

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing February 2020

Zimbabwe Summary 17 February 2020

President Emmerson Mnangagwa (2017-present) effectively dismisses the three top leaders of ruling party Zanu-PF's Youth League as their anti-corruption campaign against Mnangagwa and his business and political benefactors intensifies. Mnangagwa hopes to convince the United Arab Emirates (UAE) with his "Zimbabwe is open for business" mantra to invest in Zimbabwe's shattered economy. The finance and economic development ministry sets aside \$8.5 billion to improve the Zimbabwe Electricity Supply Authority's (ZESA) output and to import electricity. Zimbabwe's ranking in Germany-based non-governmental organisation Transparency International's (TI) latest Corruption Perceptions Index (CPI) improves but Zimbabwe remains below the sub-Saharan African average as the Zimbabwe Anti-Corruption Commission (ZACC) struggles with resource shortages in its efforts to tackle high-level corruption.

Zanu-PF Youth League resolute in its fight against corruption

President **Emmerson Mnangagwa** (2017-present) has effectively dismantled a trio of the top leadership of the ruling **Zanu-PF's Youth League**.¹ The dramatic developments of 5 February came two days after Zanu-PF members **Lewis Matutu** and **Godfrey Tsenengamu** addressed a media conference following the Youth League's intensified anti-corruption campaign calling for the arrest of controversial fuel tycoon and Zanu-PF sponsor **Kudakwashe Tagwirei**.² The Youth League accuses Tagwirei of corruption as well as stripping the fuel blending monopoly that staunch Mnangagwa business ally **Billy Rautenbach** controls.³

*"It is our responsibility as young people to end this cancer called corruption. Corruption has taken so many things away from our country. We have been disadvantaged for so many years because we have a few individuals with long fingers."*⁴

This was the Youth League's second attempt at getting those alleged to be corrupt to be brought to book. In their first effort last year, they named senior Zanu-PF members and businesspeople, including **Reserve Bank of Zimbabwe (RBZ)** governor **John Mangudya**, party secretary for administration **Obert Mpofu** and a number of other ministers.⁵ A lackadaisical approach and minimal action by the **Zimbabwe Anti-Corruption Commission (ZACC)** has motivated Zimbabwe's youth to revive their anti-corruption crusade.⁶ The ZACC is an independent commission that was initially set up **under the Anti-Corruption Bill** on 26 November 2004 under the administration of former President **Robert Mugabe** (1980-2017) to investigate and expose corruption in Zimbabwe's private and public sectors.⁷

Mnangagwa has targeted corruption since taking office in 2017, but he appears to be losing the battle. The public and his own party seem to have lost confidence, particularly as a result of the ZACC's sluggish progress.⁸ Matutu maintains that the commission that President Mnangagwa appointed to curb the scourge of corruption has failed to make landmark breakthroughs.⁹

¹ Sunday Times, 6 Feb 2020

² News Day Zimbabwe, 3 Feb 2020

³ News Day Zimbabwe, 3 Feb 2020

⁴ Former Zanu-PF Youth League Deputy Secretary, Lewis Matutu quoted by News Day Zimbabwe, 3 Feb 2020

⁵ Sowetan live, 6 Feb 2020

⁶ Source, analyst, Pretoria

⁷ Zimbabwe Independent, 14 Feb 2020

⁸ News Day Zimbabwe, 3 Feb 2020

⁹ News Day Zimbabwe, 3 Feb 2020

“The commission appointed by the President has not yet done anything. This is what has forced us to come out, saying it is taking forever to take action while cartels are using those in political power to hide from the long arm of the law.”¹⁰

Tagwirei, a powerful petroleum tycoon at the centre of the Youth League’s anti-corruption campaign, has been implicated in the plunder of more than \$3 billion of state funds through the government’s **Command Agriculture Scheme**.¹¹ As a result, a number of foreign investors including **Switzerland**-based commodity trader **Trafigura** have distanced themselves and further cut ties with the Zimbabwean fuel magnate who is linked to allegations of looting state resources under President Mnangagwa.¹² Trafigura announced on 4 February that it had taken full control of its fuel supply business in Zimbabwe after buying out the majority stake owned by Tagwirei’s **Sakunda Group**.¹³

