

AFRICA RISK CONSULTING

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Zimbabwe Summary 12 May 2020

The opposition Movement for Democratic Change Alliance (MDC-A) announces a boycott of parliamentary processes after four of its legislators are recalled from their seats. The Reserve Bank of Zimbabwe (RBZ) (central bank) accuses leading mobile money platform EcoCash of driving inflation through facilitating parallel market foreign currency trading, and suspends thousands of mobile money agents. The World Bank announces a \$7m aid package for Zimbabwe, which will support the government's efforts to mitigate the effects of the Covid-19 pandemic. United States senator Jim Risch cautions the World Bank against disbursing the funds to the government of Zimbabwe without sufficient monitoring mechanisms, because of the government's record on corruption.

Opposition boycotts parliament after dismissal of MPs

The opposition **Movement for Democratic Change Alliance (MDC-A)** announced on 7 May that it would boycott parliamentary proceedings following the dismissal of four of its members of parliament (MPs) from their seats amid intensified infighting in the opposition movement.¹ This is likely to lead to by-elections once the **Covid-19**-induced lockdown ends, and will further weaken the country's largest opposition party.² The MDC-A said that none of its members or legislators would attend any parliamentary committee meetings, sitting of parliament, or any official business of the legislature as it conducts internal consultations on how it will respond to a **Supreme Court of Zimbabwe** ruling that declared MDC-A president **Nelson Chamisa** "illegitimate".³ The Supreme Court ruled on 31 March that Chamisa's appointment was irregular, and that the party should hold an election to replace him within three months.⁴

While infighting has plagued the MDC for several years, the Supreme Court ruling has intensified tensions within the opposition movement. The MDC has been divided since the death of former MDC leader, and later **Movement for Democratic Change-Tsvangirai (MDC-T)** leader, **Morgan Tsvangirai** in February 2018. Tsvangirai appointed Chamisa as acting MDC-A president on 7 February 2018,⁵ shortly before his death a week later. Chamisa was the MDC-A's candidate in the July 2018 presidential election, running against President **Emmerson Mnangagwa** (2017-present). A faction led by **Thokozani Khupe**, **Morgan Komichi** and **Douglas Mwonozora** challenged the legitimacy of Chamisa's leadership in 2018, arguing that the process that resulted in Chamisa becoming the acting MDC-A president was irregular.⁶ Khupe, Komichi and Mwonozora broke away from the MDC-A and re-established an MDC-T in March 2018.⁷ The MDC held its annual congress from 25 to 26 May 2019, during which it elected Chamisa as its substantive president (see *ARC Briefing Zimbabwe June 2019*).⁸

The Supreme Court ruled that all appointments made by MDC founder Morgan Tsvangirai, including the elevation of Nelson Chamisa and **Elias Mudzuri** as vice-presidents of the party, were

¹ The Herald, 6 May 2020.

² The Herald, 6 May 2020.

³ The Herald, 7 May 2020.

⁴ ISS, 27 Apr 2020.

⁵ Bulawayo 24 News, 7 Feb 2018

⁶ Reuters, 31 Mar 2020.

⁷ New Zimbabwe, 6 May 2020.

⁸ News24, 27 May 2019.

unconstitutional, and made Khupe the acting MDC-T president, Komichi the party chairperson, and Mwonozora the secretary general.⁹ The Supreme Court ordered Khupe to hold an extra-ordinary congress within three months to settle the leadership dispute in the opposition party. Mwonozora instructed the speaker of parliament, **Jacob Mudenda**, to recall MDC-A MPs **Charlton Hwende**, **Prosper Mutseyami**, **Thabitha Khumalo** and **Lilian Timveous**, arguing that the legislators had already expelled themselves from the party after indicating they would not recognise the Supreme Court's ruling.¹⁰

