BT News

NEWS ON THE GO

RioZim requires $20m to resume operations

LIVINGSTONE MARUFU

Zimbabwe Stock Exchange (ZSE) listed miner, RioZim Limited, requires close to $20 million in foreign currency for the importation of critical consumables and spare parts to enable it to resume production at three of its gold mines.

The development comes at a time when the country's gold sub-sector sector is grappling with forex shortages and has assigned representative body, Chamber of Mines of Zimbabwe to discuss with the Reserve Bank of Zimbabwe the possibility of selling their yellow metal away from Fidelity Printers and Refinery. For RioZim, the foreign currency shortages have resulted in a temporary production halt at its hold operations in Kadoma (Cam and Motor), Renco Mine in Masvingo and Dalny Mine in Chegutu.

RioZim CEO Beki Nkomo told *Business Times* that the company, together with whole sector, was at advanced negotiations with the central bank.

"We require close to $20 million of foreign currency to procure consumables and critical raw materials for our operations. That kind of forex is mainly needed for three of our mines Cam and Motor in Kadoma, Renco Mine in Masvingo and Dalny Mine in Chegutu. Other mines can still benefit from that amount," said Nkomo.

RioZim recently wrote a letter to RBZ governor John Mangudya which called for immediate attention to the foreign currency situation. Through their board chair Lovemore Chihota, RioZim said it received only 14 percent of its gold delivery proceeds in the last 30 months. Nkomo said RBZ has assured the group of forex allocations in the near future.

"We are in candid talks with the Reserve Bank on how best we can move forward in terms of operations. The bank has been responding in a positive manner. We expect RBZ to fast-track these engagements into action as we want to go back to work.

RioZim has potential to reach above four tonnes per year if given enough forex allocations.

Govt restores Glow Petroleum fuel licence

CHENGETAI ZVAUYA

Government has restored Glow Petroleum's fuel licence after the company proved that they were operating smoothly, within the confines of the law and was not overcharging motorists for fuel.

Last week, Government withdrew Glow's operating licence saying that three of its service stations had overcharged motorists during the fuel crisis that gripped the country last month.

Energy and Power Development minister Joram Gumbo told *Business Times* this week that the licence had been restored. He however added that the decision to withdraw the licence had not been politically motivated.

"The Zimbabwe Energy Regulatory Authority (Zera) had withdrawn the licence as some of Glow's Service Stations were overcharging for fuel. They have however since corrected this by reducing their prices. As a result, the operating licence is still valid. I have been informed by Zera that the company has regularised its fuel prices," Gumbo said.

Glow Petroleum managing director Aron Chinhara said that his company was operating smoothly and that the licence was still valid. "We have our licence... you can visit any Glow Petroleum Service station and see that our business is still running smoothly," he said.

"We are open for discussion with government. There are communication structures that need to be followed when withdrawing a licence. However what I can tell you is that we have done nothing wrong as a company.

He said there had not been a government directive issued to effect the withdrawal of the licence. "There is no government directive stopping us from operating and we have not received any communication from them that we should not operate."

Chinhara is a former top MDC official in the Midlands province.

Standard bidding document for public sector

MUNASHE MATAMBO

The Procurement Regulatory Authority of Zimbabwe (PRAZ) has introduced a new standard bidding document for the country's public sector in a bid to increase transparency and solve issues of corruption in public procurement, *Business Times* has learnt.

PRAZ chief executive officer, Nyasha Chizu, told this publication on the sidelines of a training workshop held in Harare this week that the new measure was in line with international best practice.

Over 100 representatives from government ministries, parastatals, commissions, and local councils attended the training workshop, which was aimed at capacitating them with the proper use of the standard bidding document.

"We didn't have a standard bidding document, so this is a new thing we are introducing in the country," Chizu said. "Thus, this workshop is to make sure that our procurement entities are able to use the new bidding document.

"As PRAZ, we are mandated to issue standard bidding documents to be used by the public sector in soliciting for quotations and proposals. International best practice demands that the requirements for tendering be known. When we talk of issues of corruption in public procurement, it is when fine lines are put in tender documents to confuse the market for the purpose of favouring someone," Chizu explained.

