

AFRICA RISK CONSULTING

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Zimbabwe Summary 10 December 2019

Vice-president Constantino Chiwenga returns from China where he underwent successful medical treatment for suspected poisoning. South Africa-based retailer Pepkor Holdings shuts down its Zimbabwe operations due to an unviable business-operating environment. United Nations (UN) envoy Hilal Elver reports that Zimbabwe faces a man-made starvation, coupled with the effects of ongoing drought. 2019 saw several protests against President Emmerson Mnangagwa's (2017-present) government, especially in January and August, as people took to the streets to express anger over economic hardship including price increases and fuel and currency shortages. Reports of infighting between President Mnangagwa and vice president Chiwenga dominated news headlines, with Chiwenga spending the better part of the year battling illness in South Africa, India and China. Hyperinflation reminiscent of the 2008 era returned to Zimbabwe, leading the finance ministry to suspend official inflation reporting. The Reserve Bank of Zimbabwe (RBZ) (central bank) restored the Zimbabwe dollar, although this solved neither currency shortages nor inflation. Former President Robert Mugabe (1980-2017) died in Singapore in September aged 95. He is buried at his rural homestead in Zvimba after an acrimonious dispute with the government, which sought to bury him at the Heroes Acre.

Vice president Chiwenga returns to Zimbabwe

Vice-president **Constantino Chiwenga** returned to **Zimbabwe** on 23 November after spending four months in **China** being treated for effects of suspected poisoning.¹ His return gave rise to intense speculation about his political future and that of President **Emmerson Mnangagwa** (2017-present) following claims that Chiwenga was preparing to oust Mnangagwa through another coup.² Chiwenga, who led the coup against former president **Robert Mugabe** (1980-2017), reportedly suffered from a blocked oesophagus, which resulted from an unknown poison that he had ingested during the coup.³ The small group of people who welcomed Chiwenga at the **Robert Mugabe International Airport** included the deputy Chinese ambassador to Zimbabwe, **Zhao Boangang**, Chiwenga's brother, **Onesimo**, son **Tawanda**, and security agents.⁴

The absence of government officials at the airport on his return fed further speculation about strained relations with his counterparts in government and the ruling **Zanu-PF** party.⁵ This followed reports of internal jockeying for Chiwenga's post within the party, since it had appeared that his illness was terminal.⁶ Media reports also pointed to the fact that Mnangagwa had offered former vice president **Joice Mujuru** Chiwenga's post, and that Mnangagwa had sought to neutralise Chiwenga's power during his prolonged absence this year by retiring the generals who participated in the coup and assigning influential posts in cabinet to his cronies through a cabinet reshuffle.⁷ Information secretary **Nick Mangwana** downplayed the concerns, saying that Chiwenga's return was not formally

¹ Reuters, 23 Nov 2019.

² Reuters, 23 Nov 2019.

³ Reuters, 23 Nov 2019.

⁴ The Standard, 24 Nov 2019.

⁵ The Standard, 24 Nov 2019.

⁶ The Standard, 24 Nov 2019.

⁷ The Standard, 24 Nov 2019.

announced since he was just coming from hospital.⁸ However, the presence of China's deputy ambassador demonstrated the extent of China's influence in Zimbabwe's politics.⁹

After his return, Chiwenga immediately resumed his duties and made his first appearance on 27 November conducting a site inspection for the new parliament building that China-based **Shanghai Construction Group** is constructing in **Mt Hampden**, 25 kilometres outside the capital, **Harare**.¹⁰ Chiwenga also hosted a homecoming party at his rural home of **Wedza** on 30 November, where he gave a speech thanking the Chinese government, President Mnangagwa and others who assisted him during his illness.¹¹ The speech gave some insight into the gravity of his illness:

*"President Mnangagwa did not only act like a leader, but also like a brother. He called Chinese president **Xi Jinping** (2012-present) so that I could be assisted there. It was bad and at one point I would even forget what I had done. If I had gone for a week or three days in **South Africa**, I could have been history... after falling sick in October last year, no one thought I would be alive today. I was in intensive care for several months, [and] also spent several months in a ward."¹²*

Chiwenga's return to Zimbabwe dampened reports of bad blood with Mnangagwa.¹³ However, although relations the two leaders are reported to be largely cordial, intense competition remains given that they constitute two centres of power.¹⁴ Some of the power struggles within the party will be evident at Zanu-PF's annual conference in **Bulawayo** in December.¹⁵

