Mar 2023

⁴ [Reuters](#), 3 Mar 2023

⁵ [Newshawks](#), 6 Mar 2023

International Monetary Fund (IMF) Special Drawing Rights (SDR) would be used for the road project.⁶

Adding to the controversy is that the government is borrowing the funds from **Fossil Mines**, a sister company to the contractor of the projects, **Fossil Contracting**, which is also reportedly linked to Tagwirei. The US government in December placed **Fossil Group** CEO **Obey Chimuka** and two of his companies — **Fossil Contracting** and **Fossil Agro** — on the sanctions list.⁷ The refusal by the government to be transparent points to the possibility of abuse of the \$960m in SDR funds that Zimbabwe received from the IMF in late 2021.

US extends sanctions on Zimbabwe, but little impact expected on elections

The US on 1 March extended its sanctions on Zimbabwe, a month after the **European Union (EU)** did the same. US president **Joe Biden** (2021-present) send a message to the **US Congress** 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.⁸

Biden noted that 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 ahead of the July/ August elections and are seen as more or less symbolic - for example, 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.⁹

Despite the fresh sanctions ahead of the polls, Mnangagwa's administration will be strengthened by the acts of solidarity against the sanctions shown towards **Harare** by African institutions such as the **African Union** and **Southern African Development Community (SADC)** that have openly rebuked the sanctions with heads of state such as **South Africa's Cyril Ramaphosa** (2018-present) and **Botswana's Mokgweetsi Masisi** (2018-present) also speaking against the measures.¹⁰

Mnangagwa, who is now 80, will seek a second full term in office after winning the disputed 2018 polls against a 45-year-old leader of the main opposition, **Nelson Chamisa**.

Fears are already growing in Zimbabwe of another disputed poll, on the back of the ongoing political violence and a clampdown on the opposition. Chamisa's **Citizens Coalition for Change (CCC)**, which was formed a year ago, says police have banned 63 of its campaign meetings this year for unclear reasons.¹¹ Human rights groups are also recording rising cases of political violence against opposition supporters across the country, which is blamed on security forces and supporters of Mnangagwa's ruling **Zanu-PF** party.

⁶ [The Herald](#), 14 Nov 2022

⁷ Newswire, 12 Dec 2022

⁸ Nehanda Radio, 4 Mar 2023

⁹ [ISSAFRICA](#), 25 Oct 2022

¹⁰ IOL, 8 Jan 2023

¹¹ [Zimbabwe Mail](#), 8 Feb 2023

Fresh attempt to revive mega platinum mining project

Kuvimba Mining House, which has been unable to raise capital for its projects due to links to sanctioned businessman Tagwirei, is now asking state-owned diamond company, **Zimbabwe Consolidated Diamond Company (ZCDC)** to invest \$400m in its platinum project, the **Great Dyke Investments (GDI)**.¹²

Kuvimba increased its ownership to 100% in GDI, a platinum deposit estimated to hold 17.6 million ounces of platinum group metals, after **Russia's Vi Holdings** pulled out of GDI in 2022 and ceded its 47.8% stake would be ceded to its local partners, Kuvimba and Fossil Mines.¹³

GDI had planned to start production in 2021 with output reaching 860,000 tonnes per annum to become the country's largest platinum producer. But the company has been struggling to raise the \$500m required for the first phase of the project, in part due to the involvement of sanctioned Tagwirei and the Russians.

A report by US-based **Bloomberg**, published on 28 February, says South Africa's **Impala Platinum**, which until 2006 owned the concession before relinquishing it under pressure from former president **Robert Mugabe** (1986-2017), had been courted again to join the GDI consortium but turned down the offer over lack of transparency in the shareholding structure and fear of being implicated in the sanctions.¹⁴

The links to Tagwirei have also seen Kuvimba failing to raise capital to revive **ZiscoSteel** and the company has now resorted to mining Zisco's iron ore deposits to raise cash to rebuild the steel plant. Under pressure to restart the project but with no capital, Kuvimba is now offering a 33% stake in GDI to the ZCDC, which is owned by another 100% state-owned company, **Defold**. The mines and finance ministries have given the green light to the deal subject to a due diligence process but top officials at the two are already rushing to finalise the deal.

