

AFRICA RISK CONSULTING

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First lady Grace Mugabe says she is not interested in the succession race to lead the country, and would rather focus on developmental issues. She has been touted as a possible candidate for leadership of the ruling Zimbabwe African National Union-Patriotic Front (Zanu-PF) party since launching a sustained personal attack on former vice-president Joice Mujuru ahead of the party's elective congress in December 2015. Grace Mugabe's announcement means the race is open between vice president Emmerson Mnangagwa and co-vice president Phekelezela Mphoko, although neither has publicly declared his presidential ambitions. The United Kingdom (UK) says Zimbabwe could attract foreign investment if Harare eases its tough stance on the indigenisation policy under which the government wants foreign investors to cede up to 51% of control to locals. The British Embassy in Harare releases a report that suggests that had Zimbabwe kept pace with Africa average economic growth since 1998, its \$14 billion economy would have produced three times its current output. The Zimbabwe Congress of Trade Unions (ZCTU) threatens street protests if the government does not intervene to halt job losses.

Grace Mugabe denies presidential ambitions

The succession battle in the ruling **Zimbabwe African National Union-Patriotic Front (Zanu-PF)** party seems to have been thrown wide open again after first lady **Grace Mugabe** announced she has never harboured ambitions to be president.¹ Her announcement, made in an interview with the state-run **Sunday Mail** newspaper on 26 July to mark her fiftieth birthday, means the focus is now on current vice president **Emmerson Mnangagwa** as the frontrunner to succeed President **Robert Mugabe** (1980- present) if he either retires or dies in office.

The other potential successor, former vice president **Joice Mujuru**, is out of the running since her expulsion from Zanu-PF following the December 2014 party congress, where she was expelled for allegedly encouraging factionalism. Mnangagwa's only other opponent would be Zimbabwe's other vice president, **Phekelezela Mphoko**, although he has never publicly spoken about his political ambitions. Zanu-PF insiders, however, say he also sees himself as a potential leader for the country, and is quietly building a national support base. Mphoko, who comes from western Zimbabwe, remains an unknown politician among the majority **Shona** ethnic group from which the party draws most of its supporters and voters.

Weeks before the Zanu-PF congress, Grace Mugabe launched a harsh public attack on Mujuru, claiming she consulted witchdoctors on how to assume power as Zimbabwe's leader. Some observers in **Harare** at the time perceived Grace Mugabe's attack on Mujuru as clearing her way to eventually succeeding her husband.² Others saw her husband's hand in the attacks, as he was allegedly concerned about Mujuru gaining influence.³

¹ Sunday Mail, 26 Jul 2015.

² Source, political analyst, Harare

³ Source, Zanu-PF politician, Harare

The ousted Mujuru still retains popular support, particularly in her **Mashonaland West Province**, and until her dismissal was seen as a natural choice⁴ to take over from Mugabe who has ruled the country since independence from the **United Kingdom (UK)** in 1980.

The fight for the party's leadership is, however, far from won. Despite Mnangagwa being touted by some analysts as a potential leader, it is not clear who will eventually take over. This is because of the fallout between loyalists aligned to Mnangagwa and those who have always supported Grace Mugabe, who put aside their differences to ensure Mujuru was expelled from Zanu-PF. Local media refer to those aligned to Grace Mugabe as "**Young Turks**" or "**Generation 40 (G40)**". Grace Mugabe's supporters appear to be pushing for a younger Zanu-PF leader to take over the party and succeed Robert Mugabe.⁵

The G40 includes Zanu PF political commissar **Saviour Kasukuwere**, higher education minister **Jonathan Moyo** and Mugabe's nephew **Patrick Zhuwao**.⁶ The G40's push for a leader from their camp has put them on a collision course with Mnangagwa's allies, and battle lines have already been drawn ahead of ongoing provincial elections. The provincial polls will be a key test of Mnangagwa's support base ahead of the 2018 general elections. If candidates aligned to his faction win the majority of seats, it would further strengthen his hold on the party structures, putting him in a much stronger position if and when the leadership race for the ruling party opens.

For now, President Mugabe has not ruled out running again in the next general and presidential elections in 2018, even though some in Zanu-PF privately hope that he will stand down well before the polls are held.⁷ While no opinion polls have been held in Zimbabwe, indications show that many would prefer Mnangagwa to lead the country.⁸ Not only does Mnangagwa have grassroots appeal, but most importantly, the west seems to be warming to the idea of him as president. He has begun his own charm offensive, meeting western envoys and travelling to major trading partners such as **China** to discuss possible economic aid and investment.