Pepkor shuts down Zimbabwe operations

South Africa-based retail giant **Pepkor Holdings** has closed down its Zimbabwe-based operations after operating in the country for over 20 years citing economic woes such as inflation, fuel and electricity shortages and an unstable currency regime.¹⁶ This becomes the latest high-profile departure of the few remaining companies in the country and demonstrates the acute effects of economic and political decline in Zimbabwe.¹⁷ Pepkor Holdings' subsidiaries include **Pep**, **Ackermans** and **Shoe City** stores, and it trades under the **Power Sales** brand in Zimbabwe.¹⁸ In a statement, the company indicated that,

"A decision was made to exit operations in Zimbabwe as a result of the continued macro-economic challenges in the country, and ongoing devaluation of the local currency. Management is in final negotiations with the relevant parties to conclude the terms of sale."¹⁹

The company's chief executive officer, **Leon Lourens**, said that the company chose to close its 200 stores in Zimbabwe because there were no signs of improvement in Zimbabwe's economic situation.²⁰

"The last few years have been tough. We have hung in there mainly for the sake of our loyal employees in that country. But it got too energy sapping for little returns and we have decided to move on."²¹

South Africa-based economic analyst **Ron Klipling** said that the company's decision was inevitable, given the country's chronic economic stagnation.

⁸ The Standard, 24 Nov 2019.

⁹ The Standard, 24 Nov 2019.

¹⁰ Xinhua, 27 Nov 2019.

¹¹ The Standard, 1 Dec 2019.

¹² Excerpts from vice president Chiwenga's speech, quoted by The Standard, 1 Dec 2019.

¹³ Source, analyst, London.

¹⁴ Source, analyst, London.

¹⁵ Source, analyst, London.

¹⁶ Business Day, 25 Nov 2019.

¹⁷ Business Day, 25 Nov 2019.

¹⁸ Business Day, 25 Nov 2019.

¹⁹ Except from Pepkor's statement, quoted by Business Day, 25 Nov 2019.

²⁰ Business Day, 25 Nov 2019.

²¹ Pepkor CEO, Leon Lourens quoted by Business Day, 25 Nov 2019.

“They have been downsizing for some time. With the new currency not being convertible, it is not worth waiting for the situation to improve. The opportunity cost of staying in the Zimbabwe market is high because they can invest in other jurisdictions.”²²

Pepkor’s departure also comes on the heels of reports that South Africa-based packaging company **Nampak Ltd.** has also suffered heavy losses from its Zimbabwe-based operations.²³ The company announced on 25 November that it expected to lose R1.9 billion (\$129m) during the 2019 financial year partly because of foreign exchange and currency volatility-based loss in Zimbabwe.²⁴ Other companies such as diversified financial services company **Old Mutual** and cement manufacturer **PPC Cement** experienced similar currency-related losses.²⁵

The on-going company closures will increase the rate of unemployment in Zimbabwe, which has worsened in recent years as companies in various sectors suspend or close Zimbabwe-based operations altogether.²⁶ This will increase poverty levels, making mass protests more likely.²⁷ The withdrawal of South Africa-based companies will discourage new investors from exploring economic opportunities in Zimbabwe, given the evident lack of viability.²⁸ This will undermine the Mnangagwa government’s efforts to revive the economy through attracting new investment.

UN envoy reports that Zimbabwe faces man-made starvation

The **United Nations** special rapporteur on the right to food, **Hilal Elver** reported on 29 November that Zimbabwe is close to man-made mass starvation, with approximately 60% of the population now being food-insecure.²⁹ This reflects the human impact of Zimbabwe’s protracted political and economic decline and creates potential for civil unrest.³⁰ Elver issued the report after an 11-day tour to various parts of the country that have been affected by the **El Nino**-induced drought in Zimbabwe.³¹ She indicated that hyperinflation exacerbated the effects of the drought, leading to food shortages in both rural and urban areas where 5.5 million and 2.2 million respectively face starvation.³²

“These are shocking figures and the crisis continues to worsen due to poverty and high unemployment, widespread corruption, severe price instabilities, lack of purchasing power, poor agricultural productivity, natural disasters, recurrent droughts, and unilateral economic sanctions.”³³

Elver described the effects of the on-going economic crisis in Zimbabwe, which underlies the effects of the drought:

“I witnessed some of the devastating consequences of the acute economic crisis in the streets of Harare, with people waiting for hours in long lines in front of gas stations, banks, and water dispensaries. The Zimbabweans I spoke to in Harare and its suburbs explained that even if food was widely available in markets, the erosion of their incomes, combined with inflation skyrocketing to over 490% made them suffer from food insecurity, also impacting the middle class.”³⁴

Elvers indicated that the situation had deteriorated so much that it gave rise to serious security

²² Analyst Rod Kliplin, quoted by Business Day, 25 Nov 2019.