He said small differences in tender documents had led to confusion but the introduction of the standard bidding document would put a stop to the practice which was rampant in the public sector.

The move is bound to bring more transparency, which is one of the objectives of the Procurement Act, and generate more competition in the bidding process for the public sector to get value for money.

'Borrowed resources should be utilised effectively'

The International Monetary Fund (IMF) recently published its regional economic outlook for Sub Saharan Africa. IMF resident representative for Zimbabwe Patrick Imam (PI) tells *Business Times (BT)* on the capital flows into the region and the policy implications in managing those flows. Find excerpts below:

BT: What are the main findings of the IMF's October regional economic outlook?

PI: While sub-Saharan Africa is a very heterogenous region, the overall macroeconomic outlook for the region continues to strengthen. Overall growth is expected to increase from 2,7 percent in 2017 to 3,1 percent in 2018, reflecting domestic policy adjustments and a supportive external environment, including continued steady growth in the global economy, higher commodity prices, and a relatively accommodative external financing conditions. While fiscal imbalances are being contained in many countries, the adjustment has typically occurred through a combination of higher commodity revenues and sharp cuts in capital spending, with little progress on domestic revenue mobilisation. This is unfortunate, as cutting capital spending may be politically easier than containing say wages, but in the longer-run, it will hurt economic growth.

BT: What is the outlook over the medium term?

PI: Over the medium term, and assuming no changes in current policies, growth is expected to accelerate to about 4 percent. This is, however, too low to absorb the flow of new entrants into labour markets and to significantly raise living standards in the region.

In addition, I fear that the outlook for the region is surrounded by significant downside risks, particularly considering the elevated policy uncertainty in the global economy, such as rising interest rates in the US or protectionist trade policies for instance. To shield the recovery and raise medium-term growth requires reducing debt vulnerabilities and creating fiscal space through more progress on domestic revenue mobilisation, as well as policies to achieve strong sustainable and inclusive growth.

BT: What are the key messages and findings from the analysis capital flows to Sub-Saharan Africa?

PI: One key message is that cross-border capital flows to sub-Saharan Africa have increased sharply since the global financial crises. Net capital flows, and excluding official aid flows, to the region have more than doubled from about $25 billion in 2007 to about $60 billion in 2017. Scaled by economic size, net capital flows to sub-Saharan Africa were three times higher than those to emerging market economies over the 2015-17 period. For sub-Saharan Africa, we are talking about flows of 3 percent of GDP, whereas for emerging markets it is closer to 1 percent of GDP. Much of this increase has been driven by non-resident inflows, particularly portfolio flows.

A second key message is that capital flows to Africa are driven by both global factors and the strength of domestic fundamentals. Global factors, notably, US interest rates, global risk aversion, and commodity prices, are found to be important drivers of capital flows. This also suggests that the region may be vulnerable to a tightening of global financial conditions going forward. However, I would also emphasise that strong domestic fundamentals and institutional quality are associated with a lower likelihood of large capital flow reversals.

The final message is that capital flows offer potential benefits, but also carry risks. Their impact depends on the type of flow. FDI confers direct benefits in terms of spurring investment and growth and transferring technology. Portfolio flows on the other hand are prone to generating macroeconomic and financial vulnerabilities, such as currency volatility, or economic overheating, and rapid credit growth.

BT: What should policy makers do to ensure that capital flows facilitate economic development?

PI: Policymakers need to be prudent and ensure that borrowed resources are utilised effectively, enhance productivity, and promote sustainable economic growth. Historically, it's the poor utilisation of foreign investment, leading in extreme cases to White Elephants, and the inability to repay back loans, that have caused crisis. Vigilance is therefore always warranted against the buildup of macroeconomic and financial imbalances.

BT: What are the main policy implications to manage capital flows?

PI: There is a complex relationship between external finance, domestic macroeconomic stability, and investment and economic growth in the region. On the one hand, nonofficial external capital is needed to fill the resource gap and promote economic development. On the other hand, the nature of such capital makes it a less reliable, and potentially riskier source of finance. So one has to walk a fine line, and try to manage the flows to maximise the benefits while containing the risks.