“The deal will bring improved clarity on Trafigura’s activities in the country, and aims to help improve the security of supply of fuel to Zimbabwe.”¹⁴

While Mnangagwa pledged to open the economy after he replaced President Robert Mugabe, major reforms have faltered as a result of the role played by a number of individuals including Tagwirei, **Green Fuels** head Billy Rautenbach, and **Grain Millers Association of Zimbabwe** chairperson **Tafadzwa Musarara** in monopolising the economy and allegedly manipulating foreign currency exchange rates.¹⁵ Corruption has become one of the major threats to economic development in Zimbabwe, particularly in government and state entities, and continues to cost the country billions of dollars.¹⁶

Zimbabwe targets UAE for potential investment

Zimbabwe has turned its attention on the **United Arab Emirates (UAE)** in the hope of attracting investment opportunities from the **Gulf Nations** following a myriad of sanctions from the **West** and repudiation from **China**.¹⁷ President Emmerson Mnangagwa approached the UAE in late January aiming to sell 25% of its stake in its national oil company, the **National Oil Infrastructure Company (NOIC)**. Zimbabwe’s government also obtained pledges from companies in the UAE to buy more of its gold.¹⁸ These developments come at a time when Zimbabwe is going through a socio-economic crisis that is reaching a tipping level.¹⁹ With skyrocketing inflation, a bitter foreign exchange crisis, and failing institutions among the countless issues with which Mnangagwa’s regime is grappling, many investors are scrambling for safety.²⁰

Experts, including **South Africa**-based **NKC African Economics** analyst **Jee-A van der Linde**, maintain there is no doubt that Zimbabwe’s economy is in free-fall and that it requires urgent **Foreign Direct Investment (FDI)** to arrest its economic collapse.²¹

“They need investment desperately. It’s been snowballing. I don’t know where it’s going to end up. I don’t know how that would be appealing for the UAE.”²²

Unlike former President Mugabe, Mnangagwa has dedicated his presidency to redefining “business as usual” through a series of international visits aimed at incentivising trade and investment in

¹⁰ Former Zanu-PF Youth League Deputy Secretary, Lewis Matutu quoted by News Day Zimbabwe, 3 Feb 2020

¹¹ Zim Live, 6 Feb 2020

¹² Zim Live, 5 Feb 2020

¹³ Zim Live, 5 Feb 2020

¹⁴ Zim Live, 5 Feb 2020

¹⁵ Source, analyst, Pretoria

¹⁶ Source, analyst, Pretoria

¹⁷ Source, analyst, Pretoria

¹⁸ Gulf Business, 27 Jan 2020

¹⁹ Source, analyst, Pretoria

²⁰ Source, analyst, Pretoria

²¹ Business Live, 27 Jan 2020

²² NKC Africa Economics Economist, Jee-A van der Linde quoted by Business Live, 27 Jan 2020

Zimbabwe.²³ As a result, the UAE has made bold overtures to invest in Zimbabwe and explore new areas of partnership. Diplomatic ties between the UAE and Zimbabwe were further strengthened following a decree issued in 2019 by UAE president **Sheikh Khalifa bin Zayed Al Nahyan** (2004-present) to open an embassy for the UAE in Zimbabwe.²⁴ **United States-based Arcadia Foundation** geopolitical analyst **Zachary Campbell Smith** suggests that in addition to efforts to establish a UAE embassy in **Harare**, the UAE demonstrated its capacities and its values to the Zimbabwe government and its people when it contributed to relief efforts following **Cyclone Idai**, which struck Zimbabwe in March 2019.²⁵

*"The UAE are clearly looking for ways they can apply technology and social development to be of immediate use to Zimbabwean people. They take health care very seriously, and that is why they recently contributed \$200m in equipment and medicines to Zimbabwe's **National Pharmaceutical Company**, with an eye on working together even more directly to open a production facility in-country."*²⁶

In its attempts to encourage foreign direct investment, Zimbabwe have started privatising once-nationalised institutions, including the country's two main telephone and internet operators, **TelOne** and **NetOne**.²⁷

