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Opposition leaders Morgan Tsvangirai and Joice Mujuru agree to establish a pre-electoral alliance ahead of the 2018 elections. Other opposition political parties are likely to join the electoral coalition to challenge president Robert Mugabe's (1980-present) Zimbabwe Africa National Union- Patriotic Front (ZANU-PF). Infighting escalates within ZANU-PF in the absence of a succession plan. The African Development Bank (AfDB) will finance and coordinate the \$4 billion Batoka Gorge Electric Scheme in Zambia and Zimbabwe. The government tables the Movable Property Security Interests Bill, which provides for movable assets to be considered as part of collateral security to obtain bank loans.

Tsvangirai and Mujuru sign electoral coalition pact

Opposition **Movement for Democratic Change (MDC-T)** leader **Morgan Tsvangirai** and former vice president **Joice Mujuru** of the **National People's Party (NPP)** signed a memorandum of understanding (MoU) on the 19 April, as part of plans to establish a grand opposition coalition to challenge president **Robert Mugabe's** (1980-present) ruling **Zimbabwe Africa National Union- Patriotic Front (ZANU-PF)** in the 2018 elections.¹ The two opposition leaders noted that the MoU is a critical first step for establishing an electoral coalition that will increase the likelihood of unseating ZANU-PF in 2018.² The coalition will include former ministers **Welshman Ncube** and **Tendai Biti**, who were previously part of the MDC but broke away to form separate parties in 2005 and 2014 respectively. Ncube formed the **United Movement for Democratic Change (UMDC)**, and Biti established the **Movement for Democratic Change–Renewal**. Other smaller opposition parties have indicated their willingness to join the coalition. Analysts say that Mujuru would facilitate a smoother transition of power should the opposition win because of her long-term involvement in government.³ The MDC-T party is consolidating its support in the rural areas to break ZANU-PF's traditional dominance ahead of the 2018 elections.⁴ This also follows Morgan Tsvangirai's nationwide tour of Zimbabwe's countryside, where he consulted with rural populations on various issues, including the electoral coalition against ZANU-PF in 2018.

The opposition's efforts to establish an electoral coalition come as factional battles continue to escalate within ZANU-PF. The ruling party's national political commissar, **Saviour Kasukuwere**, is currently under pressure to resign from his post over allegations that include plotting to topple Mugabe from power.⁵ Mugabe has publicly escalated his feud with the **Zimbabwe National Liberation War Veterans Association (ZNLWVA)** when he

¹ NewsDay Zimbabwe, 20 Apr 2017.

² IOL News, 20 April 2017.

³ DailyNews Live, 20 Apr 2017.

⁴ NewsDay Zimbabwe, 12 Apr 2017.

⁵ Daily News Live, 20 Apr 2017.

attacked them at the funeral of former freedom fighter and army general **James Murozvi** on 12 April, and rebuffed their calls for him to step down.⁶ Mugabe has had a tense relationship with the war veterans since the group issued a statement in July 2016 urging him to step down and give way to a younger leadership to be led by his co-vice president **Emerson Mnangagwa**. Although he acknowledges the role that war veterans played during the liberation struggle and within ZANU-PF after independence, Mugabe believes the group does not have the right to instruct how politics should be done in the party.⁷

“Mugabe has lost one of the strong constituent groups which have helped him to drive support for the party, particularly in the rural areas. War veterans have served as Mugabe’s and ZANU-PF’s pillars of strength since independence, and this included waging brutal campaigns against Tsvangirai and the MDC, especially in the violent elections between 2000 and 2008. Their consistent opposition to his continued rule shows the depth of internal divisions within the party, and gives an indication of the extent to which his rule has had adverse effects to those within or allied to the party.”⁸

The opposition has made the most definitive step towards electoral unity since the idea was mooted in 2016. This is one of the most effective ways to improve its chances of unseating ZANU-PF in the 2018 election, if the election is free and fair. However, the parties will need to commit to the election and set aside personal and political differences in order to make the coalition work. A coalition alone will not guarantee the opposition an electoral win; ZANU-PF has a history of rigging elections, and is likely to implement strategies to avoid losing in 2018.

