

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing December 2020

Zimbabwe Summary 10 December 2020

President Emmerson Mnangagwa's (2017-present) administration continues to falter on its anti-corruption promises despite an improved ranking in the Ibrahim Index of African Governance (IIAG). Finance minister Mthuli Ncube announces the 2021 National Budget and five-year National Development Strategy. Zimbabwe's industrialisation drive leans towards Fourth Industrial Revolution (4IR) approaches and investment partnerships. The impact of the COVID-19 pandemic continues to undermine prospects for economic recovery.

Governance ranking improves amid continuing anti-corruption efforts

President **Emmerson Mnangagwa** (2017-present) has declared that **Zimbabwe** is “*on the brink of greatness*”, based on the country's ranking in the **Ibrahim Index of African Governance (IIAG)** as one of the five most improved governance systems in **Africa** during the last decade (2010-2019). With an overall score of 46%, and +7.4 improvement, the IIAG currently rates Zimbabwe 33rd out of Africa's 54 countries.¹

However, corruption continues to undermine Zimbabwe's economic development, stifling the rule of law and impeding good governance. During the launch of the **Judicial Services Commission (JSC) Strategic Plan (2021 to 2025)** on 2 December, Mnangagwa noted that the JSC has a critical role to play in Zimbabwe's fight against corruption in accelerating the conclusion of corruption cases. Mnangagwa said the JSC will contribute towards the state's aim to “*pursue a development agenda anchored on strong, responsive and transparent institutions*”.² Chief Justice **Luke Malaba** said:

“The commission seeks to develop an independent, financially autonomous and sustainable, modern and efficient judiciary that is enthusiastically accountable to the public in its pursuit of a society in which the rule of law prevails.”³

Sceptics, however, claim the judicial system is an enabler of state-linked corruption. In 2018 Malaba declared Mnangagwa as the duly elected president of Zimbabwe, despite the bid of then **Movement for Democratic Change (MDC)-Alliance** leader **Nelson Chamisa** to have the 2018 presidential election results annulled, citing electoral fraud. Opposition parties have since then perceived Malaba to be an ally of the ruling **Zimbabwe African National Union-Patriotic Front (ZANU-PF)**.

Critics also claim that strategic appointments to the **Zimbabwe Anti-Corruption Commission (ZACC)**, mandated to investigate corruption by top officials, ensure protection of Mnangagwa's allies. The ZACC is headed by Justice **Loice Matanda-Moyo**, wife of ZANU-PF member and foreign affairs and international trade (**MoFAIT**) minister Lieutenant General (Rtd), Dr **Sibusiso Moyo**. Protracted trials of political figures by the ZACC continue to diminish confidence in Mnangagwa's anti-corruption campaign. In July 2019 **Prisca Mupfumira** became the first sitting member of cabinet to be arrested for corruption in connection with \$94m that went missing from a pension fund when she was serving as a director at the **National Social Security**

¹ Ibrahim Index of African Governance (IIAG) 2020 index report

² The Office of the President and Cabinet, 2 Dec 2020

³ The Office of the President and Cabinet, 3 Dec 2020

Authority (NSSA).⁴ Mupfumira is currently on trial, serving as a litmus test for the ZACC to assure stakeholders of its transparency and deterrent effect.

Exposing corruption remains fraught with risk, despite the ZACC's call for whistle-blower alerts and whistle-blower protection. Independent journalist and anti-corruption campaigner **Hopewell Chin'ono** has faced arrests and intimidation following his exposure of corruption related to contracts for the \$60m acquisition of **COVID-19** protective healthcare equipment.⁵ Chin'ono linked the first family and ZANU-PF to the scandal, without implicating his sources. However, the ZACC is instead investigating deputy minister of health and childcare **Dr John Mangwiro** for alleged interference in the bidding process for the supply of COVID-19 related materials. Mangwiro is accused of blocking **Chinese** company **Young Health Care** in favour of **South Africa-based National Pharmaceutical Company (NatPharm)** for a \$5.6m tender to supply COVID-19 materials.⁶ Local sources note that the allegations against Mangwiro have drawn attention away from the \$60m scandal highlighted by Chin'ono.⁷

Finance minister **Mthuli Ncube** has set aside ZWL\$3.6 billion (roughly \$44m) in the **2021 National Budget**, presented on 26 November (see below), to fight corruption.⁸

*"The fund is set to empower the ZACC, the **National Prosecuting Authority (NPA)**, the **Zimbabwe Republic Police (Minerals, Flora and Fauna Unit)**, the Auditor General and the **Procurement Regulatory Authority of Zimbabwe**, as they all require capacitation to enable their effectiveness."*⁹