Finance minister promises \$8.5 billion for energy imports

Finance and economic development minister **Mthuli Ncube**, in an information ministry video recording on 3 February, has promised to set aside \$8.5 billion towards the importation of energy in efforts to ease load-shedding following a raft of measures he has taken in attempts to stabilise the economy.²⁸

*"An amount of \$8.5 billion has been set aside to improve **Zimbabwe Electricity Supply Authority's (ZESA)** output and to import electricity."*²⁹

Some of the money will be channelled towards power imports, mainly from South Africa and **Mozambique**.³⁰ Ncube noted that the availability of power is expected to increase as more **Independent Power Producers (IPPs)** come on line. The government is also expected to give incentives to companies that decide to go off grid and install solar for their operations.³¹ A number of companies have adopted solar power for their operations on the back of erratic energy supplies from ZESA.³² The **Zimbabwean Energy Regulatory Authority (ZERA)** revealed on 1 January that it had received requests from **RioZim Limited** to construct, own, operate and maintain a 68.4MW solar plant at **Murowa Diamond Mine** in **Mazvihwa Communal Lands, Zvishavane District**.³³ RioZim intends to set up another 38.04MW solar plant at **Renco Mine** in **Nyajena Communal Lands, Masvingo Province**, and two 54MW solar plants at **Cam & Motor Mine** and **Dalny Mine**, both in **Kadoma (Mashonaland West Province)**.³⁴

These applications by RioZim Limited come at a time when Zimbabwe has been battling acute power outages as a result of largely subdued domestic output.³⁵ Currently, power stations in **Harare** and **Bulawayo** are generating low supplies of electricity due to frequent equipment breakdowns and a lack of investment in equipment maintenance over the years. The power supply gap has triggered

²³ Source, analyst, Pretoria

²⁴ Zimbabwe Live, 29 Jan 2020

²⁵ Zimbabwe Independent, 16 Aug 2019

²⁶ Zachary Campbell Smith quoted by Zimbabwe Independent, 16 Aug 2019

²⁷ Source, analyst, Pretoria

²⁸ AllAfrica, 3 Feb 2020

²⁹ Zimbabwe Minister of Finance and Economic Development quoted by AllAfrica, 3 Feb 2020

³⁰ The Herald, 1 Feb 2020

³¹ The Herald, 1 Feb 2020

³² The Herald, 1 Feb 2020

³³ Mining Zimbabwe, 2 Feb 2020

³⁴ Mining Zimbabwe, 2 Feb 2020

³⁵ Source, analyst, Pretoria

large-scale load-shedding which ranges from 6 to 18 hours daily for different consumers on the grid.³⁶ Power cuts have resulted in economic decline far greater than the foreign currency savings of \$14m required to import 600MW of electricity during off-peak hours (10am-5pm).³⁷ The mining, manufacturing, telecommunications and agriculture sectors consume the majority of energy supplied by the power utility and as such have been the most affected by the inconsistent power supply.³⁸

The power crisis can be controlled, limited and potentially ended either through allocating more foreign currency to electricity imports or aligning the electricity tariff to supply costs so as to temporarily increase imports.³⁹ Without these measures, de-industrialisation in Zimbabwe will continue to increase rapidly, keeping the local production cost at an unprecedented high.⁴⁰ The energy crisis presents a direct threat to any policies aimed at improving production. Ideally, Ncube and his ministry should focus on importing fuel for the country's own strategic reserves and operations.⁴¹

Zimbabwe improves in Transparency International corruption rankings

Germany-based non-governmental organisation **Transparency International (TI)** has ranked Zimbabwe 158th out of 180 countries in its 2019 **Corruption Perceptions Index**.⁴² The index scores 180 countries and territories by their "perceived levels of public sector corruption", with zero being "highly corrupt" and 100 being "very clean".⁴³ **TI Zimbabwe (TIZ)** executive director **Muchaneta Mundopa** expressed disappointment over the country's mere two-point improvement in the latest CPI, released on 23 January.⁴⁴