*"[We expelled them] because of what they actually did individually, these are leaders... and these people knew better and they were the first to lead other MPs to disregard the constitution of the MDC-T. They made pronouncements that they are no longer MDC-T, but of the MDC Alliance party. The MDC-T was a member of the MDC Alliance yet they went on to say they formed the party in Gweru or so. They had automatically expelled themselves, your membership terminates automatically upon joining a new party according to the constitution of the MDC-T."*¹¹

However, Chamisa enjoys considerable support from the majority of the MDC-A leadership. MDC-A youth assembly leader **Obey Sithole** accused Mwonozora of settling scores through the courts after losing the secretary general's position to Hwende at the MDC-A's congress in 2019.¹² Hwende dismissed the Supreme Court ruling as a ploy by the ruling Zanu-PF, in cahoots with the erstwhile MDC-T leaders, to weaken the opposition movement:

*"The attack on the MDC-A is a ZANU-PF planned and sponsored grand scheme to totally annihilate the MDC. The attack is manifesting itself mainly on three levels: first the co-optation of fellow comrades. It was a success with Khupe and now with Mwonozora and Komichi. Second is the criminalisation of the party through bogus rulings like the recent one, which is meant to cause internal destabilisation and to weaken the parliamentary and local government representation of the people's alternative government. The third strategy is the smear campaign of the leadership of the party as illegitimate and corrupt..."*¹³

The MDC's internal conflicts considerably weaken the party and contribute to its electoral losses in each election cycle, while the ruling Zanu-PF takes advantage of the infighting to weaken its most formidable opposition.¹⁴ Despite this, the latest ruling is unlikely to cause a considerable breakdown in the party's organisation given Chamisa's popularity at both the grassroots and senior levels of the party.

RBZ accuses mobile service of driving down currency value ...

The **Reserve Bank of Zimbabwe (RBZ)** (central bank) has blamed local telecommunications company, **Econet Wireless' Group (EWG)'s EcoCash** electronic money transfer platform of driving down the value of Zimbabwe's currency, in a directive it issued on 4 May.¹⁵ This will further complicate Zimbabwe's financial crises as it battles cash shortages and inflation.¹⁶ Electronic mobile transfer has considerably eased citizens' banking needs amidst Zimbabwe's economic decline, as banks closed down physical branches and the few remaining retail banks largely failed to meet depositors' cash withdrawal demands.¹⁷ Several organisations have conducted large-scale transactions on the mobile money transform, including salary and bill payments.¹⁸ The EcoCash platform has over 11 million registered users and accounts for 95% of mobile money transactions,

⁹ New Zimbabwe, 6 May 2020.

¹⁰ New Zimbabwe, 6 May 2020.

¹¹ MDC-T secretary general, Douglas Mwonozora quoted by New Zimbabwe, 6 May 2020.

¹² The Independent, 17 Apr 2020.

¹³ MDC-A secretary general, Charlton Hwende quoted by The Independent, 17 Apr 2020.

¹⁴ Source, analyst, London

¹⁵ Quartz Africa, 12 May 2020.

¹⁶ Quartz Africa, 12 May 2020.

¹⁷ Quartz Africa, 12 May 2020.

¹⁸ Quartz Africa, 12 May 2020.

while rival telecommunications company, **NetOne's OneMoney** holds the remaining 5%.¹⁹

The RBZ accuses EcoCash of facilitating illegal foreign currency dealings, which it blames for the rapid decline in the value of the Zimbabwe dollar.²⁰ The local currency is currently valued at 1:45 against the **United States (US)** dollar on the parallel market rate, while the official rate is fixed at 1:25.²¹ The RBZ's **Financial Intelligence Unit (FIU)** revealed that its preliminary investigations showed that some of EcoCash's agents conducted transactions valued over \$75m, despite their reported businesses being unable to warrant that magnitude of financial activity.²² As a result, the RBZ instructed EWG on 4 May to cancel the accounts of over 6,000 money transfer agents that it accuses of moving large volumes of money through parallel market trades.²³

