

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing July 2021

Zimbabwe Summary 12 July 2021

A surge in Covid-19 cases forces the government to tighten lockdown measures and reinforce government-appointed quarantine facilities for travellers from Alpha and Delta variant dominated regions. United States-based investigative team The Sentry exposes business tycoon Kudakwashe Tagwirei's business practices, prompting concerns of extensive state capture. Zimbabwe's tobacco auction floor system is at risk of collapse with foreign contracting firms' domination provoking concerns over competition. The national electrical grid faces escalating power outages after a surge of imported electricity caused generating plants to fail. The Southern African Development Community (SADC) sends a second envoy to consult stakeholders and find an amicable resolution to political protests in Eswatini. SADC commits to troop deployment in Mozambique's oil-rich Cabo Delgado Province as internally displaced persons continue to flee the insurgency.

Covid-19 cases surge ...

The government announced on 29 June that it would enforce stricter measures to prevent the spread of **Covid-19** in response to surging case numbers. To date, **Zimbabwe** has recorded at least 60,227 cases in its population of 14.7 million, up from the 39,238 cases recorded by 12 June, an increase of 53.49%.¹ Covid-19-related deaths are currently at 1,973, up 18.34% since 12 June.² The last seven days have seen a rolling average of 64 infections per 100,000 people, with roughly 2,264 active cases at time of writing.³ The **South African B.1.351** variant has dominated most infections in Zimbabwe, but the Delta variant first identified in **India** is increasingly present.

Travel within Zimbabwe is suspended, other than that which is necessary to support food or medical production, which must be supported by authorised exemption letters. Businesses may only operate between 8:00am and 3:30pm while the curfew is extended to between 6:30pm and 6:30am. Businesses may only operate at 40% capacity of staff whilst restaurants may only offer take-away services.⁴ These measures accompany the face covering and social distancing measures that have been in place since the beginning of the pandemic.

Despite restrictions on travel within Zimbabwe, commercial and international travel is available. However, travelers arriving from countries with the **Alpha** (first identified in the **United Kingdom**) and **Delta** variants will have to quarantine at government-appointed facilities. The government has yet to specify which countries fall into these categories.⁵ Travelers from areas not dominated by the Alpha and Delta variants still require a negative **Polymerase Chain Reaction (PCR)** test and 10-day isolation period. Airline operations have resumed through routes to the rest of the **Southern African Development Community (SADC)** region. Flights from **Harare** are using **Addis Ababa (Ethiopia)** and **Nairobi (Kenya)** as hubs for travel to **Europe**, the **Middle East** and **Asia**.

¹ Reuters, 8 June 2021

² WorldoMeter, 8 Jul 2021

³ WorldoMeter, 8 Jul 2021

⁴ U.S. Embassy in Zimbabwe, 7 Jul 2021

⁵ U.S. Embassy in Zimbabwe, 7 Jul 2021

Zimbabwe's Covid-19 vaccination rollout continues. The health ministry reports using a combination of **Russia**-manufactured **Sputnik V**, **China**-manufactured **Sinopharm** and **Sinovac**, **United States (US)**-manufactured **Pfizer** and **Moderna**, **British-Swedish**-manufactured **AstraZeneca** and India's **Covaxin**. A shipment from China of 2,000,000 Sinovac doses was received on 8 July.⁶ A total of 795,171 individuals have received their first dose of the vaccine, whilst 569,091 have received a second dose – a population vaccination rate of 3.92%.⁷ The government has confirmed the distribution of 15,000 Sinopharm vaccines to each province in the country; apart from Harare Metropolitan, **Manicaland** and **Mashonaland West**, which have received 20,000 doses.

