# BUSINESS TIMES

REDEFINING BUSINESS

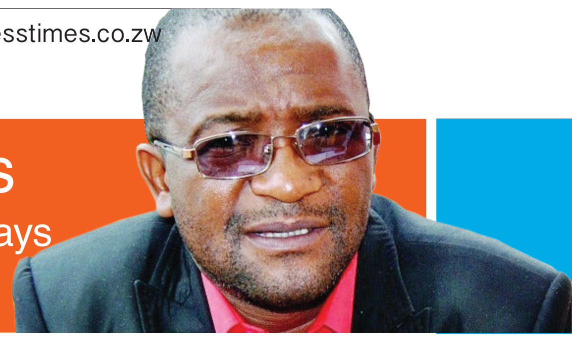
Established in 2018

www.businesstimes.co.zw

12 - 18 March 2020

$20



# Zim misses US$50bn windfall from IMF

## … as coronavirus cases spike in Africa

NDAMU SANDU

Debt-distressed Zimbabwe will miss the US$50bn package by the International Monetary Fund (IMF) which will act as a shock absorber for countries to be affected by the effects of the coronavirus.

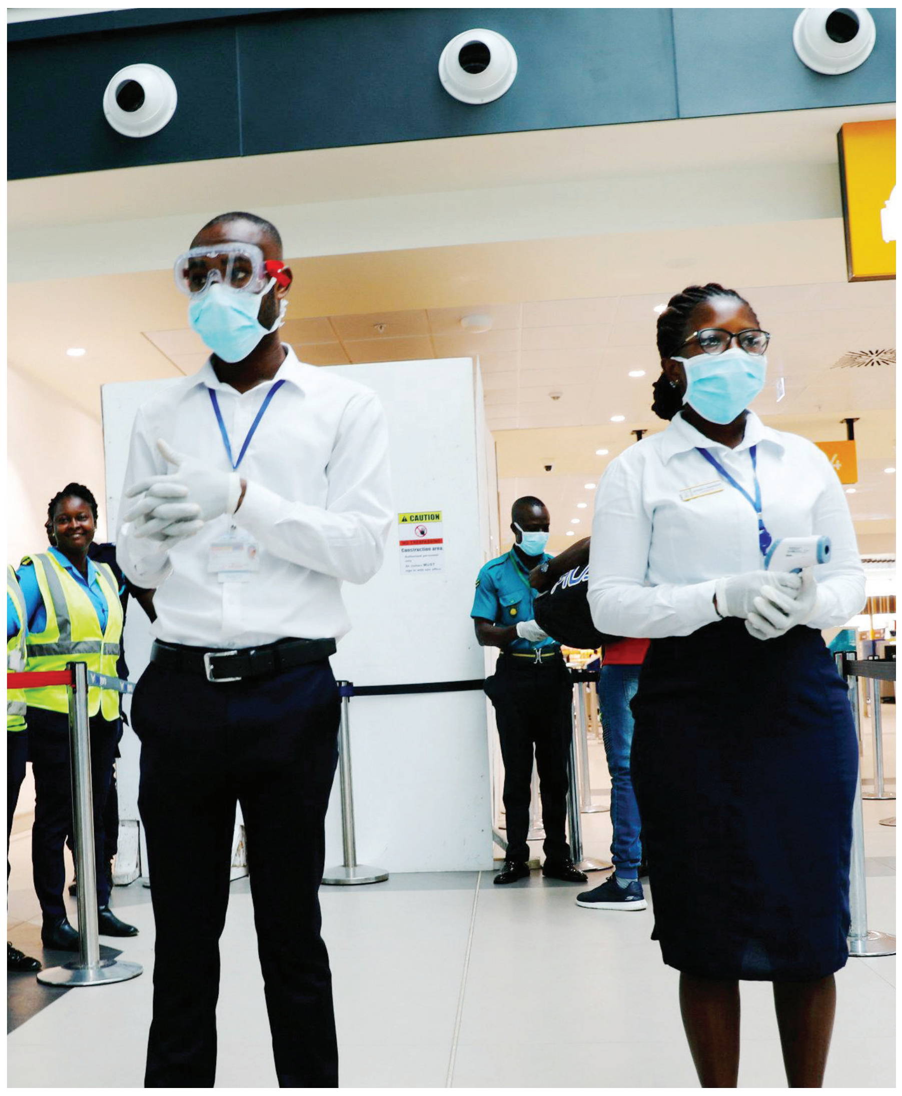
Zimbabwe's economy is badly in need of a stimulus package after contracting by nearly 10 percent last year. The country, which has a huge debt overhang, is currently ineligible to secure long-term funding from multilateral financial institutions.