The RBZ claims that freezing the accounts will allow the FIU to investigate the suspected cases of illegal foreign currency dealings.²⁴ The RBZ has also accused EWG and NetOne of weak know-your-customer (KYC) enforcement, which allows mobile money agents to conduct businesses that differ from those indicated during registration.²⁵

*"It's not only EcoCash, but it is a market-wide matter whereby the FIU wants operators to enforce KYC principles. Therefore, they have frozen suspected agent lines so that each matter can be evaluated on a case by case basis."*²⁶

Econet has taken the RBZ to court, filing an urgent **High Court** chamber application through law firm **Mtewa and Nyambirai Legal Practitioners** on 8 May.²⁷ In the application, EcoCash argued that the RBZ did not give EcoCash the right to be heard before it imposed the restrictions on its agents.²⁸

*"The applicant (EcoCash) and its agents were not heard before the decision to suspend and freeze the aforementioned accounts was made. The provisions of section 10 of the Act that the respondent placed reliance on do not give the respondent powers to suspend the agents from participating in the EcoCash system. No crime has been alleged against the agents and when considered together with all the relevant facts, the directive is illegal and irrational."*²⁹

The RBZ's decision to suspend mobile money transactions is based on largely credible grounds that parallel market currency dealings occur through the platform, which is the inevitable result of the reintroduction of the Zimbabwe dollar.³⁰ Zimbabwe's weak and declining economy is seeing high inflation, officially at 926% in May.³¹ RBZ monetary policy committee member **Eddie Cross** revealed on 10 May that the central bank will introduce ZW\$10 and ZW\$20 notes to improve the availability of cash in the market.³² Cross indicated that the RBZ has already begun printing the new banknotes, which will inject the equivalent of US\$600m into the market.³³ Speaking to the media, Cross said:

*"[RBZ] governor [John Mangudya] confirmed to us that the roll-out will be in stages. So, it won't be a full range of notes initially, but it will only be higher denomination notes. We are moving cautiously because we don't want to disturb the monetary balance, and we are insisting that banks pay for the currency when they draw it, so that there is no money creation."*³⁴

¹⁹ MarketWatch, 6 May 2020.

²⁰ Quartz Africa, 12 May 2020.

²¹ Quartz Africa, 12 May 2020.

²² MarketWatch, 6 May 2020

²³ NewsDay, 8 May 2020.

²⁴ MarketWatch, 6 May 2020.

²⁵ MarketWatch, 6 May 2020.

²⁶ Anonymous source quoted by MarketWatch, 6 May 2020.

²⁷ NewsDay, 8 May 2020.

²⁸ NewsDay, 8 May 2020.

²⁹ Excerpts from EcoCash's High Court petition against the RBZ, quoted by NewsDay, 8 May 2020.

³⁰ Source, analyst, London

³¹ Times Live, 10 May 2020.

³² Times Live, 10 May 2020.

³³ New Zimbabwe, 10 May 2020.

³⁴ New Zimbabwe, 10 May 2020.

The decision to suspend mobile money transactions is likely to be only temporary given the dependence of the majority of Zimbabweans on mobile money for day-to-day transactions because of cash shortages.³⁵ Foreign currency is consistently in high demand because the Zimbabwe dollar loses value rapidly.³⁶ A substantial proportion of Zimbabweans receive remittances from relatives in the diaspora, providing a steady supply of foreign currency that citizens need to exchange in order to transact in the local currency.³⁷

EU and World Bank pledge assistance to fight coronavirus

The **World Bank** and the **European Union (EU)** have announced that they will provide financial support to help Zimbabwe's public health programmes combat the **coronavirus** pandemic. The funds will provide a much-needed lifeline for the country's health sector, which was in acute decline even before the pandemic began. The World Bank revealed on 6 May that it will extend a \$7m grant to the Zimbabwe government to help it fight the spread of the virus and procure medical supplies.³⁸ Although Zimbabwe is ineligible to receive any financing or loan forgiveness from the World Bank because of its \$1.2 billion arrears to the World Bank, **African Development Bank** and **European Investment Bank**, the World Bank is making an exception to disburse funds from its trust fund because of the unprecedented negative impact of the pandemic on the world economy:³⁹