AfDB to finance the US\$4 billion Batoka Scheme

The **African Development Bank (AfDB)** will be the lead financier and coordinator of the \$4 billion **Batoka Gorge Electric Scheme** in **Zambia** and **Zimbabwe**, according to media reports on 13 April.⁹ The two countries agreed to appoint the financial institution to lead and coordinate the development of the hydroelectric scheme, since the AfDB has long experience with managing major energy projects in the region. This includes the transformative **Itezhi Power Generation and Transmission Project** in Zambia and the rehabilitation of power infrastructure in Zimbabwe.¹⁰ AfDB vice president of power, energy, climate and green growth **Amadou Hott** confirmed the Batoka development scheme, explaining that it is in line with the objectives of the bank’s **New Deal on Energy for Africa**.¹¹ The Batoka scheme will produce 2,400MW of power through several hydropower projects along the **Zambezi River**, shared by Zimbabwe and Zambia. The bank’s Energy for Africa fund aims to support initiatives to generate sufficient power throughout the continent, with an objective of achieving universal access to energy by 2020.¹² To achieve this, the AfDB will reportedly invest \$12 billion in the power sector over the next five years and aims to leverage about \$45-50 billion more from private sector investments interested in the energy sector.¹³

For Zimbabwe, the AfDB has already committed approximately \$26.5m towards the projects, in support of the government priorities outlined in its **Interim Poverty Reduction Strategy**

⁶ Daily News Live, 13 Apr 2017.

⁷ Daily News Live, 13 Apr 2017.

⁸ Source, analyst, Harare

⁹ The Herald, 13 Apr 2017.

¹⁰ The Herald, 13 Apr 2017.

¹¹ The Herald, 13 Apr 2017.

¹² The Herald, 13 Apr 2017.

¹³ The Herald, 13 Apr 2017.

Paper.¹⁴ Part of this support is directed to projects such as the **Alaska-Karoi Power Transmission Rehabilitation** project valued at \$18.4m.¹⁵ The project involves expansion of the **Alaska (Mashonaland West Province)** substation and the construction of an 85km-long **Single Lynx** 132kV transmission line from Alaska to the town of **Karoi**. The project aims to strengthen and increase Zimbabwe's sub-transmission network capacity for increased reliability and quality of electricity supply in and around the Karoi area (an agricultural hub), and to develop a national masterplan for generation, transmission and distribution of energy in the country.¹⁶ The project's goals include an increased electrification rate, improved access to safe water supplies, better health and sanitation facilities, increased agricultural productivity, reliable power supplies and improved power quality as well as improving the lives of the residents of Karoi town, **Hurungwe** and **Makonde Districts** in which it is located.¹⁷

The government is making efforts to mend relations with international institutions after years of isolation. Finance minister **Patrick Chinamasa** is working on repaying debts that Zimbabwe owes to international creditors, including the AfDB, World Bank and the **International Monetary Fund (IMF)**. The country has been struggling to attract new investment, and retain existing funding. A report that the **Zimbabwe Economic Policy Analysis and Research Unit (Zeparu)** released in March revealed that Zimbabwe lost over \$2.5 billion in capital flight and trade mis-invoicing between 2008 and 2013.¹⁸ International investors also withdrew their money after the government enacted the **Indigenisation and Economic Empowerment Act** in 2008, which requires foreign-owned firms to cede at least 51% of shareholding to Zimbabwean citizens.

*"While the government has tried to dispel the negative criticism against the indigenisation law, the negative impact the bill has had on the economy cannot be ignored. Moreover, investment risk has continued to exist even during the multi-currency period in Zimbabwe. The African Development Bank is among few organisations regaining confidence in the Zimbabwean economy."*¹⁹

With limited access to the foreign money, the government has turned to the local market to raise money. The government has reportedly issued treasury bills totaling \$4.417 billion since 2014.²⁰ Local banks hold approximately \$3.315 billion of the current treasury bills, because they prefer their risk-free nature of providing private lending in a non-performing economy.²¹ Some analysts contend that the purchase of treasury bills by banks has crowded out lending to the productive sectors of the economy, while compounding liquidity shortages in the economy.

Movable assets to form part of collateral security

Finance minister Chinamasa tabled the **Movable Property Security Interests Bill** for debate in parliament on 11 April. The legislation, once enacted, will compel commercial banks to accept movable assets, including livestock, as collateral for loans.²² The proposed bill seeks to

¹⁴ The Herald, 13 Apr 2017.