Last week, IMF managing director, Kristalina Georgieva announced a US$50bn coronavirus shock absorber facility for low income and emerging market countries.

IMF resident representative to Zimbabwe, Patrick Imam said the global lender is "indeed looking at whether we can get extra funding to support Zimbabwe in its battle against the coronavirus shock".

Imam said the US$50bn Catastrophic Containment and Relief Trust facility is funded by grants and Zimbabwe does not qualify as it has no debt service payment obligation to the fund. Zimbabwe owes international financial institutions which has blocked the country from accessing cheap funding.

"…even if eligibility criteria were to be relaxed given the current circumstances, this facility provides grants to cover upcoming debt services to the IMF. Now given that Zimbabwe's debt to the IMF is zero, there is no debt service to pay and hence this facility would not be of any use. We are therefore exploring alternative funding facilities," Imam said.



Health officials wait to screen travellers arriving at Ghana's international airport for coronavirus.

He said the regular programme that IMF offers member countries that are severely impacted by the coronavirus, such as the Rapid Credit Facility, are currently not available to any country that is in debt distress and that has arrears to International Financial Institutions.

● To Page 2

## Chamisa awaits Mbeki signal

CHENGETAI ZVAUYA

The leader of the opposition MDC, Nelson Chamisa is waiting for the signal from former South African president Thabo Mbeki on when talks with President Emmerson Mnangagwa will begin despite an intensification of campaign as parties eye the 2023 polls.

Mbeki was given the greenlight by South Africa to oversee dialogue between President Mnangagwa and Chamisa as Pretoria moves to end the crisis in Zimbabwe. This saw him visiting Zimbabwe in November where he met Mnangagwa, Chamisa and other fringe political players that make up the Political Actors Dialogue (Polad). Mbeki was due to come back after Christmas.

MDC presidential spokesperson, Nkululeko Sibanda said the party was still waiting for communication from Mbeki's office to know when the talks can resume and was looking to resolve the political question to avoid another disputed election in 2023. He said Chamisa was in constant touch with Mbeki.

"We are waiting for communication from Mbeki who had informed us that he wants to contact Mnangagwa and we can know when the dialogue can start as he informed us that Mnangagwa did not want dialogue with Chamisa but we are ready for dialogue," Sibanda said.

"There is need to move forward but we need genuine reforms going towards 2023

● To Page 2

## Briefs

### Govt moves to stabilise exchange rate

The government has come up with managed float exchange rate system among other host of measures to stabilise the exchange rate and bring down inflation as the local currency tumbles on the parallel market. The Zimbabwe dollar, which was reintroduced last year after government abandoned the multicurrency regime, has been depreciating against the greenback pushing up prices of basic commodities. The development comes after the recent exchange rate volatility which spiked to unsustainable levels of 1:38.5. Finance and Economic Development minister Mthuli Ncube said the government has come up with a currency stabilisation taskforce to stabilise and lower the exchange rate. — *Page 2*