*"The Bank's senior management has underlined the need for additional trust fund financing to ensure that Zimbabwe and the small group of other countries in arrears can receive support as part of our global effort to help countries respond to the COVID-19 crisis. We recognise that this is a global crisis that impacts every country, and we cannot leave anyone behind in our response."*⁴⁰

The **European Union (EU)** also announced on 10 May that it would extend \$75m to Zimbabwe, towards the fight against coronavirus.⁴¹ The amount is a combination of funds from the **Health Development Fund** of the **United Nations Children's Education Fund (UNICEF)**, which pledged \$40m, and the **EU Commissioner for International Partnerships, Jutta Urpilainen**, who pledged \$35m.⁴²

However, the Zanu-PF government has a well-established record of corruption and mismanagement of public funds, which has made several bilateral and multilateral funders wary of extending funds without sufficient monitoring mechanisms.⁴³ A top US government official cautioned the World Bank on 6 May to monitor how the Zimbabwe government manages the funds, given its record of high-level government corruption.⁴⁴ The **US Senate Foreign Relations Committee** issued a warning to the World Bank on 6 May to ensure that Zanu-PF does not abuse the funds.⁴⁵ **US Foreign Relations Committee** chairman **Jim Risch** expressed concerns that the funds would be lost to corruption, if transparency and monitoring mechanisms are ineffective:⁴⁶

*"The \$7m World Bank grant for Zimbabwe ... should come with strict transparency and accountability measures to ensure Zimbabweans receive services and support during Covid-19, and that these funds are not lost to ongoing mismanagement by the Zimbabwean government."*⁴⁷

At time of writing, Zimbabwe has 37 confirmed coronavirus cases, with 12 recoveries and four

³⁵ Source, analyst, London

³⁶ Source, analyst, London

³⁷ Source, analyst, London

³⁸ CGTN, 6 May 2020.

³⁹ CGTN, 6 May 2020.

⁴⁰ Statement from the World Bank, quoted by CGTN, 6 May 2020.

⁴¹ CGTN, 10 May 2020.

⁴² CGTN, 10 May 2020.

⁴³ Source, analyst, London

⁴⁴ CGTN, 6 May 2020.

⁴⁵ Daily News, 8 May 2020.

⁴⁶ Bulawayo 24, 8 May 2020.

⁴⁷ US Foreign Relations Committee chairman, Jim Risch quoted by Bulawayo 24, 8 May 2020.

deaths.⁴⁸ President **Emmerson Mnangagwa** (2017-present) extended the lockdown by 14 days on 1 May, and announced that the government will set aside ZW\$ 18 billion (\$720m) to provide economic stimulus support to small businesses and informal traders.⁴⁹ Mnangagwa also indicated that masks will be compulsory in all public spaces, and that some companies will resume operations with limited operating hours from 8am to 3pm, but informal traders and businesses will remain closed.⁵⁰

The pandemic will cause acute economic decline for Zimbabwe, with the **International Monetary Fund (IMF)** predicting the economy will shrink by 7.5% in 2020, while finance minister **Mthuli Ncube** indicated that it would contract by as much as 15-20%.⁵¹ In a leaked letter to the IMF, World Bank and AfDB on 2 April, Ncube said that the government will need \$200m to fund the fight against the Covid-19 pandemic.⁵² The government's track record of corruption and mismanagement is likely to have a negative effect on its ability to attract desperately needed funds to provide adequate public health interventions during the pandemic and investments to restart the economy after the epidemic ends.⁵³