¹⁵ The Herald, 13 Apr 2017.

¹⁶ Africa Metro, 25 Feb 2017

¹⁷ The Herald, 13 Apr 2017.

¹⁸ DailyNews Live, 12 Apr 2017.

¹⁹ Source, analyst, Harare

²⁰ The Source, 12 Apr 2017.

²¹ The Source, 12 Apr 2017.

²² Bloomberg, 11 Apr 2017.

create an enabling environment where small and medium enterprises (SMEs) and the public are able to use their movable assets to secure loans. Chinamasa said the **Reserve Bank of Zimbabwe (RBZ)** (central bank) will compile and administer a collateral security register in which small business operators and individuals can register their movable assets in order to access credit from the banks.²³ Movable assets such as vehicles, television sets, refrigerators, computers and other household appliances, and livestock will become acceptable as collateral once they are evaluated and registered in the central bank's register.²⁴ The government justified the move as a means of allowing individuals and small businesses that do not own fixed assets to access loans from the banks, in an attempt to revive the credit-starved economy. Most Zimbabweans are unable to access credit facilities from lenders due to lack of collateral in the form of immovable assets. Informal traders dominate Zimbabwe's economic activities and they are largely unbanked.²⁵ The government also said that the bill is part of efforts to improve the ease of doing business in the country, as it seeks to improve its business environment in order to attract investment.²⁶ Zimbabwe is taking a cue from other **African** countries where movable assets are accepted as collateral for bank loans. Lenders in **Nigeria, Ghana** and **Malawi** accept livestock and other movable assets to back loans.²⁷

The proposed legislation comes as Zimbabwe's banks are struggling with cash shortages, despite the introduction of bond notes in November 2016 which amount to approximately \$110m.²⁸ As economic hardship has deepened, the demand for loans from the private sector has become sluggish. The **World Bank** reports that bank lending to business has stagnated over the past three years at approximately \$3.6 billion.²⁹ As a share of domestic credit, private sector lending has also slumped from 90% to under two-thirds over the same period.³⁰

"Lethargic bank lending patterns in Zimbabwe are not only a reflection of lack of demand from private business, but the banks are increasingly becoming cautious as they worry about the economic outlook and the high possibility of defaults in repayments. While the concept of movable assets is working in other countries, major challenges come in the valuation of certain assets such as livestock whose markets value is not static. Moreover, the value of movable assets is susceptible to rapid depreciation to an extent that loans backed by such assets remain unattractive and may as a result be subject to high interest rates that will put off potential borrowers."³¹

As one of the advocates of the Movable Property Security Interests Bill, the World Bank argues that SMEs play a pivotal role in economic development, but lack access to formal credit facilities.³² However, critics such as constitutional lawyer and **University of Zimbabwe** lecturer **Fadzayi Mahere** argue that if the government is serious about empowering the small-scale entrepreneurs and rural farmers, it would give them security of tenure so that they can use their land as collateral security to secure loans.³³ The

²³ Bloomberg, 11 Apr 2017.

²⁴ Bloomberg, 11 Apr 2017.

²⁵ Financial Times, 12 Apr 2017.

²⁶ Adv Fadzai Mahere, 17 Apr 2017.

²⁷ Financial Times, 12 Apr 2017.

²⁸ Financial Times, 12 Apr 2017.

²⁹ Financial Times, 12 Apr 2017.

³⁰ Financial Times, 12 Apr 2017.

³¹ Source, analyst, Harare.

³² World Bank Report, 1 Sep 2015.

³³ Financial Times, 12 Apr 2017.

government remains reluctant to correct the anomaly in the constitution that vests all agricultural land in the state. Mahere noted that the process of registering a security interest in an item of movable property is “*extremely complicated*”³⁴ and that the legislation is not user friendly for small business, ordinary farmers and the wider population who cannot afford specialised legal practitioners to assist in interpreting the law.³⁵ Mahere also notes that the bill does not offer sufficient legal protection to both debtors and creditors regarding the execution of the movable assets as collateral security.³⁶

³⁴ Financial Times, 12 Apr 2017.

³⁵ Financial Times, 12 Apr 2017.

³⁶ Financial Times, 12 Apr 2017.

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