### Bank charges surge 900% as spending power diminishes

Zimbabwe's inflation is further expected to spiral upwards after local banks hiked transactional charges by as much as 900% as pressure mounts on the financial intermediaries to pay US-dollar denominated payments to services rendered by their offshore suppliers. The shock abandonment of the multicurrency system by the government has seen many companies facing bottlenecks in accessing hard currency on the formal banking system. Banks are also required to pay foreign currency to suppliers of their backbone ICT platforms. Resultantly, this has seen the domestic currency losing ground against major currencies. — *Page 3*

### Redollarisation pressure bitter pill to swallow for Zim

Zimbabwe's escalating fuel crisis of over 18 months has forced government to swallow a bitter pill and allow fuel dealers with free funds to import and sell the liquid in foreign currency, seven months after banishing the multiple currency regime in favour of the Zimbabwe dollar. The multicurrency regime, credited with halting hyperinflation, was outlawed last year after the government retrieved the banished local unit from the recycled bin. The local unit had been demonetised in 2015.The decision allowing fuel dealers to trade in foreign currency flies into the face of a five-year de-dollarisation strategy unveiled by Reserve bank of Zimbabwe Governor John Mangudya last month in his Monetary Policy Statement. — *Page 7*

### SA court clears Ramaphosa of misleading parliament

South Africa's High Court on Tuesday cleared President Cyril Ramaphosa of lying to parliament about the source of donations to his 2017 campaign to lead the ruling party, setting aside a potentially damaging report by a powerful anti-graft watchdog. The high court judges described the watchdog's approach as based on a mistaken and "fatally flawed" reading of the law. The case was seen by many analysts as a proxy of the bitter power rivalry inside the ANC between supporters of Ramaphosa and his scandal-plagued predecessor Jacob Zuma. Public Protector Busisiwe Mkhwebane had alleged in July that Ramaphosa deliberately misled parliament about the R500,000 donation for his campaign to succeed Jacob Zuma as head of the ruling African National Congress (ANC). — *Page 15*



## World Markets

### Stock Markets

| Index | LAST | CHANGE | % CHG |
|---|---|---|---|
| DJIA | 23,954.35 | -1,063.81 | -4.25 |
| NASDAQ | 8,048.98 | -295.27 | -3.54 |
| S&P 500 | 2,771.22 | -111.01 | -3.85 |
| FTSE | 5,893.12 | -67.11 | -1.13 |
| NIKKEI | 19,416.06 | -451.06 | -2.27 |

| Index | Closing (Pnts) | Previous (Pnts) | Change (Pnts) | % Change |
|---|---|---|---|---|
| All Share | 494.79 | 478.35 | 16.44 | 3.44% |
| Top 10 | 424.34 | 405.92 | 18.42 | 4.54% |
| Old Industrial | 1,635.98 | 1,583.87 | 52.11 | 3.29% |
| Mining | 876.76 | 797.52 | 79.24 | 9.94% |

| Currencies | LAST | CHANGE | % CHG |
|---|---|---|---|
| JPY/USD | 0.956 | +0.01 | +1.05 |
| USD/JPY | 104.53 | -1.1 | -1.041 |
| GBP/USD | 1.293 | +0.002 | +0.16 |
| EUR/USD | 1.133 | +0.005 | +0.47 |

| Commodities | LAST | CHANGE | % CHG |
|---|---|---|---|
| OIL | 33.34 | -1.02 | -2.97 |
| NAT GAS | 1.913 | -0.023 | -1.19 |
| GOLD | 1,667.6 | +7.3 | +0.44 |
| SILVER | 16.995 | +0.04 | +0.24 |
| WHEAT | 519.25 | -3 | -0.57 |
| COPPER | 2.519 | -0.003 | -0.12 |

# Govt in new strategy to stabilise exchange rate

NDAMU SANDU/
LIVINGSTONE MARUFU

The government has come up with managed float exchange rate system among other host of measures to stabilise the exchange rate and bring down inflation as the local currency tumbles on the parallel market.

The Zimbabwe dollar, which was reintroduced last year after government abandoned the multicurrency regime, has been depreciating against the greenback pushing up prices of basic commodities.

The development comes after the recent exchange rate volatility which spiked to unsustainable levels of 1:38.5.