Ncube presents infrastructure-oriented 2021 budget

Ncube presented the **2021 National Budget** statement on 27 November, emphasising the need to fast-track infrastructure development for growth. The 2021 Budget includes a ZWL\$5.5 billion (\$67m) allocation for:

- Mineral and agro-processing programmes for value addition, value chains and beneficiation;
- Equipping training and institutions with state-of-the-art infrastructure;
- Engaging private, public and other stakeholders to develop state of the art research infrastructure and cooperation mechanisms; and
- Strengthening **Centres for Educational Research, Innovation and Development (CERIDs)**, among others.¹⁰

The budget highlights the opportunity to engage with the finance ministry and other government stakeholders for **Fourth Industrial Revolution (4IR)**-led investments (both finance and technical expertise). Collaboration with higher education institutions and research bodies is also a key area for investment in high-end scientific, technological, research and engineering skills, in line with global standards.¹¹ The office of the president and cabinet (**OPC**) reported on 2 December that the government is working hard to ensure growth and development through various infrastructural development projects:

*"So far, the President has presided over the commissioning of dams in different parts of the country such as **Marovanyathi** in **Buhera**, power generation projects in*

⁴ All Africa, 6 Aug 2019

⁵ News24, 6 Dec 2020

⁶ The Herald, 20 Oct 2020

⁷ The News Hawks, 20 Nov 2020

⁸ ARC source, economist in the Zimbabwe Ministry of Finance

⁹ 2021 National Budget Statement

¹⁰ 2021 National Budget Statement

¹¹ 2021 National Budget Statement

*Hwange, the road constructions as well as the reopening of parts of **Chipinge** and **Chimanimani** which were ravaged by **Cyclone Idai** a year ago.”¹²*

Infrastructure development is one of the Mnangagwa administration’s key focus areas, as noted in the **National Development Strategy 1 (January 2021 – December 2025)**, published on 16 November. Key projects will include the upgrading of the **Beitbridge-Harare-Chirundu** route, which connects Zimbabwe to South Africa and **Zambia**, and serves as a regional land-link for the transportation of goods and people. Key infrastructure development goals include power generation to ensure uninterrupted power supply for residential, industrial, farming and mining purposes, a measure that is expected to positively impact overall economic performance.¹³

Smart agriculture targets food security ...

To address the challenges of climate change in the country’s farming sector, the budget plan includes planning for “*Smart Agriculture*” alternatives.¹⁴ Proposed policies include the adoption of genetically modified (GM) farming practices despite controversy over the merits of genetic engineering. Companies seeking to invest in Zimbabwe’s 4IR-led agriculture initiatives will need to choose priority areas based on local needs-based assessments.¹⁵ The government will also look into promoting precision agriculture that uses information technology to ensure that crops and soil receive optimum health and productivity, in order to guarantee profitability, sustainability and protection of the environment.¹⁶

The 4IR approach opens up the agriculture sector to investors and experts in farming technology. The now functional **Zimbabwe Investment Development Agency (ZIDA) Act** of February 2020 allows for the set-up of a “*One-Stop-Shop*” to ensure ease of doing business in the country. The agency has brought all agencies concerned with, or involved in, the approval and easing of investment decisions in the country into one office.¹⁷ This will ease the process of getting investment approval, particularly where non-residents are involved.

... as ZIDA seeks to improve mining sector governance

Weak governance in the mining sector remains a major limiting factor despite Zimbabwe’s rich resources of minerals including:

“... gold, Platinum Group Metals (PGMs), diamonds, coal, gemstones, granite, manganese, chrome, lithium, asbestos, iron ore, copper, nickel, cobalt, limestone, coal-bed methane (CBM) and rare earth minerals.”¹⁸

The ZIDA is expected to improve the ease of doing business in the mining sector by eliminating multiple administrative hurdles that constrained investment over the past decade. Further reforms will include:

*“... the finalisation and implementation of mineral specific policy frameworks and a comprehensive review of the **Gold Trade Act**, **Precious Stones Trade Act** and amendment of the **Mines and Minerals Act** during the **National Development Strategy 1 (January 2021 – December 2025)** phase.”¹⁹*

Mining rights for foreign investors have been linked to human rights violations and