²³ Business Day, 25 Nov 2019.

²⁴ Business Day, 25 Nov 2019.

²⁵ Fin24, 26 Nov 2019.

²⁶ Source, analyst, London.

²⁷ Source, analyst, London.

²⁸ Source, analyst, London.

²⁹ The Guardian, 29 Nov 2019.

³⁰ The Guardian, 29 Nov 2019.

³¹ The Guardian, 29 Nov 2019.

³² The Guardian, 29 Nov 2019.

³³ The United Nations’ special rapporteur on the right to food, Hilal Elver, quoted by The Guardian, 29 Nov 2019.

³⁴ The United Nations’ special rapporteur on the right to food, Hilal Elver, quoted by The Guardian, 29 Nov 2019.

concerns:

“As food insecurity and land mismanagement increase the risks of civil unrest, I urgently call on the government, all political parties and the international community to come together to put an end to this spiralling crisis before it morphs into a full-blown conflict.”³⁵

Zimbabwe faces a political ticking time-bomb – the worsening state of human security creates desperation that will culminate in mass protests, which will turn violent, such as the protests that occurred in January and August.³⁶ Although the government employs the security sector, notably the **Zimbabwe National Army** and **Zimbabwe Republic Police**, to forcibly quell demonstrations, there is a high likelihood of the security services defecting to the mass movements, since they, too, experience the effects of political and economic decline in Zimbabwe.³⁷

Zimbabwe in 2019:

Several political and economic developments dominated Zimbabwe’s headlines in 2019.

Fuel price increases sparked violent unrest ...

Political violence flared up in Zimbabwe in January, after President Mnangagwa announced that fuel prices would increase by 150%. The country’s largest trade union body, the **Zimbabwe Congress of Trade Unions (ZCTU)**, called for a stayaway from 14-16 January, but violence broke out in downtown Harare and Bulawayo, as protesters clashed with security agents. This led to the deaths of 12 unarmed civilians and 600 arrests. Security agents went door to door searching for suspected “criminals”, attacking unarmed civilians wantonly. This resulted in considerable condemnation of Mnangagwa’s government and loss of the international goodwill that Mnangagwa had garnered in the aftermath of the coup against former president Mugabe. The **United Kingdom (UK)** withdrew its support for Mnangagwa’s government, with the UK minister for **Africa, Kate Baldwin**, announcing in February that the UK would neither support Zimbabwe’s bid to re-join the **Commonwealth** nor its efforts to have sanctions removed.

... as President Mnangagwa retired “coup” generals...

President Mnangagwa retired four senior army officers who played a leading role in the army’s removal of former president Mugabe in November 2017. Analysts interpreted Mnangagwa’s reassignment of the generals as part of his consolidation of political power during vice president Constantino Chiwenga’s absence in India, where he travelled to seek treatment for suspected poisoning. Chiwenga is widely regarded as the “*power behind the throne*”, given his far-reaching influence over the security sector. Mnangagwa re-deployed major generals **Martin Chedondo**, **Douglas Nyikayaramba**, and **Anselem Sanyatwe**, and air vice marshal **Shebba Shumbayawonda** to the foreign affairs ministry for deployment as ambassadors. Media reports suggested that the generals were displeased with this development and are involved in another coup plot against Mnangagwa. However, as reports of friction between them continued, Mnangagwa assisted Chiwenga in obtaining life-saving medical care in **China**, from where he returned fully recovered in early December.

... hyperinflation and the Zimdollar returned to Zimbabwe...

Inflation skyrocketed to 97% in May, signalling the considerable deterioration of Zimbabwe’s economy. The sharp increase in inflation was reminiscent of the 2008 crisis, where it hit the historic 89 sextillion mark that forced the **Reserve Bank of Zimbabwe (RBZ)** (central bank) to print \$100 trillion banknotes. This year’s spike in inflation prompted finance minister **Mthuli Ncube** to suspend indefinitely official reporting of inflation statistics in August. The RBZ also restored the Zimbabwe dollar as part of plans to stabilise the country’s currency regime and regain control over monetary

³⁵ The United Nations’ special rapporteur on the right to food, Hilal Elver, quoted by The Guardian, 29 Nov 2019.

³⁶ Source, analyst, London.