Finance and Economic Development minister Mthuli Ncube said the government has come up with a currency stabilisation taskforce to stabilise and lower the exchange rate.

He said the taskforce will be led by Finance ministry and will be composed of members from the Reserve Bank of Zimbabwe Monetary Policy Committee and Presidential Advisory Council which will meet at least once a week to review the conditions in the markets, monitor exchange rate and inflation.

"Zimbabwe has had no transparent and effective forex trading platform for a long time; consequently official rates have not been determined while a thriving parallel market has developed. To correct this anomaly, an electronic forex trading platform based on the Reuters system is being put in place," Ncube said.

"This platform will allow forex to be traded freely among the banks and permit a true market exchange rate to be determined."

He said bureaux de change will also participate on this platform through their authorised dealers and trading rules of the bureaux are also being liberalised so that they can conduct all wider range of transactions.

The RBZ will continue to be a significant player in the market and providing liquidity to stabilise the exchange rate where necessary and this mechanism will be immediately operational, Ncube said.

All forex requirements will be available through the interbank market which will use a market-determined exchange rate. All banks will be invited to join and market will be started by "Coalition of willing" and trading rules for the functioning of this market have already been agreed to with banks being market makers.

Banks will charge the bureaux de change very thin margins on transactions which are routed through them as the Authorised Dealers.

He said bureau de changes are to be immediately liberalised as per RBZ rules which are ready for implementation. Bureaus will be market takers who can trade forex at +/-5% of daily forex fix and will have a minimum of US$20 000.

Under the new rules, RBZ shall monitor exchange rate daily and intervene when necessary and shall release forex into the interbank market based on a well-defined forex stabilisation policy.

Ncube said the new supporting measures relating to money supply, liquidity management and interest rates will also be put in place.

"To support the success of the new forex management system, the following measures are going to be put in place: it should be noted that all these measures are part of our de-dollarisation road map which will be in a phased but time bound manner," he said.

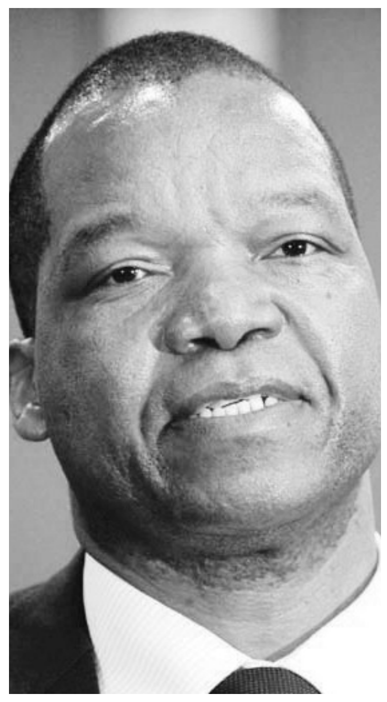
"Government is cognisant of the fact that unrestrained increases in money supply are one of the fundamental causes of inflation and the depreciation of the exchange rate. Indeed, hyperinflation prior to 2009 was caused precisely by this factor."

Treasury will buttress the managed floating exchange rate by maintaining cash budgeting framework to minimise fiscal deficit. This comes after Treasury recorded a cash surplus of ZWL$3bn up to February.

Ncube said Treasury will project revenue and expenditure for the full financial year and announce its Treasury bill issuance calendar. Under the new thrust, RBZ will also terminate the gold incentive facility once the Reuters system becomes fully functional.

It will also introduce minimum interest rates on all deposits, including trust accounts underpinning mobile banking wallets, to incentivise savings and encourage the holding of the domestic currency.

RBZ governor John Mangudya said inflation has some pass-through effects to the exchange rate hence there is need for a collective effort to ensure its stability.



RBZ governor John Mangudya

"The policies announced by minister Ncube will tackle inflation and stabilise the exchange rate and ensure that the effects of exchange rate and inflation are kept under watch in the economy," Mangudya said.