Business tycoon's links with senior government exposed

A report released by **United States (US)**-based investigative and policy team **The Sentry** on 7 July has exposed the business practices of business tycoon and close advisor of President **Emmerson Mnangagwa** (2017-present), **Kudakwashe Tagwirei**. The revelations have raised questions about the capture of the Zimbabwean state as well as the degradation of good governance and transparency practices by the government. The exposé details how Tagwirei has employed a plethora of business practices and connections with senior government and ruling **ZANU-PF** party officials to create and expand his vast business empire.⁸

The Sentry's report, which complements an **ARC** report from March 2021 titled *Zimbabwe Political Economy Stakeholder Map*, exposes Tagwirei's vast business connections in a number of different countries including **South Africa**, **Mauritius** and the **Cayman Islands**. The Sentry report highlights Tagwirei's reliance on an elaborate network of South African business partners, Mauritian companies and Cayman Islands funds to conceal his ties to a rash of lucrative mining sector acquisitions. Whilst the US **Department of Treasury** blacklisted Tagwirei in August 2020, he has managed to use intricate corporate structures as well as close ties with government officials to create his network of oil, mining, banking, logistical, transport and import/export companies. This includes Tagwirei paying millions of US dollars to a military-owned company in order for his company, **Landela Mining Ventures**, to purchase a 50% stake in **Great Dyke Investments (GDI)**, a platinum mine worth millions of US dollars. The Mnangagwa administration has reportedly awarded Tagwirei's **Sakunda Holdings** over \$1.6 billion in government contracts and procurement deals since the beginning of the new administration.⁹ Tagwirei appears to also own 35% of a partially-state owned mining company, **Kuvimba Mining House**, claims that finance minister **Mthuli Ncube** denies.¹⁰

The revelations have highlighted the issue of state capture. Comparisons are being made between the alleged state capture in South Africa by the **Gupta** family and the state capture that Zimbabwe faces with regard to Kudakwashe Tagwirei. Former finance minister **Tendai Biti** noted:

"If ever there was state capture, it is Sakunda."¹¹

Whilst Tagwirei faces numerous sanctions in the international arena, he is yet to comment on the allegations against him. The close ties that he has formed with senior government officials are likely to protect him and permit further state capture. The format and structure of Tagwirei's business ventures through various tax havens and legal complexities are also likely to shield him. While The Sentry report recommends a number of actions that both domestic and international actors need to take, Tagwirei's close ties with President Mnangagwa and other top

⁶ Reuters, 6 Jul 2021

⁷ Post-Cabinet Press Briefing, 4 Jul 2021

⁸ The Sentry, 7 Jul 2021

⁹ The Sentry, 7 Jul 2021

¹⁰ The Financial Times, 2 Jul 2021

¹¹ The Financial Times, 2 Jul 2021

officials are likely to deflect inquiries. Nevertheless, pressure by international actors on Tagwirei and his associates may make it more difficult for them to operate outside of current parameters.

Tobacco auction floors continue to lose out to contracting firms

Official data released by the **Tobacco Industry and Marketing Board (TIMB)** raises concerns about the amount by which Zimbabwe's tobacco auction floors are trailing contracting firms in earned US dollars (USD) over the 2020/2021 tobacco season. Contracting firms have earned official sales of \$455m, in comparison to the auction floors' paltry \$32.5m – just 6.67% of what contracting firms earned.¹² There are serious concerns within the industry that the traditionally entrenched tobacco auction floor system is at risk of collapse as the contracting firms are likely to further dominate the auction floor system. Tobacco is Zimbabwe's second-largest exported product after minerals for the economy, responsible for \$600m in 2019/2020.

The tobacco auction floor system has been a mainstay of Zimbabwe's tobacco industry for decades and is represented by three different floors: Premier, Tobacco Sales and Boka. However, the 2000 **Fast-Track Land Reform Programme** changed the nature of the tobacco industry as contractor firms began to establish themselves. During the hyperinflation years of 2004-2008, foreign contractors were able to guarantee foreign currency from tobacco sales, which is essential to the country's economy. Contracting firms began to replace banks in advancing loans to farmers. The Fast-Track Land Reform Programme also meant banks felt property rights within the country were not sufficiently secure to allow farmers to put them up as collateral for loans. Whilst contracting firms operating within Zimbabwe are from all over the world, there is a concentrated dominance from **Asia**, specifically China, **Vietnam** and **Indonesia**.