¹² The Office of the President and Cabinet, 2 Dec 2020

¹³ 2021 National Budget Statement

¹⁴ 2021 National Budget Statement

¹⁵ 2021 National Budget Statement

¹⁶ 2021 National Budget Statement

¹⁷ National Development Strategy 1 - 2021-2025

¹⁸ National Development Strategy 1 - 2021-2025

¹⁹ National Development Strategy 1 - 2021-2025

allegations of a lack of due diligence on the part of government officials. The **Centre for Natural Resources Governance (CNRG)** noted on 28 November that mining investors obtain formal licences from central government and relevant regulatory bodies, but fail to consult local communities.²⁰ As a result, the entry of large-scale miners intrudes on the livelihood activities of small-scale miners and local communities centered on the mining deposits. **Mutasa** district residents claim that **Chinese** miner **Zhongjin** buried 10 artisanal miners on 11 November during a land reclamation exercise at **Premier Estates**,²¹ which is owned by **ZimGold Fields**, a privately owned company.²² An unnamed group of **Belarusian** investors has also been accused of using plain-clothes and uniformed members of the police force to disperse artisanal miners at Premier Estates.²³

Impact of Covid-19: thriving under the new normal?

Zimbabwe's economy was already ailing before COVID-19 and the ensuing global lockdowns struck, with high levels of unemployment and higher participation in the informal sector. In the five-year period preceding 2020, over 90% of Zimbabwe's 6.3 million economically active citizens were employed in the informal sector.²⁴ While the small and medium-sized enterprise (SME) sector played a positive role for the economic progress of the country,²⁵ the **Zimbabwe National Statistics Agency (ZimStats)** reported that only 2.9 million people were formally employed in 2019:

*"47% of persons in the 15-35 age bracket were not in employment, not in education and not in training."*²⁶

Lockdown measures led to the shutdown of informal markets,

*"... as a result, informal workers struggle to find work, while access to food has become a key challenge for poor urban households".*²⁷

With fewer employment opportunities and the loss of income-generating sources for breadwinners, the economic outlook appears even bleaker. The **United Nations World Food Programme (WFP)**, working in partnership with the Zimbabwe government and **United States Agency for International Development (USAID)** to disburse relief packages, including cash disbursements, to vulnerable citizens, predicts that by the end of 2020,

*"... the number of food insecure people will have surged to 8.6 million – a staggering 60% of the population."*²⁸

The closure of ports of entry, especially borders with **Botswana**, **Zambia**, **Mozambique** and **South Africa**, key sites for cross-border trade and transportation of goods and people, has stifled opportunities for alternative livelihood activities. The cost of paying for COVID-19 tests in order to gain entry into the neighbouring country is currently beyond the reach of most. Lower levels of human movement within the region are likely to persist, with some who are willing to cross illegally doing so at the risk of losing their lives or being arrested.

COVID-19 has presented money transfer firms with the opportunity to gain from Africa-bound remittances, at least until levels of international travel rise. Diaspora remittances are an

²⁰ Centre for Natural Resources Governance (CNRG), 28 Nov 2020

²¹ Centre for Natural Resources Governance (CNRG), 28 Nov 2020

²² XINHUA, 17 Nov 2020

²³ NewZimbabwe, 30 Nov 2020

²⁴ Mazikana 2019 - The Impact of Small to Medium Enterprises to the Zimbabwean Economy and the Challenges They Face. A Case Study on Small and Medium Enterprises Association of Zimbabwe

²⁵ Mazikana 2019

²⁶ Zimbabwe National Statistics Agency (ZimStats), 2019

²⁷ World Food Programme (WFP), Sept. 2020

²⁸ World Food Programme (WFP), Sept. 2020

important source of foreign currency, since Zimbabwe has been experiencing shortages of **United States** dollars. Despite a slump in remittances globally, due to the economic impact of COVID-19, **Reserve Bank of Zimbabwe (RBZ)** governor **John Mangudya** noted that remittances increased by 45% from January to September.²⁹ Mangudya said this was because COVID-19 lockdowns had forced people to send money home via official channels, leading to increased formalisation of the economy.

“The diaspora remittances helped drive up foreign exchange inflows to \$4.76 billion during the January-September period, up from \$4.22 billion during the same period last year.”

Reuters reported on 19 November that:

*“Africa-focused money transfer firms have seen a boom despite predictions from the **World Bank** of a historic 20% drop to \$445 billion in remittances to poorer countries in 2020, due to the pandemic-induced economic slump worldwide.”*

A peak in remittances over the Christmas period could ease some of Zimbabwe’s foreign currency challenges. However, a decrease in travel to home countries will negatively impact foreign currency generated by airlines, tourism service providers, event organisers and other local businesses, which often experience a boom during the festive season.