"We are capacitating the bureaux de change to ensure that they participate in the interbank trading platform through formal banking channels."

# US imposes assets freeze on Ncube, Sanyatwe

TAURAI MANGUDHLA

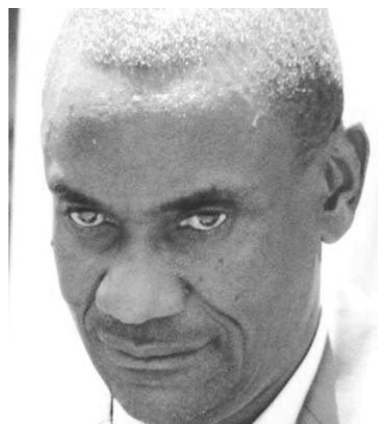
The United States Department of the Treasury's Office of Foreign Assets Control (OFAC) yesterday designated Zimbabwe's State Security Minister, Owen Ncube and the country's Ambassador to Tanzania, Anselem Sanyatwe for their alleged involvement in human rights abuses, including directing an attack on peaceful demonstrators and political opponents.

The designation comes barely a week after US extended targeted sanctions imposed on some Zanu PF officials on allegations President Emmerson Mnangagwa's regime had accelerated its persecution of critics and economic mismanagement in the past year, during which security forces have conducted extrajudicial killings, rapes, and alleged abductions of numerous dissidents. Government last week dismissed claims by the U.S government that the security forces were responsible for human rights violations.

Sanyatwe and Ncube were also publicly designated for alleged gross violations of human rights by the Department of State in August and October 2019 respectively, which blocked Sanyatwe and Ncube from entering the United States.

"As a result of Treasury's designation, all property, and interests in property of these individuals that are in the United States or in the possession or control of U.S. persons must be blocked and reported to OFAC. OFAC's regulations generally prohibit all dealings by U.S. persons or within (or transiting) the United States that involve any property or interests in property of blocked or a designated person," OFAC said in a statement.

OFAC said it has concurrently removed sanctions on ousted former Zanu PF Mashonaland East chair Ray Kaukonde, the late Zanu PF Masvingo provincial minister Shuvai Mahofa, the late Matabeleland North provincial Minister Sithokozile Mathuthu, and the late former Senate deputy president Naison Ndlovu, all of whom were previously



Owen Ncube

designated pursuant to Treasury's Zimbabwe sanctions authorities.

"Political and military leaders in Zimbabwe have repeatedly used violence to silence political dissent and peaceful protests," said Deputy Secretary of the Treasury Justin Muzinich, adding "The Trump administration will hold accountable corrupt Zimbabwean elites for their repressive and violent rule."

Sanyatwe, in his former role as the commander of the Zimbabwean National Army's Presidential Guard Brigade, is accused of allegedly activating and deploying troops to multiple parts of the capital city to quell demonstrations.

Sanyatwe is also accused of allegedly ordering the army to crack down on protestors soon after the July 2018 harmonised elections in an operation that killed at least six individuals and injured many.

OFAC accuses Ncube, "in his role as the Minister of National Security with the support of other Zimbabwean government officials, of ordering the Zimbabwean security services to identify, abduct, and mistreat individuals accused to be supporters of a Zimbabwean opposition group". In addition, while in his position, "the government of Zimbabwe has at times used so-called ferret teams to abduct and beat individuals deemed to be a threat to the ruling Zanu PF".

Zimbabwe has been calling for removal of all sanctions. Last year Zanu PF held a march denouncing sanctions.

# Chamisa awaits Mbeki signal

● From Page 1

elections so that we know that we have finished the unresolved legitimacy dispute of 2018."

South Africa's Ambassador to Zimbabwe Mphakama Mbete told *Business Times* that his government was ready to help to facilitate the dialogue.

