US$50m fuel import facility unveiled

Business Reporter

RESERVE Bank of Zimbabwe Governor Dr Gideon Gono yesterday unveiled a US$50 million ($5,1 trillion at the prevailing exchange rate) revolving fuel import facility.

This follows an agreement signed between the central bank and a French bank, BNP Paribas, and co-arranger of the facility, Loita Capital Partners International. Under the facility — which will run for the next year on a revolving basis — the National Oil Company of Zimbabwe (Noczim) will import fuel for both private and public sectors.

Zimbabwe's ability to service the debt as per agreed repayment terms effectively means the facility will be renewed on an annual basis. The signing ceremony was witnessed by representatives from various sectors of the economy — notably the financial and mining industries — who were also part of the negotiations. Among them was Bindura Nickel Corporation chief executive Mr Fred Moyo, whose company gave assurance that a certain percentage of its export proceeds would go towards repayments. Stanbic Bank managing director Ms Pindie Nyandoro and CBZ Bank chief executive Mr John Mangudya were also present at the occasion. Both banks are BNC bankers and also played a key role in the deal.

Left to Right: Yousef Bazian – Loita Capital; Ms Pindie Nyandoro – Stanbic, Mr John Mangudya – CBZ Chief Executive

"It is a commercial and not political facility that was negotiated by the Reserve Bank supported by financial institutions in the country," Dr Gono said. "It is within the context of the National Economic Development Priority Programme (NEDPP) that we will leave no stone unturned in addressing the current challenges facing the economy and form partnerships to finance procurement of fuel," he said.

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Zimbabwe had been facing intermittent fuel shortages over the past six years due to a foreign currency crunch. The effects of which were felt across key economic sectors such as mining, tourism and manufacturing. "This facility will go a long way in addressing the country's fuel needs. Fuel supply from the first drawdown of the facility is expected in June 2006," said Dr Gono. Zimbabwe needs US$40 million for its monthly fuel requirements and the US$50 million facility will go a long way in improving fuel availability due to its revolving nature. "But for it to be renewable, it depends on our ability to service the facility," Dr Gono pointed out.

The head of Commodity Structure Finance — an affiliate of BNP Paribas — for Africa and the Middle East, Mr Jean Talbot, said the deal was a simple and straightforward business agreement and promised that his organisation would work with Zimbabwe in future. "We are hopeful that it is the beginning of a long story," said Mr Talbot. Speaking at the same occasion, the director of Loita Capital, Mr Yousef Bazian, said he was happy that the deal had finally been concluded. "It has been tough to reach this point, but we are pleased that we have finally concluded the process. We believe in the success of Zimbabwe and we like to be here in good or bad times," Mr Bazian said.

Energy and Power Development Permanent Secretary Mr Justin Mupamhanga commended the Reserve Bank for its continued efforts to ensure adequate fuel supply in the country. He said the ministry would also join in the efforts so that the deal is a success. The move by BNP Paribas proves that some of the world's leading financial institutions still have confidence in Zimbabwe's economy despite the challenges the country is currently battling. Over the past seven years, Zimbabwe has been suffering under illegal economic sanctions imposed by Britain, the European Union, the United States and some Western countries. The sanctions were imposed following a bilateral dispute between Zimbabwe and Britain over Harare's land reform programme after the British reneged on funding land redistribution.

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