Contracting firms are estimated to represent 90% of all tobacco sales in the country. The ability of contracting firms to guarantee foreign currency to the farmers whose tobacco they buy is essential; it is estimated that farmers will be able to receive 60% of their sales in foreign currency for the 2020/2021 tobacco season (up from 50% in 2019/2020).¹³ However, the 2020/2021 official TIMB data indicates that these sales are at a lower price per kilogram than auction floor sales represent: \$2.75/kg versus \$2.82/kg.¹⁴

Although it is unlikely that contracting firms will relinquish any dominance in the market in the coming season, the tobacco auction floor still has an important role to play in providing competition with contracting firms to ensure that some tobacco business is kept in the country, where value-adding processes can take place to further boost domestic business. Cabinet recently announced a tobacco value chain transformation strategy to localise funding and increase value addition for the next farming season.¹⁵ However, the ability for contracting firms to offer financial assistance is likely to see their further dominance in the market – an aspect of the Zimbabwean tobacco and agricultural industry that is only likely to change if banks can increase lending to farmers. This hinges on the cornerstone of secure property rights, still a problematic issue in Zimbabwe's landscape.

Electrical outages escalate after grid overload

Zimbabwe is facing prolonged periods of power outages as surges from South African electricity imports overload its power grid. This will result in extended power cuts as the country struggles to generate adequate internal power production through its five national plants.¹⁶

¹² NewsDay, 6 Jul 2021

¹³ NewsDay, 6 Jul 2021

¹⁴ BulawayoNews, 6 Jul 2021

¹⁵ NewsDay, 6 Jul 2021

¹⁶ NewsDay, 30 Jun 2021

Although decreased electrical supply is likely to affect business operations, many businesses may already be prepared for such eventualities.

The surge began in the early hours of 28 June and directly affected the hydropower plant located at **Lake Kariba** and the coal-fired facility in **Hwange**.¹⁷ Although power generation at Lake Kariba has been restored, this is currently only one of the five national plants operating as engineers at the Hwange plant attempt to restore the operational units. **Employers Confederation of Zimbabwe** president **Israel Mpfu** noted the disruptive effect of power cuts on operations and production:

*"That is the last thing we expected especially given other disruptions we are experiencing which are due to Covid-19 related lockdown."*¹⁸

Zimbabwe has two main sources of electricity imports, the **Hidroeléctrica de Cahora Bassa** in **Mozambique** and South Africa-based state power utility **Eskom**.¹⁹ Current import capacity ranges from 50MW to 350MW, depending on electricity-generation constraints in Mozambique and South Africa. Current load shedding issues in South Africa mean that the 50 megawatts (MW) that Eskom guarantees to export to Zimbabwe are under strain as South Africa struggles with its own electrical supply. In addition to electricity supply challenges, the **Zimbabwe Electrical Supply Authority (ZESA)** had accumulated \$97m in debt to Hidroeléctrica de Cahora Bassa up to 2020, a figure that was \$45m in 2019.²⁰

Zimbabwe's reliance on electricity imports is due to its national consumption rate of 2,000MW, well outside the ability of the Kariba hydro plant's capacity of 1,014MW. Within normal operating conditions, Hwange's coal facility operates at less than a quarter of its full operational capacity, as numerous units are unable to operate due to aged equipment. However, energy minister **Soda Zhemu** appears optimistic about the government's ability to add thermal and renewable power projects, which are estimated to add another 150MW to the national grid.²¹ Such developments include a joint venture coal-fired power station in Hwange between Chinese and Zimbabwean partners under **Zimbabwe Zhongzin Electrical Energy Limited (ZZEE)**.²²

Additional thermal and renewable power projects are only expected to come into effect toward the end of the year. With only one of the five national power plants currently operating, this places the country in a predicament over the coming months in the ability to provide adequate electrical supply for national consumption. This has created opportunities to move Zimbabwe's electrical supply to greener energy platforms that will allow it to take advantage of its renewable resources.