Controversially, ZCDC chairman **Munashe Shava** is also the chief operating officer at GDI, exhibiting the conflict of interest and possible corruption around the deal from the dual roles. Shava is now unduly putting pressure on ZCDC CEO **Mark Mabhudhu** to finalise the transaction, but the latter is resisting on the grounds the \$400m share purchase price is overvalued. Shava temporarily suspended Mabhudhu last week accusing him of delaying finalising the deal.¹⁵

Dearth of trust identified as biggest challenge as Zimbabwe meets creditors

Zimbabwe held its second meeting with its creditors on 23 February including approximately 17 countries from the **Paris Club** of creditor nations, the **World Bank**, **African Development Bank (AfDB)** and **European Investment Bank**, to discuss progress on economic and governance reforms as the country looks to clear more than \$6 billion of arrears on its foreign debt. However, no concrete path on how the country was to achieve this came out of the meetings, with the country urged to first rebuild trust with partners.

As of September 2022, Zimbabwe's foreign debt stood at over \$14 billion with just under half of that in arrears which has resulted in the country not receiving loans from lenders such as the IMF and World Bank for more than two decades.¹⁶

¹² [Newswire](#), 1 Mar 2023

¹³ [Newsday](#), 10 Jul 2022

¹⁴ [Bloomberg](#), 28 Feb 2022

¹⁵ [Newsday](#), 1 March 2023

¹⁶ Reuters, 15 Feb 2023

AfDB president Dr **Akinwumi Adesina** – whom Mnangagwa appointed as champion of the arrears clearance and debt resolution process - played a central role in discussions, which he co-chaired with **Mozambique's** former president **Joaquim Chissano** (1986-2005). Mnangagwa appointed Chissano as facilitator of the re-engagement and high-level dialogue process, with **Luisa Diogo**, former prime minister of Mozambique as technical advisor.¹⁷

Mnangagwa told delegates that Zimbabwe's total debt burden of roughly \$17.5 billion continued to weigh heavily on the country's development efforts, emphasising the impact on human development. He assured delegates that Zimbabwe was committed to clearing all its outstanding debt arrears to its creditors, including those owed to the AfDB, other multilateral finance institutions, and international creditors.¹⁸

Chissano identified two 'low-hanging fruits' for the government, which he said would help build trust with its partners, namely the issue of compensation of farmers under the **Bilateral Investment Protection and Promotion Agreements (BIPPAs)** and the conduct of free and fair elections later this year. At the end of the meeting, it was agreed that two more meetings would be needed at the end of March and during April, leading up to a high-level forum in the second week of May.

Until it clears its debts, Zimbabwe is unable to access fresh lines of credit from multinational development partners, funding it desperately needs to sustainably reverse two decades of economic decay.

Planner

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

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

9 Mar 2023 **Harare (Zimbabwe)** *APA news*. Information minister **Jenfan Muswere** says health officials are on high alert after 60 suspected **cholera** cases are reported in three of the country's 52 districts over the past few weeks, with the epicentre of the latest outbreak being **Chegutu** where at least 58 suspected cholera cases been reported;

9 Mar 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. **South Africa's** secretary general of the ruling **African National Congress (ANC)**, **Fikile Mbalula** calls for an end of sanctions against Zimbabwe, stating the **United States** and **United Kingdom** are refusing to let up because they want regime change;

9 Mar 2023 **Harare (Zimbabwe)** *NewsDay*. **Zimbabwe Electoral Commission (Zec)** delimitation report contains hundreds of fake coordinates of polling stations, some located outside the country and in oceans;

8 Mar 2023 **Harare (Zimbabwe)** *Newswire*. Tobacco production is expected to rise 8.5% year-on-year to 230 million kg in 2023 following good rains and as more farmers planted the crop. Tobacco selling season also starts with prices opening at \$4.35, up from \$4.20 last year;

¹⁷ [AfdB](#), 24 Feb 2023

¹⁸ The Herald, 23 Feb 2023

7 Mar 2023 **Harare (Zimbabwe)** *Pindula*. Zimbabwe dollar breaches the ZWL\$900 mark against the US dollar on the **Reserve Bank of Zimbabwe's** foreign currency auction, as the weighted average moves to \$1: ZWL\$907.92, from \$1: ZWL\$892.63;

7 Mar 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. **Zimbabwe Postal and Telecommunications Regulatory Authority (Potraz)** gives telecommunications companies approval for a 50% tariff increase, ahead of a further 50% price hike in April 2023, justified by telecommunications operating below profitable thresholds, despite the apparent dollarisation of mobile money transactions;

7 Mar 2023 **Harare (Zimbabwe)** *New Zimbabwe*. Government begins a 20-day physical mapping exercise to identify locals who wish to be helped in relocating from neighbouring **South Africa** before their special work permits expire on 30 June;

7 Mar 2023 **Harare (Zimbabwe)** *Newshawks*. **Russia** dispatches a business delegation to Zimbabwe led by the foreign economic relations minister of the **Sverdlovsk** region, **Yarin Vyacheslav**;