BT: Given this trade-off, on external finance, domestic macroeconomic stability, and investment and economic growth countries what do countries need to do?

PI: The advice to countries is threefold. First, be prudent. A country needs to balance the trade-off between the potential benefits and risks of capital flows. Policymakers need to be prudent and ensure that the borrowed resources are utilised effectively, enhance productivity, and promote sustainable economic growth.

Second, be vigilant. Vigilance is warranted against the build-up of macroeconomic and financial imbalances.

This means for instance that countercyclical macroeconomic and prudential policies, and in some cases foreign exchange intervention, should be adopted to limit vulnerabilities, build adequate buffers, and preserve debt sustainability.

Finally, build resilience. Given the fickle nature of capital flows, countries need to strengthen domestic fundamentals. The efforts should focus on attracting direct investment to the region through strong domestic macroeconomic fundamentals and an improved business climate.

These factors are likely to play an even more important role in attracting foreign capital going forward, as global financial conditions may tighten with the normalisation of monetary policy in advanced economies.

BT: Given the increasing volatility of capital inflows, should countries keep a relatively closed capital account?

PI: Capital account liberalisation can potentially bring myriad benefits. It can provide financing for development initiatives, allow consumption smoothing and risk diversification or promote technology transfer. But it also carries risks. In order to harness the benefits of capital flows while managing its risks, a systematic process and pace of liberalisation is needed that is consistent with each country's institutional and financial development.

In general, capital account liberalisation could be more beneficial if it is implemented with supporting policies. The first one is sound domestic policies. We know from experience that maintaining macroeconomic stability and prudent fiscal and monetary policies are preconditions for opening capital account. For instance, capital account liberalisation can aggravate risks associated with imprudent fiscal policies by providing access to excessive external borrowing.

A second set of supporting policies is having a more flexible exchange rate regime. Evidence shows that countries that have maintained or only gradually eased capital controls while moving toward a more flexible exchange rate regime generally seem to have had better outcomes.

In addition, a regulatory framework promoting a strong and efficient financial sector is crucial. Premature opening of the capital account poses serious risks when financial regulation and supervision are inadequate. This has been a cause of markets in the past.

Last but not least, it is important that the authorities have effective systems and procedures in place for monitoring capital flows. Only when the authorities know what is happening with capital flows can they adjust their policies.

No more bread shortages - GMAZ

• Major flour producer secures $50m wheat stock

LIVINGSTONE MARUFU/ CLAYTON MASEKESA

Listed agro-industrial firm, National Foods Limited (NatFoods) has procured wheat requirements worth $50 million to supplement depleted national stocks and avert flour and bread shortages in the market.

NatFoods CEO Mike Lashbrook told *Business Times* that the company was accessing credit lines to ensure there is a constant wheat and flour supply in the market.

"Our monthly wheat requirement is around $8 million so in the next six months we have procured wheat requirements of above $48 million from our foreign suppliers," Lashbrook said adding that the company was working closely with the Reserve Bank of Zimbabwe in ensuring that foreign suppliers of wheat are paid on time.

Currently, NatFoods has enough wheat supplies to last till next year March and is also supplementing stock with local cereal.

Meanwhile the Grain Millers Association of Zimbabwe (GMAZ) imported 60 000 tonnes of wheat recently under a prepayment facility.

Addressing journalists on Sunday at Mutare Dry port where the association had received part of the consignment, GMAZ chairman, Tafadzwa Musarara said payment delays had stalled the transportation of the wheat.

"Between now and December the country needs 60 000 tonnes of wheat and we are already covered on that one. The festive season will be taken care of and we do not expect any bread shortages," explained Musarara.

According to GMAZ, the flour situation should have normalised by November 20.

"We should also remember that wheat is competing with fertiliser imports and this has delayed the speedy delivery of the wheat as the NRZ is being overwhelmed," he said.

"We have talked to the various border authorities to give us a waiver on the clearing process of the trucks. The process usually takes three days, but we are happy that everything is being done just under 24hours," he added. Zimbabwe requires about 460 000 tonnes of wheat annually.

The national wheat requirement is 40 000 tonnes a month and the current national consumption of bread stands at 1,8 million loaves a day.