*"We need political clarity because Zimbabwe is in desperate need to move forward. The problem is that leadership and succession battles can derail us from focusing on sorting out the economic crisis until after 2018 but we don't have that luxury anymore."*⁹

The country's economic climate is worsening, and key sectors such as mining and manufacturing are slowly grinding to a halt, with thousands of job losses and company closures (see previous ARC Briefing for Zimbabwe). More than 6,000 employees lost their jobs in 2014, while almost 5,000 companies have closed since 2011 resulting in over 55,000 job losses, according to finance minister **Patrick Chinamasa**.¹⁰

UK warns of indigenisation policy's impact on investment

The UK has suggested Zimbabwe can increase foreign investment if Harare relaxes its indigenisation policy. **Catriona Laing**, **British** ambassador to Zimbabwe, seems cautiously optimistic about Zimbabwe's ability to attract foreign investment. The UK insists, however, that clarity on the indigenisation policy is required.

"To realise its potential the government needs to do more to improve the business environment. Investors are keen to support empowerment but need assurances that their assets are secure,

⁴ Source, political analyst, Harare

⁵ Source, political analyst, Harare

⁶ Source, political analyst, Harare

⁷ Source, Zanu-PF politician, Harare

⁸ Source, political analyst, Harare

⁹ Source, Zanu-PF politician, Harare

¹⁰ Star Africa, 5 Dec 2014.

and that profits can be repatriated. The promised clarification of indigenisation policy by the government is welcome and if well-handled could help attract investment.”¹¹

Zimbabwe’s so-called indigenisation policy is contentious with foreign investors who still have memories of the chaotic land reform programme that began in 1998 and led to more than 4,000 white commercial farmers losing their land, mostly to the political elite and supporters of the ruling Zanu-PF party. Many of the farms now lie unproductive, and Zimbabwe has not been able to achieve food self-sufficiency since 1998. The country could import up to 700,000 tonnes of maize this year.¹²

Zimbabwe has since amended the **Indigenisation and Economic Empowerment Act**, which will enable foreign-owned companies to negotiate with individual ministries on how to comply with the government’s empowerment policy.¹³ The indigenisation policy will be applied selectively, with different ownership thresholds for sectors such as mining and banking.¹⁴ Initially, the government said it wanted foreign investors to give up to a 51% stake in their companies to local black Zimbabweans, a move western diplomats warn would simply chase investors away.¹⁵ However, faced with a crippling economic crisis and worsening unemployment, the government seems to have relaxed its stance, and says it will allow 100% foreign ownership in some sectors.

The UK is among western nations that have been calling for both political and economic reforms in Zimbabwe. Since last year, there have been two trade and investment delegations from the UK, the first in almost two decades. UK ambassador Catriona Laing says Zimbabwe’s \$14 billion economy would be triple its current size if the southern African nation had kept pace with average African growth since 1998.¹⁶

France, too, is cautiously optimistic about Zimbabwe, and says it is impressed with efforts by Harare to reform the economy.¹⁷ However, it wants more action than statements of intent, mirroring the UK’s concern about indigenisation, among other worries.

“I want to point out that French investors are inspired by a long term vision. They are not interested in deals, be they legitimate, shady or mega-deals. French companies will come to Zimbabwe for clever, win-win, long term business relationships.”¹⁸

France-based **Limagrain** recently bought a minority stake in agricultural seed manufacturing group **SeedCo** for \$60m, while another France-based company, **Motul**, has launched its range of motor lubricants on the local market.¹⁹

“Besides these highly visible contacts, I am pleased to share that an increasing number of small and medium-scale agreements are being signed, business to business, by French and Zimbabwean companies.”²⁰

Meanwhile, France has invited a Zimbabwe delegation to visit **Paris** for further talks on areas of cooperation, including possible debt relief.²¹ France is part of the **Paris Club** of creditor nations and multilateral organisations such as the **World Bank** to which Zimbabwe owes \$9 billion. In Zimbabwe, the government says it is broke and is unable to repay the money, suggesting that the debt be

¹¹ Catriona Laing, British ambassador to Zimbabwe, in foreword to “Zimbabwe-Commercial Opportunities”, 1 June 2015

¹² Nehanda Radio, 5 May 2015

¹³ Herald, 14 Jan 2015.