6 Mar 2023 **Harare (Zimbabwe)** *Zimbabwe Independent*. The **Reserve Bank of Zimbabwe (RBZ)** threatens to sue international news channel **Al Jazeera** if its much-anticipated documentary, which will potentially expose high-level graft in government, proves to be "fake news";

5 Mar 2023 **Harare (Zimbabwe)** *Newshawks* The exodus of **Zimbabwe Stock Exchange (ZSE)** securities to **Victoria Falls Exchange (VFEX)** weighs down on the local currency-indexed bourse's performance for February following the exit of blue-chip companies from the ZSE to VFEX which offers better prospects of accessing US dollar capital;

1 Mar 2023 **Harare (Zimbabwe)** *The Herald*. Authorities target 85,000 hectares for wheat production this year, expected to produce 408,000 tonnes of the cereal, well above the minimum of 360,000 tonnes needed for self-sufficiency;

1 Mar 2023 **Harare (Zimbabwe)** *Newswire*. **China National Resources (CHRM)** announces it could pay up to \$1.75 billion for a lithium operation in Zimbabwe, potentially joining a queue of global companies buying up lithium assets in the country;

28 Feb 2023 **Harare (Zimbabwe)** *The Chronicle*. **Zimbabwe Civil Aviation Authority** grants Foreign Operator Permits to **Royal Eswatini National Airways Corporation (RENAC)** and **Zambia Airways** to operate passenger and cargo services in and outbound **Robert Gabriel Mugabe International Airport**;

28 Feb 2023 **Harare (Zimbabwe)** *Zimbabwe Observer*. Zimbabwe terminates the services of consultancy firms that were engaged more than three years ago to help thaw diplomatic relations with the **United States** as Harare changes tack to break over two decades of international isolation;

27 Feb 2023 **Harare (Zimbabwe)** *Newshawks*. The **Confederation of Zimbabwe Industries (CZI)** says while full dollarisation of the economy will slow down inflation, the increased use of foreign currency may stunt GDP growth and make local exports less competitive;

26 Feb 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. **United States**-headquartered global rating firm, **Fitch Solutions** says the ruling **Zanu-PF** "will win a comfortable majority" in this year's harmonised elections and "remain the dominant political party force in Zimbabwe over the coming years";

22 Feb 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. President **Emmerson Mnangagwa** declares the names and boundaries of the wards, the house of assembly and senatorial

constituencies to be used in the forthcoming and any subsequent general election after the **Zimbabwe Electoral Commission (ZEC)** made its final determination;

22 Feb 2023 **Harare (Zimbabwe)** *Newshawks*. Borrowing plan and issuance calendar shows borrowing trends are set to increase in 2023, with the national budget having an overall deficit of ZW\$336.8 billion (\$374m) and a total financing requirement of ZW\$585.5 billion (\$650,5m);

20 Feb 2023 **Harare (Zimbabwe)** *The Herald*. Zimbabwe and **Rwanda** make significant progress on the rural electrification programme with modalities for rolling out the \$800m project almost complete;

19 Feb 2023 **Harare (Zimbabwe)** *Newsday*. **National Railways of Zimbabwe (NRZ)** says **Turkish** investor **Yapi Merkezi**, which plans to recapitalise and modernise its railway system, has completed a feasibility study on the project;

19 Feb 2023 **Harare (Zimbabwe)** *Newsday*. Zimbabwe and **India** open discussions that could end up with diamonds being traded in special zones in the **Asian** economic powerhouse;

17 Feb 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. **Ethiopian Airlines** announces that it will start to have direct daily flights to **Harare** from **Addis Ababa** starting in March;

16 Feb 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. With only a few months until the 2023 elections in **Zimbabwe**, political parties are still hesitant to create coalitions, despite their agreement that a united alliance may put pressure on **Zanu-PF**;

15 Feb 2023 **Harare (Zimbabwe)** *Zimbabwe Mail*. **African Development Bank** is appointed lead financial adviser for the planned \$5 billion **Batoka Gorge** hydropower dam, designed to supply **Zambia** and Zimbabwe which are facing crippling power outages;

15 Feb 2023 **Harare (Zimbabwe)** *Sunday Mail*. Finance and economic development minister, **Mthuli Ncube** launches a \$10m fund targeting small-scale and artisanal gold miners that are expected to boost production of the mineral;

12 Feb 2023 **Harare (Zimbabwe)** *Newsday*. **Reserve Bank of Zimbabwe's** latest monetary policy statement shifts goalposts on crucial undertakings made to **Victoria Falls Stock Exchange (VFEX)** listed firms entitling them to relaxed foreign currency retention thresholds;

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