Planner

22 Jul 2020 **(Zimbabwe)** Mining, Engineering and Transport Expo
 10 Aug 2020 **(Zimbabwe)** Heroes Day (holiday);
 17 Sep 2020 **(Zimbabwe)** Hlanganani World Tourism Expo
 June 2023 **(Zimbabwe)** General elections

Chronology

12 May 2020 **Harare (Zimbabwe)** *Quartz Africa*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) accuses **EcoCash** mobile money agents of facilitating parallel market foreign currency trade and driving down the value of the **Zimbabwe** dollar;

10 May 2020 **Harare (Zimbabwe)** *Times Live*. The **Reserve Bank of Zimbabwe (RBZ)** is printing new ZW\$10 and ZW\$20 banknotes to improve the circulation of funds, as inflation rises to 926%;

10 May 2020 **Harare (Zimbabwe)** *CGTN*. The **European Union** extends a \$75m aid package to the government of **Zimbabwe** that will help with efforts to fight the **Covid-19** pandemic;

8 May 2020 **Harare (Zimbabwe)** *NewsDay*. **EcoCash** files a lawsuit against the **Reserve Bank of Zimbabwe (RBZ)** (central bank) following its suspension of over 6,000 EcoCash agent accounts;

7 May 2020 **Harare (Zimbabwe)** *NewsDay*. Opposition **Movement for Democratic Change Alliance (MDC-A)** announces it will suspend participation in all parliamentary processes, after the expulsion of four of its legislators from their parliamentary seats;

7 May 2020 **Harare (Zimbabwe)** *The Herald*. Leading local bank **NMB Bank** records a 56% decline in deposits in its 2019 financial year, \$1.2 billion down from \$2.7 billion in 2018, as the economy continues to decline;

6 May 2020 **Harare (Zimbabwe)** *Newsday*. Coal mining company **Hwange Colliery Company** realises \$1.5 billion profits in the year ending December 2019, up from a loss position of \$487m in the previous year due to increased sales and increased product pricing;

6 May 2020 **Harare (Zimbabwe)** *CGTN*. The **World Bank** extends \$7m to the government of

⁴⁸ The Zimbabwean, 11 May 2020.

⁴⁹ Bloomberg, 1 May 2020.

⁵⁰ Bloomberg, 1 May 2020.

⁵¹ Africa Confidential, 30 Apr 2020.

⁵² Africa Confidential, 30 Apr 2020.

⁵³ Source, analyst, London

Zimbabwe to fund its fight against corona virus;

4 May 2020 **Harare (Zimbabwe)** *Bulawayo 24*. President **Emmerson Mnangagwa** denies reports that the **Zimbabwe** government deployed **Zimbabwe Defence Forces (ZDF)** soldiers to **Mozambique**;

4 May 2020 **Harare (Zimbabwe)** *Times Live*. **Zimbabwe** downgrades to Level 2, which is set to run for two weeks before everything could return to business as usual;

4 May 2020 **Harare (Zimbabwe)** *RFI*. **China** publicly hands out money and equipment to help fight the spread of **coronavirus** in **Zimbabwe**, but critics call the new trend of medical and financial support as China's "coronavirus diplomacy".

1 May 2020. **Harare (Zimbabwe)** *Reuters*. President **Emmerson Mnangagwa** extends the nationwide lockdown aimed at reducing the spread of **coronavirus** by two weeks, announcing a \$720m stimulus package for companies in distress;

30 Apr 2020 **Harare (Zimbabwe)** *Bulawayo24*. President **Emmerson Mnangagwa** tasks finance minister **Mthuli Ncube** to apologise to the **International Monetary Fund, World Bank** and others for the policies that have led **Zimbabwe's** economy to a state of near-collapse;

27 Apr 2020 **Harare (Zimbabwe)** *Daily Maverick*. A **Supreme Court** ruling –allegedly politically motivated – strips opposition **Movement for Democratic Change (MDC)** leader **Nelson Chamisa** of his claim over the main faction of the MDC, bringing the party closer to the brink of implosion;

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Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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