"We shall continue to support former President Thabo Mbeki's initiative with the logistics he needs if he comes back to the country to talk to political parties. Last year his visit was a private initiative being handled by the Thabo Mbeki Foundation but we support it. We are also waiting to know from our government in Pretoria when he is coming back to Zimbabwe," Mbete said.

Debate on whether or not the military should be involved in the talks is gaining momentum following the historic role that has been played by the army on issues relating to governance. On the eve of the 2002 Presidential election, the military —then Zimbabwe Defence Forces commander Vitalis Zvinavashe — said the presidency was a "straight jacket" and they would not support anyone without liberation war credentials to occupy State House.

Talks between Mnangagwa and Chamisa are expected to restore the lost confidence in the economy which has seen the local currency depreciating against the dollar over the weeks amid fears of a spike in prices.

Zanu PF is adamant that talks should be held under Polad. Chamisa argues that Polad is composed of Mnangagwa's cheerleaders. His fears were confirmed after one of the Polad principals, Taurai Mteki, retraced his Zanu PF roots.

Obert Mpofu, Zanu PF Secretary for Administration, said his party was not keen for any talks with Chamisa outside Polad.

"If Chamisa wants dialogue with President Mnangagwa, he must come to the Polad. Former President Mbeki is aware that we have started dialogue under the Poland and this is the best platform we have and must be accepted by all Zimbabweans who want to see the country progress," Mpofu said.

"The door is still open for Chamisa to join the Polad dialogue rather than to wait for outsiders; we are not going to wait for outsiders to determine what we can do to resolve our problems. We shall go ahead with Polad going towards the elections."

Mpofu said Zanu PF was going ahead with preparations for the 2023 polls. Last week, Mnangagwa told the party's Politburo meeting that party members had to intensify campaigns and meetings with the electorate in constituencies.

"There is an imperative need to prepare for the 2023 harmonised general elections, which we must win by at least sixty five percent. To do that the party needs to start strategic programmes and recruit more membership so that they can become the bedrock of a promising Zanu PF electorate," he said.

# Zim misses out on IMF windfall

● From Page 1

"Zimbabwe, however, still has arrears towards multilateral development institutions, notably the World Bank and the African Development Bank and the European Investment Bank. The IMF rules don't permit us to provide financial support in these circumstances. Thus, before becoming eligible for financial support from the IMF, Zimbabwe will need to clear these arrears."

Coronavirus, also referred to as Covid-19, was first reported in Chinese city, Wuhan, in December last year. Total confirmed cases were 119, 132 while over 4, 200 had succumbed to the virus as of yesterday. It had affected 115 countries or regions by yesterday.

The virus, which has resulted in a lockdown in Italy and restrictions on travel that has hit airlines, is feared to trigger a recession.

The projected global recession will be a blow for a forex starved Zimbabwe which relies on imports of gold, chrome, platinum and tobacco to oil the economy.

One of the low hanging fruits, tourism, will also be affected due to reduced travels and reduction in the meetings, incentives, conference and exhibitions (MICE) business.

Already high level meetings have been postponed or cancelled. ITB Berlin, one of the world's leading tourism and travel shows, which was scheduled to run from March 4 to 8, was cancelled and the fair will not run this year.

Regional bloc, Sadc temporarily suspended all events to avoid the spread of the virus. This affected the 57th Committee of SADC Stock Exchange meeting and 2nd Broker's Networking Session that was scheduled to run from March 11 to 13 in Victoria Falls.

Reserve Bank of Zimbabwe governor John Mangudya said the drop in oil prices and firming gold price is a boon for the economy. Zimbabwe imports fuel worth US$1.5bn annually. He said gold prices have firmed as investors abandon equities for the yellow metal which is a safe haven.

"The major market for tobacco is China; we do hope and pray the prices would remain the same," Mangudya said.

Finance minister Mthuli Ncube said other countries are taking monetary and fiscal measures as shock absorbers and Zimbabwe will respond when the need arises.

"We stand ready to respond should the shock go beyond what we are expecting. The channels for the transmission of the crisis are clear: it's through the tourism receipts channel and the exports receipts channel," Ncube said.