¹⁴ Herald, 14 Jan 2015.

¹⁵ Source, western diplomat, Harare

¹⁶ Reuters, 5 Jul 2015.

¹⁷ French ambassador to Zimbabwe Laurent Delahousse speaking at a function in Harare, 15 Jul 2015

¹⁸ French ambassador to Zimbabwe Laurent Delahousse speaking at a function in Harare, 15 Jul 2015

¹⁹ Zimbabwe Independent, 17 July 2015

²⁰ French Ambassador Laurent Delahousse quoted in Zimbabwe Independent, 17 Jul 2015

²¹ French Ambassador Laurent Delahousse quoted in Zimbabwe Independent, 17 July 2015

cancelled, a request that has since been rejected by the lenders (see *ARC Briefing Zimbabwe June 2015*).

Zimbabwe Congress of Trade Unions threatens street protests

The **Zimbabwe Congress of Trade Unions (ZCTU)** has threatened street protests if the government does not intervene to halt job losses.²² Previous ZCTU's calls for action have not mobilised large numbers of workers who often cannot afford to lose wages. The ZCTU threat follows a **Supreme Court** ruling on 17 July that allows employers to terminate contracts without severance packages by offering three months' notice.²³ The court ruled that its position upheld the common law position of equality of employee and employer. The ZCTU said 1,100 jobs were lost in the days following the ruling, including at **Pelhams Ltd**²⁴ and **Sino Zim Cotton Holdings**.²⁵ The **Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-Asset)** economic plan had tightened up regulations regarding retrenchment to allow the government to meet its 2013 electoral promise of 2 million new jobs. It is estimated that more than 8,000 Zimbabwean workers were retrenched in 2014 and the first quarter of 2015 as companies look to reduce their expenses.²⁶ ZCTU secretary general **Japhet Moyo** – through the **Tripartite Negotiating Forum (TNF)** which was resurrected in July 2014 to discuss business and labour disagreements – petitioned the government to invoke the **Presidential Powers Temporary Measures Act (PPTMA)**.²⁷ Following the ruling, employers' associations, including the **Employers' Confederation of Zimbabwe**, and businesses have failed to attend meetings of the TNF.²⁸ Since January 2014 the PPTMA empowers the president to implement whatever regulations he considers necessary to end any situation adverse to Zimbabwe's economic or political stability. Parliament can revoke the regulations which, regardless, expire after six months. The legal watchdog **Veritas** argues that the PPTMA is incompatible with the 2013 constitution and therefore inapplicable in the current dispute. Labour minister **Prisca Mupfumira** has said the government will seek judicial recourse and legislative solutions to address the ZCTU's concerns.²⁹

Implications

The succession battle for the leadership of Zanu-PF will continue to take centre stage probably until the 2018 general and presidential elections. Currently, two main factions – one aligned to Mnangagwa and the other to Grace Mugabe – are fighting for support of the party's structures and grassroots supporters. There is concern, however, that factional battles could divert the party's attention from dealing with chronic economic problems, which appear to be worsening. Zanu-PF insiders dismiss this as unfounded, pointing out that currently there is no vacancy in the leadership of the party and therefore government programmes should not be affected. Whatever the outcome of the battle, it is evident that Zanu-PF is slowly preparing for the inevitable change of leadership when Robert Mugabe decides to step down.

A solution to Zimbabwe's worsening economic crisis would be to restore investor confidence by providing policy and economic clarity, and ease the burden of doing business in the country. The government's charm offensive has so far attracted interest from business and trade delegations from several western nations, among them the UK and France, but they remain concerned about confusion surrounding the indigenisation policy. Unless Harare clarifies this policy, that potential will remain unrealised, further worsening the already critical economic crisis.

²² Financial Gazette, 23 Jul 2015.

²³ Financial Gazette, 23 Jul 2015.

²⁴ The Herald, 22 Jul 2015.

²⁵ ZNBC, 23 Jul 2015.

²⁶ Zimbabwe Independent, 24 Jul 2015.

²⁷ Financial Gazette, 23 Jul 2015.

²⁸ Zimbabwe Independent, 24 Jul 2015.

²⁹ Chronicle, 20 Jul 2015.

The labour dispute is indicative of the economic doldrums in which Zimbabwe finds itself. The government will likely respond by accelerating new labour legislation which will raise investor concerns about the stability and predictability of doing business in Zimbabwe.

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