SADC monitors Eswatini situation ...

The Southern African Development Community (SADC), of which Zimbabwe is a member, will send a second mission to the **Kingdom of Eswatini** (formerly **Swaziland**) to engage a broader spectrum of stakeholders following a week of political and security disturbances in **Africa's** last monarchy.²³ SADC members are concerned that the violence may spill over into bordering Mozambique and South Africa, both of which are dealing with their own insecurity and economic fallout from the Covid-19 pandemic (see below). While Zimbabwe does not share any borders with Eswatini, its geographical relation to Mozambique and South Africa requires it to keep a watchful eye on the situation.

¹⁷ News24, 29 Jun 2021

¹⁸ NewZimbabwe, 30 Jun 2021

¹⁹ NewsDay, 30 Jun 2021

²⁰ NewsDay, 30 Jun 2021

²¹ The Herald, 24 Jun 2021

²² The Herald, 24 Jun 2021

²³ The Herald, 6 Jul 2021

Pockets of violence began at the end of May following the death of a 25-year-old student allegedly at the hands of police personnel. However, the protests against the autocratic rule of **King Mswati III** (1986-present) escalated on 29 June. Persecution of opponents, banning of political parties (since 1973) and consistent violations of fundamental rights have characterised the monarch's rule for several decades.²⁴ The opulent lifestyle of the king and his family contrasts starkly with the poverty in which an estimated 63% of the country's 1.3 million people live.²⁵ The severe socio-economic downturn that the country faces due to the Covid-19 pandemic has fuelled the political disturbances. Official unemployment rates are estimated to be around 40%, although unofficial estimates go higher.²⁶

SADC undertook a fact-finding mission to Eswatini after deadly protests shook continental Africa's second-smallest country on 29 June. Between 50 to 70 protestors are estimated to have been killed in the days following the outbreak of violence.²⁷ Eswatini is in a high state of alert as business are closed, roads are under heavy supervision by security forces and increasing levels of unrest pervade the country, particularly the two main cities of **Mbabane** and **Lobamba**.

SADC's second mission will include Zimbabwe's foreign affairs minister, **Frederick Shava**, and his South African and **Botswanan** counterparts, **Naledi Pandor** and **Lemogang Kwape**. The team aims to meet with a wider group of stakeholders, notably the country's youth. SADC politics, defence and security chair, Botswana's President **Mokweegtsi Masisi** (2018-present) says the mission calls on all individuals, groups, and organisations that have grievances to desist from acts of violence,

"... whilst also urging the security services to exercise restraint in their response to restore order and normalcy".²⁸

The current protests raise questions about the practicality of pressurising for real change in Africa's only monarchy. Whilst the SADC team is likely to encourage certain political reforms, the historic nature of the monarchy in Eswatini means any political process is likely to leave the monarchy intact with relatively superficial political reforms to include wider political and civil society actors.

... and moves forward with Mozambique deployment

SADC on 28 June approved a budget of €10m (\$11.8m) for a multinational military force to be deployed to northern Mozambique's **Cabo Delgado** province. A jihadi insurgency from extremists in the north of the country has resulted in thousands of people fleeing their homes amidst the violence and the remainder facing increasing risks of hunger and famine. The fact that Mozambique and Zimbabwe share a border suggests that Zimbabwe is likely to be one of the SADC countries that will make up the multinational military force, resulting in financial, logistical and military commitments. In addition to these commitments, the humanitarian impact will require continued monitoring so that **Internally Displaced Persons (IDPs)** and extremist sentiment do not spill over the border into Zimbabwe.