³⁷ Source, analyst, London.

policy. Initially, it restored the currency as “**RTGS dollar**” in July, which consisted of bond notes and electronic money transfers, then as a substantive Zimbabwe dollar in October. However, this has not resulted in any positive change, as inflation continues unabated.

... and former president Robert Mugabe died.

In September, former president Robert Mugabe died aged 95 in **Singapore**, where he had gone to seek medical treatment. Although Mugabe’s family did not formally reveal the cause of death, Mugabe reportedly succumbed to cancer, which he had battled for several years. Political drama followed Mugabe’s death, as his family and President Mnangagwa bitterly disagreed over where the former leader would be buried. Mugabe reportedly wished to be buried at his rural homestead in **Zvimba**, while the government preferred to inter his remains at the **Heroes Acre** national shrine. Although the parties appeared to have agreed to build a mausoleum at the Heroes Acre and bury Mugabe there, Mugabe’s family eventually buried him at his rural home in Mnangagwa’s absence, cementing a rift between the family and the government.

Looking ahead to 2020

Zimbabwe’s political and economic woes are likely to continue as the Zanu-PF regime, whose power rests in the army, digs in. The opposition will continue to put pressure on the government through mass protests, although this will only attract violent responses from the government. However, Mnangagwa’s government is increasingly isolated and has lost all goodwill earned after the November 2017 coup because of security agents killing unarmed civilians during protests, especially in January and August. It has some support from the Chinese government, which recently assisted vice president Constantino Chiwenga to receive lifesaving medical care in China from August to December, but it has largely withheld aid because of unpaid debts.

The economy will continue to contract, as more companies shut down or suspend operations because of high opportunity costs of operating in the country. Power, fuel and water shortages are likely to continue, along with inflation and currency shortages. This is largely because the economic woes result from the prevailing political conditions. It is also likely that ongoing infighting in the ruling Zanu-PF regime, especially between supporters of President Mnangagwa and vice president Chiwenga will culminate in another military assisted transition before the next election in 2023. Although Mnangagwa commands the support of the Zanu-PF party, Chiwenga retains the support of the armed forces, which have underwritten the president’s power since independence in 1980.

Planner

21 Feb 2020 (**Zimbabwe**) Robert Mugabe National Youth Day (holiday);
 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

8 Dec 2019 **Harare (Zimbabwe)** *The Standard*. On-going drought reduces the volume of water at **Victoria Falls**, threatening tourist arrivals and revenue;
 6 Dec 2019 **Harare (Zimbabwe)** *The Independent*. Media reports reveal that President **Emmerson Mnangagwa** spent over \$12m in international travel between January and September alone, as **Zimbabwe’s** economic crisis worsens;

5 Dec 2019 **Harare (Zimbabwe)** *Reuters*. The **Master of the High Court** appoints former president **Robert Mugabe's** daughter, **Bona Mugabe**, as the administrator of his estate;

3 Dec 2019 **Harare (Zimbabwe)** *BBC*. Former president **Robert Mugabe's** family reveals that he left \$10m in the bank, but did not prepare a will;

29 Nov 2019 **Harare (Zimbabwe)** *The Guardian*. **United Nations** envoy **Hilal Enver** releases report showing Zimbabwe is on the verge of man-made starvation, as economic decline exacerbates food insecurity in rural and urban areas;

28 Nov 2019 **Harare (Zimbabwe)** *Xinhua*. Vice president **Constantino Chiwenga** makes his first public appearance in the company of President **Emmerson Mnangagwa** and co-vice president **Kembo Mohadi**, inspecting the site of the new parliament building in **Mt Hampden**, on the outskirts of Harare;

25 Nov 2019 **Harare (Zimbabwe)** *Business Day*. **South Africa**-based retailer **Pepkor Holdings** announces its withdrawal from **Zimbabwe**, closing 200 stores because of the country's economic and political decline;

25 Nov 2019 **Harare (Zimbabwe)** *Business Day*. **South Africa**-based packaging company **Nampak Ltd** reveals that it will suffer losses exceeding \$100m because of currency volatility in **Zimbabwe**;

24 Nov 2019 **Harare (Zimbabwe)** *The Standard*. The absence of any government officials from welcoming vice president **Constantino Chiwenga** at the **Robert Mugabe International Airport** gives rise to speculation of infighting and distrust;

23 Nov 2019 **Harare (Zimbabwe)** *Reuters*. Vice president **Constantino Chiwenga** returns to **Zimbabwe**, after spending four months in **China** receiving medical treatment;

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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