Zimbabwe received a score of 24 (compared to its score of 22 achieved in 2018) in the 2019 CPI. While corruption has improved in Zimbabwe, the country remains below the **Sub-Saharan Africa** average of 32 out of 100.⁴⁵

*"While many might be quick to celebrate this, at TIZ we are not. The score is still below the regional average of 32. More needs to be done and can be done. Grand corruption or corruption cases involving politically-exposed persons need to be prosecuted to finality."*⁴⁶

TI 2019 CPI Rankings for Zimbabwe					
	2019	2018	2017	2016	2015
Ranking	158/180	160/180	157/180	154/176	150/168
Score	24	22	22	22	21

Zimbabwe has failed to outperform any of its **Southern African** counterparts, trailing **Botswana** (34th with 61 points); **South Africa** (70th with 44 points); **Zambia** (113th with 26 points); and **Mozambique** (146th with 26 points).⁴⁷

³⁶ Mining Zimbabwe 2 Feb 2020

³⁷ The Herald, 1 Feb 2020

³⁸ The Herald, 1 Feb 2020

³⁹ Source, analyst, Pretoria

⁴⁰ Source, analyst, Pretoria

⁴¹ Source, analyst, Pretoria

⁴² Transparency International's 2019 CPI Report

⁴³ Transparency International's 2019 CPI Report

⁴⁴ Panapress, 3 Jan 2020

⁴⁵ Transparency International's 2019 CPI Report

⁴⁶ TIZ executive director, Muchaneta Mundopa quoted by Panapress, 3 Jan 2020

⁴⁷ Transparency International's 2019 CPI Report

TI CPI Rankings 2019: Regional comparison (Southern Africa)					
	South Africa	Mozambique	Zambia	Botswana	Zimbabwe
Ranking	70/180	146/180	113/180	34/180	158/180
Score	44	26	34	61	24

Corruption is rampant in Zimbabwe and has significantly affected economic development. With the “open for business” mantra, it is imperative that the country escalate its efforts in the fight against corruption.⁴⁸ Speaking at a **Political Actors Dialogue (POLAD)** workshop on Capacity Building held in Bulawayo on 10 February, Zimbabwe Anti-Corruption Commission (ZACC) commissioner **John Makamure** voiced his concerns on the incapacity of the commission’s investigation unit to tackle high-level corruption in the country, listing a shortage of staff as the primary concern.⁴⁹ Currently, the ZACC has 89 employees of which 38 are investigators, a number that Makamure considers inadequate in fighting corruption at the highest level. The anti-corruption body is currently commissioned to deal with 770 cases, of which 73 are high-profile cases.⁵⁰

“We are not capacitated in terms of members of staff. There is no way ZACC can investigate many cases with the current staff that we have.”⁵¹

While ZACC continues to struggle with resource deficits amongst a myriad of challenges, it has nevertheless yielded positive results in its campaign to curb corruption.⁵² The ZACC has arrested several public figures for abuse of office. Among those arrested are former cabinet minister **Prisca Mupfumira** for fraud involving \$95m and vice-president **Constantino Chiwenga’s** wife **Marry**, who is facing charges of money laundering.⁵³

The ZACC and TIZ signed a Memorandum of Understanding (MoU) on 13 February, aimed at fighting corruption through a committed and holistic approach that includes cooperation and participation of all institutions and stakeholders.⁵⁴ Addressing the media soon after the signing of the MoU, the ZACC chairperson, Justice **Loice Matanda Moyo**, emphasised that the collaboration of all institutions will guarantee success in fighting corruption and in turn encourage public confidence, trust, and belief in the government.⁵⁵

“The signing of this MoU between these two institutions is, therefore, a significant milestone in the fight against corruption as it formalises and strengthens the already existing collaboration between ZACC and Transparency international Zimbabwe.”⁵⁶