Zimbabwe's foreign ministry's director of multilateral affairs, **Raphael Faranisi**, said SADC will finance the mission from its own resources:

"Additionally, those member states that will be involved in the SADC Standby Force will be expected to make extra contributions to complement what SADC has provided."²⁹

²⁴ News24, 6 Jul 2021

²⁵ News24, 6 Jul 2021

²⁶ African News, 29 Apr 2021

²⁷ DW News, 6 Jul 2021

²⁸ SADC website, 2 Jul 2021

²⁹ Janes.com, 30 Jun 2021

No further details have been provided regarding the number of troops to be sent to Mozambique, when they will be deployed or in what capacity.³⁰ The situation continues to worsen in Cabo Delgado and **Palma** as hundreds of internally displaced persons (IDPs) arrive daily in more southern parts of Mozambique.³¹

Planner

13 Jul 2021 **(Zimbabwe)** Government to review Covid-19 measures
Jul 2023 **(Zimbabwe)** Harmonised elections

Chronology

11 Jul 2021 **Harare (Zimbabwe)** *The Standard*. Economist **Benhilda Gwacha Dube** says police corruption has worsened during **Covid-19** lockdown to the extent that citizens now call \$10 the "*national identity card*" to pass a roadblock;

8 Jul 2021 **Harare (Zimbabwe)** *News Hawks*. **Chipinge** villagers accuse businessman **Billy Rautenbach**, reportedly a close ally of President **Emmerson Mnangagwa**, of a land grab via his company, **Green Fuel**;

8 Jul 2021 **Harare (Zimbabwe)** *The Herald*. Presidential spokesperson says **Zimbabwe National Army** commander and liberation fighter **Edzai Chimonyo** has died of cancer;

8 Jul 2021 **Harare (Zimbabwe)** *The Herald*. **United States NYSE** -listed **Caledonia Mining Corporation**, owner of **Blanket Gold Mine** in **Gwanda**, says it has begun the process of pursuing a listing of depositary receipts on Zimbabwe's **Victoria Falls Stock Exchange**, a subsidiary of the **Zimbabwe Stock Exchange**;

8 Jul 2021 **Harare (Zimbabwe)** *The Chronicle*. The Second Round Crop and Livestock Assessment report reveals a maize production surplus of 820 000 tonnes for the 2020/2021 farming season – the highest yield in 20 years;

5 Jul 2021 **Harare (Zimbabwe)** *New Zimbabwe*. Opposition **MDC Alliance** president **Nelson Chamisa** slams ruling **Zanu-PF** for treating the **Zimbabwe National Army** as one of its wings and calls on the party to respect the separation of powers;

30 Jun 2021 **Harare (Zimbabwe)** *Bloomberg*. Finance minister **Mthuli Ncube** says **Zimbabwe** has purchased 3.5 million **Covid-19** vaccine doses from **China's Sinopharm** and **Sinovac**, which are set to be delivered from July through September;

4 Jul 2021 **Harare (Zimbabwe)** *New Zimbabwe*. Opposition **MDC Alliance** spokesperson **Fadzayi Mahere** calls for the disbandment of the **Zimbabwe Anti-Corruption Commission** over turning a blind eye on controversial tycoon **Kudakwashe Tagwirei**;

1 Jul 2021 **Harare (Zimbabwe)** *The Sentry*. **United States**-based investigative and policy team **The Sentry** releases report into the offshore business empire of **Zimbabwe's** richest businessperson and close adviser to President **Emmerson Mnangagwa**, **Kudakwashe Tagwirei**;

30 Jun 2021 **Harare (Zimbabwe)** *Bloomberg*. **China's** largest bank, **Industrial and Commercial Bank of China**, drops plans to fund the \$3 billion **Sengwa** coal project that **RioZim** is seeking to develop in northern **Zimbabwe**;