Meanwhile, South Africa's Health Minister Dr Zweli Mkhize has confirmed six new coronavirus cases in the country - taking the number of infected people to 13. All of the new infected coronavirus patients had all travelled back to the country from Europe.

The minister made the announcement yesterday. From the six new Covid-19 patients, four are based in Gauteng, while one each are from the KwaZulu-Natal and Western Cape provinces.

South Africa's first coronavirus case was confirmed last Thursday, when a 38-year-old man who had travelled from Italy in a group of 10 on a skiing trip, was tested positive after he visited his local doctor. The wife also later tested positive, as did another person who was part of the trip.

# ZERA elbows out small petroleum players

TINASHE MAKICHI

Zimbabwe's energy regulator has announced stringent regulations for the petroleum sector that could elbow out new entrants amid concerns that this could result in the emergence of an oligopoly, *Business Times* has learnt.

The southern African country has been experiencing erratic fuel supplies due to sagging exports and rising demand for the commodity on the back of erratic fuel supplies.

Information gathered by this paper shows that the Zimbabwe Energy Regulatory Authority (ZERA), which regulates the billion-dollar petroleum industry decreed that fuel players should have at least 25 service stations to renew their licences in a move which will create barriers of entry and results in a market dominated by a small number of players.

The regulations, which have rattled small players, is alleged to have been influenced by a section of big players in the industry, according to players in the sector.

In a notice to the petroleum sector recently, ZERA said fuel players should at least own 25 service stations as well as providing evidence of such ownership.

It said a procurement licensee should provide a performance bond with a value of ZWL$30m before licensing, a situation which has generated a massive outcry among small and new players in the sector.

Indigenous Petroleum Association of Zimbabwe (IPAZ) chairman Aaron Chinhara said players were in a lurch and will meet today on the way forward.

"We are going to meet today as an industry (specifically indigenous players). The agenda of the meeting are issues around new regulations introduced by ZERA," Chinhara said.

Zimbabwe's fuel industry is dominated by three main players – Sakunda, Zuva Petroleum and Puma. Puma is majority-owned by Trafigura and the Angolan Sonangol Group.

The other cluster is however controlled by indigenous players who have been responsible for importing daily fuel of about 4.1m litres of diesel and 3.1m litres of petrol.

Official figures show that the fuel companies require about US$30m a week to meet the market's fuel requirements.

A well-placed fuel sector source who requested anonymity said the regulations were formulated to protect the interests of a few companies.

"It is quite shocking that ZERA came up with such a regulation. This regulation is creating a cartel of fuel players because how many fuel players possess 25 service stations?

"This means new entries into the market have been restricted while those already in the market with fewer sites may not be able to renew their licences," the source said.

Small and new fuel companies are of the opinion that the regulation was formulated to put barriers on new entries in the market at the same time hounding out small players already in existence.

ZERA acting chief executive Eddington Mazambani did not respond to questions sent to him at the time of going to print.

The current regulations have put a majority of indigenous and small petroleum players on a tight spot, as most of them may end up failing to renew licences while new entrances have also been severely restricted.

IPAZ was formed in 2004 after a nasty fallout between local and international fuel players to counter the dominance of the Petroleum Marketers of Zimbabwe then controlled by multinationals, BP, Shell, Mobil, Caltex, Total, as well as Engen and three indigenous companies.

A year later, government pushed for the merger of local fuel companies with the multinationals to work under PMZ to create a more stable fuel industry.

Zimbabwe's fuel sector is currently subject to scrutiny after President Emmerson Mnangagwa's Special Anti-Corruption Unit (SACU) started investigations on rampant fuel smuggling done by private fuel companies necessitated by their continued resistance to adopt the recently formulated fuel monitoring and management system.

To foster accountability, SACU has since written to the Office of the President and Cabinet, Zimbabwe Republic Police and the President's Department among other relevant government departments.