⁴⁸ Source, analyst, Pretoria

⁴⁹ AllAfrica, 11 Feb 2020

⁵⁰ AllAfrica, 11 Feb 2020

⁵¹ ZACC Commission, John Makamure quoted by AllAfrica, 11 Feb 2020

⁵² Source, analyst, Pretoria

⁵³ Sunday Mail, 28 Dec 2019

⁵⁴ Bulawayo24 News, 14 Feb 2020

⁵⁵ Bulawayo24 News, 14 Feb 2020

⁵⁶ ZACC Chairperson, Loice Matanda Moyo quoted by Bulawayo24 News, 14 Feb 2020

Planner

21 Feb 2020 **(Zimbabwe)** Robert Mugabe National Youth Day (holiday);
 28-29 Feb 2020 **(Zimbabwe)** International Conference on Human Rights and Human Dignity
 18 Apr 2020 **(Zimbabwe)** Independence Day (holiday);
 21 Apr 2020 **Bulawayo (Zimbabwe)** Zimbabwe International Trade Fair Business Days;
 1 May 2020 **(Zimbabwe)** Workers' Day (holiday);
 10 Aug 2020 **(Zimbabwe)** Heroes' Day (holiday);
 June 2023 **(Zimbabwe)** General elections

Chronology

17 Feb 2020 **Harare (Zimbabwe)** *Bulawayo24 News*. The government has reduced the size of all individual farms in the country's ecological regions, in efforts to allow more people to have access to land after failing to benefit from the land reform programme;

17 Feb 2020 **Harare (Zimbabwe)** *News United*. **United Kingdom (UK)** ambassador to Zimbabwe **Melanie Robinson** announces that the UK will invest about \$1.9 billion into Zimbabwe;

17 Feb 2020 **Harare (Zimbabwe)** *Bulawayo24 News*. Zimbabwe's inflation rate has fallen sharply to 2.23% in January, from 16.55%, primarily as a result of a decrease in the price of food and non-alcoholic drinks.

13 Feb 2020 **Harare (Zimbabwe)** *New Zimbabwe*. **SAINT Gobain Construction Products Zimbabwe (SGCPZ)**, a **French**-owned company, has commissioned a \$1m plant for tile adhesives which is set to increase the company's production and create jobs;

13 Feb 2020 **Harare (Zimbabwe)** *Bulawayo 24*. The **Reserve Bank of Zimbabwe** (central bank) dismisses rumours that it has devalued the local currency;

12 Feb 2020 **Harare (Zimbabwe)** *New Zimbabwe*. **Grain Millers Association of Zimbabwe (GMAZ)** chairperson **Tafadzwa Musara** has filed a \$10m lawsuit against suspended **Zanu-PF Youth League** leaders **Lewis Mututu** and **Godfrey Tsenengamu** amid corruption allegations;

11 Feb 2020 **Harare (Zimbabwe)** *The East African*. A Zimbabwean court has ordered the deportation of 21 **Ugandans** for entering Zimbabwe illegally through the **Victoria Falls** border post from **Zambia**;

9 Feb 2020 **Harare (Zimbabwe)** *Africa News*. Zimbabwe's weekly white corn imports from **South Africa** have risen to an 11-year high as the food crisis worsens;

7 Feb 2020 **Harare (Zimbabwe)** *Humanitarian News*. The Zimbabwe government aims to introduce a new Small and Medium Enterprises (SME) policy with the objectives of increasing industrial growth;

5 Feb 2020 **Harare (Zimbabwe)** *All Africa*. Information minister **Monica Mutsvangwa** says electricity generation at the country's major power plant at **Kariba** remains depressed owing to low inflows in the lake and the work of low rainfall in the catchment area;

2 Feb 2020 **Harare (Zimbabwe)** *New Zimbabwe*. Zimbabwe's mine houses are considering going off grid to avoid crippling breaks in production, as the country continues to battle unstable power supply;

23 Jan 2020 **Harare (Zimbabwe)** *Food Business Africa*. The **Grain Millers Association of Zimbabwe (GMAZ)** has acquired 100,000 tones of maize from **South Africa** and **Brazil**, to alleviate a shortage of maize and wheat caused by drought;

16 Jan 2020 **Harare (Zimbabwe)** *Mining Zimbabwe*. The **Reserve Bank of Zimbabwe's (RBZ)** monthly economic review shows that Zimbabwe's export list continues to be dominated by raw materials despite the existence of vibrant policies aimed at boosting industrial productivity.

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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