29 Jun 2021 **Harare (Zimbabwe)** *Chronicle*. President **Emmerson Mnangagwa** announces

³⁰ News24, 23 Jun 2021

³¹ ReliefWeb, 25 Jun 2021

strict Level 4 lockdown for two weeks to control the spread of the **Covid-19** pandemic;

28 Jun 2021 **Harare (Zimbabwe)** *Reuters*. **Reserve Bank of Zimbabwe** (central bank) director of exchange control **Farai Masendu** says large-scale gold mining companies that increase production above their average monthly output will be allowed to directly export that portion;

25 Jun 2021 **Harare (Zimbabwe)** *Zimbabwe Independent*. **Office of the President and Cabinet** is implicated in \$18m tender scandal after top bureaucrats allegedly tried to overturn tender result in favor of losing bidder, **Bosnia and Herzegovina**-based **NSoft**, which reportedly has a long-standing working relationship with the **Central Intelligence Organisation**;

25 Jun 2021 **Harare (Zimbabwe)** *Zimbabwe Independent*. Source says **Zimbabwe Anti-Corruption Commission** has launched a fresh countrywide anti-graft blitz targeting ministries and local authorities in a development that could result in mass arrests, including at the mines and mining development ministry;

25 Jun 2021 **Harare (Zimbabwe)** *Bloomberg*; State-linked **Kuvimba Mining House** transfers \$1m to former commercial farmers in first compensation payment as part of an agreement in 2020 to settle a dispute with White commercial farmers who had their land seized two decades ago, but government asks for a delay in paying the full \$3.5 billion compensation;

24 Jun 2021 **Harare (Zimbabwe)** *Bloomberg*; Two sources say state-owned mining company **Kuvimba Mining House's** CEO **David Brown** intends to step down;

23 Jun 2021 **(Southern Africa)** *News24*. Regional bloc **Southern African Development Community** approves deployment of standby force to combat terrorism and acts of violent extremism in **Cabo Delgado (Mozambique)**, and **Portugal's** foreign minister, **Augusto Santos Silva**, says the **European Union (EU)** could approve an EU military mission to Mozambique at a meeting scheduled for 12 July;

22 Jun 2021 **Harare (Zimbabwe)** *News24*. National money printer and gold exporter **Fidelity Printers and Refiners** announces **Zimbabwe** lost around 11 tons of gold, around a third of its average gold production, to smuggling in 2020;

21 Jun 2021 **Harare (Zimbabwe)** *ISS*. **South Africa**-based NGO **Institute for Security Studies** warns about government's recent resurrection of its **National Youth Service**, which has been widely condemned for gross human rights violations on behalf of the ruling party;

21 Jun 2021 **Harare (Zimbabwe)** *News Hawks*. Opposition **MDC Alliance** vice president **Tendai Biti** accuses government of pillaging \$13.2 billion between 2017 and 2019 through unauthorised expenditure.

19 Jun 2021 **Nyamandlovu (Zimbabwe)** *News Hawks*. Local news outlet **The NewsHawks** reveals **Central Intelligence Organisation** co-deputy director-general **Gatsha Mazithulela**, **Zanu-PF** secretary for administration **Obert Mpofo** and **Matabeleland North** provincial minister of state **Richard Moyo** are behind an allegedly illegal seizure of **Kershelmar Farms (Private) Limited** from a local international human rights lawyer;

17 Jun 2021 **Harare (Zimbabwe)** *Business Day*. **International Monetary Fund** says **Zimbabwe** is on a path to economic recovery with a growth forecast of 6% expected this year largely due to a bumper harvest of the staple, maize;

16 Jun 2021 **Harare (Zimbabwe)** *New York Times*. Government says it will not oppose bail for **New York Times** journalist **Jeffrey Moyo**, adding there was evidence to show he had believed he was acting legally;

13 Jun 2021 **Harare (Zimbabwe)** *The Standard*. Government bans public gathering and shortens working hours for business, ordering companies to send 50% of their staff to work from home, as part of new measures to curb the spread of **Covid-19**;

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