²⁹ Reuters, 19 Nov 2020

Planner

14 Dec 2020 **Harare (Zimbabwe)** ZANU-PF District Coordinating Committees' (DCC) election ends;

July 2023 **(Zimbabwe)** Harmonised elections

Chronology

9 Dec 2020 **Harare (Zimbabwe)** *The Herald Zimbabwe*. Permanent secretaries and heads of government departments will be given performance-based contracts as part of the roadmap for **National Development Strategy 1 (NDS1)**;

9 Dec 2020 **Harare (Zimbabwe)** *Social media statement*. The **Zimbabwe Anti-Corruption Commission (ZACC)** commemorates the **United Nations** International Anti-Corruption day with the international theme "*Recover with Integrity*";

9 Dec 2020 **Victoria Falls (Zimbabwe)** – *ZBC News*. **Victoria Falls** attains city status;

8 Dec 2020 **Harare (Zimbabwe)** *NewsDay*. **Zimbabwe Republic Police** threaten to clamp down on social media users who "*cyber-bully*" government officials, which critics say is meant to muzzle critics of President **Emmerson Mnangagwa**;

8 Dec 2020 **Harare (Zimbabwe)** *ZimStat*. State statistics agency **ZimStat** says the inflation rate eased to 401.66% in November year-on-year from 471.25% the previous month;

8 Dec 2020 **Harare (Zimbabwe)** *ZBC News*. Zimbabwe has 10,547 confirmed **COVID-19** cases compared to the 9,714 reported last week;

7 Dec 2020 **Harare (Zimbabwe)** *Business Day*; **Russia**-backed platinum mine project **Great Dyke Investments** sells a 4.4% stake to **Fossil Mines**, owned by **Zimbabwe's Obey Chimuka**, as the **covid-19** crisis has delayed fundraising for the project; the sale values Great Dyke Investments at \$680m;

7 Dec 2020 **Harare (Zimbabwe)** *The Herald Zimbabwe*. Voting for the ruling **ZANU-PF** District Coordinating Committees (DCC) is underway;

3 Dec 2020 **Harare (Zimbabwe)** *Bloomberg*. Global news outlet **Bloomberg** describes billionaire businessman **Strive Masiyiwa** as Zimbabwe's "*message of hope*" after his foundation paid monthly stipends from \$62-\$124 to health-care workers to stay on the job during the pandemic.

1 Dec 2020 **Harare (Zimbabwe)** *New Zimbabwe*. **Harare** magistrate **Ngoni Nduna** removes from remand **Delish Nguwaya**, a businessman connected to President **Emmerson Mnangagwa**, who faced charges of fraudulently winning a \$6m government tender to supply **COVID-19** materials in what was known as the **Drax scandal**.

1 Dec 2020 **Harare (Zimbabwe)** *Office of the President*. Of Zimbabwe's 1.3 million HIV positive people, 97% are now on antiretroviral therapy, up by 9% since 2015;

30 Nov 2020 **Harare (Zimbabwe)** *New Zimbabwe*. Finance secretary **George Guvamatanga** says Zimbabwe will not consider using the **United States** dollar as its default tender again, and will not repeat the mistake of abandoning its local currency;

26 Nov 2020 **Harare (Zimbabwe)** *New Zimbabwe*. Finance minister **Mthuli Ncube** presents the \$421.6 billion **2021 National Budget** to parliament, saying the economy is expected to grow by 7.4% in 2021 after a projected 4.1% contraction this year.

24 Nov 2020 **Harare (Zimbabwe)** *International Crisis Group*. Research organisation **International Crisis Group** says more than \$1.5 billion of gold is smuggled out of **Zimbabwe**

every year.

23 Nov 2020 **Harare (Zimbabwe)** *NewsHawks*. Investigative news platform **NewsHawks** reports that informed sources say President **Emmerson Mnangagwa** is attempting to implicate vice president **Constantino Chiwenga** in the involvement of Chiwenga's ally, deputy health minister **John Mangwiro**, in coercing state-owned medical supplies entity **NatPharm** to award a \$5.6m **Covid-19** tender to a **Chinese** company in which he had a personal interest;

23 Nov 2020 **Harare (Zimbabwe)** *AA*. Ruling **Zanu-PF** party top official **George Makombe** confirms reports that dispossessed white farmers are returning to once-seized land, this time as tenants to black farmers;

20 Nov 2020 **Harare (Zimbabwe)** *Daily Maverick*. **Harare High Court** releases journalist **Hopewell Chin'ono** on bail, ruling that the lower court had misdirected itself in denying Chin'ono bail last week on grounds that he had a "*propensity to commit offences*" when he had no previous convictions.

17 Nov 2020 **Harare (Zimbabwe)** *NewsDay*. President **Emmerson Mnangagwa** launches Zimbabwe's short-term economic development agenda, the **National Development Strategy 1 (NDS1)** (2021-2025), which projects economic growth rates of 7.4% and 5.2% in 2022 and 2023;

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