

## AFRICA RISK CONSULTING

### Zimbabwe Monthly Briefing: July 2016

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#### Zimbabwe Summary 27 July 2016

*Tensions are building in Zimbabwe as protests escalate against President Robert Mugabe (1980-present) and the ruling Zimbabwe African National Union-Patriotic Front (Zanu-PF) party. The protests mainly revolve around the “#This Flag” movement that pastor Evan Mawarire started in May. Mugabe’s government has sought financial assistance from European countries as its funds dry up, leading to the failure to pay civil servants’ salaries for the second month in a row. The government is planning large infrastructure projects as it seeks to upgrade the country’s public transport systems.*

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#### Tension increases as civilians protest against the government

Political tensions have increased following mass action organised around a social movement called #This Flag that youth pastor **Evan Mawarire** began in May.<sup>1</sup> The mass action also led to a stay-away on 6 July, leading to closure of shops, schools and some government departments, in protest against the deteriorating economic situation that Zimbabweans are facing. The government’s enforcement on 1 July of new import restrictions on goods coming from **South Africa** also sparked violence and protests at the **Beitbridge** border post, leading to the destruction of a **Zimbabwe Revenue Authority (ZIMRA)** warehouse and the arrest of several dozen protesters. The violence had spread to other parts of the country by 4 July, with a series of clashes between police and protesters in parts of the capital, **Harare**.<sup>2</sup> The police used extreme force against protesters, including live ammunition to disperse commuter omnibus (taxi) crews protesting against the high number of police roadblocks, which police use to collect bribes through ‘traffic fines’.<sup>3</sup>

Mawarire started the #ThisFlag campaign in May when he began posting videos online in which he expressed his frustrations with the state of affairs in Zimbabwe and the government’s failure to provide public goods and resuscitate the economy, while wearing the national flag around his neck. The campaign is politically non-partisan.<sup>4</sup> The campaign has since snowballed into a platform for Zimbabweans in and out of the country to vent their discontent with the socio-economic and political situation. The campaign has also found resonance with other activists and social movements, such as **Tajamuka-Sesijikile** (We refuse) which prominent civil society activist **Promise Mkwanazi** leads.<sup>5</sup>

Police arrested and charged Mawarire on 12 July for inciting public violence and disturbing the peace, which it eventually changed to “*subverting a constitutional government in contravention of Section 22 (2) of the Criminal Law (Codification and Reform) Act*”.<sup>6</sup> The charges carry a possible jail sentence of 20 years with no option for a fine.<sup>7</sup> However, magistrate **Vakayi Chikwekwe** acquitted Mawarire of the charges on 13 July.<sup>8</sup>

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<sup>1</sup> Zimbabwe Independent, 7 Jul 2016.

<sup>2</sup> News Day Zimbabwe, 5 Jul 2016.

<sup>3</sup> News Day Zimbabwe, 5 Jul 2016

<sup>4</sup> Zimbabwe Independent, 7 Jul 2016

<sup>5</sup> New Day Zimbabwe, 8 Jul 2016.

<sup>6</sup> Mail and Guardian, 13 Jul 2016.

<sup>7</sup> Mail and Guardian, 13 Jul 2016.

<sup>8</sup> Mail and Guardian, 13 Jul 2016.

*“The recent protests in Zimbabwe, including the nationwide shutdown of 6 July, are clear indication that the extreme patience of the people of Zimbabwe may finally have run out. Evan Mawarire’s case in court demonstrates that Mugabe’s support, even within previously pliant parts of State structures, is badly diminished. Whatever the outcome of recent protests, maybe the tide is turning in Zimbabwe. The events of the civilian protests of July 2016 will be remembered as a pivotal moment in the twilight of President Robert Mugabe’s long reign.”<sup>9</sup>*

Mawarire’s arrest and subsequent release in court notably coincided with finance minister **Patrick Chinamasa**’s call for donor aid from **Europe** (see below). It is possible the legal decision was intended to appease western donors, demonstrating judicial independence and the rule of law in Zimbabwe.

### Government seeks to re-engage Europe for financial support

Finance minister Patrick Chinamasa visited European capitals at the beginning of July seeking financial assistance as the Zimbabwean economy continues to collapse. Chinamasa was reportedly hoping to borrow \$1 billion to pay off part of Zimbabwe’s arrears to the **World Bank**, the **International Monetary Fund (IMF)** and the **African Development Bank (AfDB)**.<sup>10</sup> Zimbabwe owes a total of US\$1.8 billion to these institutions:<sup>11</sup> \$110m to the IMF; \$1.15 billion to the World Bank and \$601m to the AfDB.<sup>12</sup> The government is hoping they will resume direct financial support to Zimbabwe.<sup>13</sup> Under a plan that it previously presented at IMF/World Bank annual meetings, Zimbabwe indicated that it would clear its debts by the end of June,<sup>14</sup> but the government has now delayed this until before the World Bank and the AfDB board meetings in September.<sup>15</sup>

Meanwhile, IMF communications director **Gerry Rice** has refuted Chinamasa’s claims that there are ongoing talks regarding a financing programme with the global lender:

*“The authorities have announced a plan to clear their arrears with the fund and with other international institutions as part of their re-engagement with the international community.”<sup>16</sup>*

Rice said that once Zimbabwe has cleared its arrears, the IMF board will have to approve the normalisation of relations before considering any financing requests from the Zimbabwean authorities.<sup>17</sup> The IMF has maintained that Zimbabwe needs to undertake some reforms before the fund can consider requests for finance.<sup>18</sup> These include economic policies that provide assurance regarding the country’s ability to service and sustain its debt.<sup>19</sup>

*“Chinamasa’s contradiction with the IMF is true of what the Zanu-PF regime has been doing for a long time, lying to everyone, including to themselves about the state of the economy in Zimbabwe. The regime has its back against the wall. It is desperately in need of credit lines to stay afloat. No funding will come to this government. They cannot take anyone for a ride anymore. Even ordinary citizens have now lost patience in the failing system and are now taking to the streets to protest against this government.”<sup>20</sup>*

<sup>9</sup> Source, analyst, Zimbabwe

<sup>10</sup> The Economist, 9 Jul 2016.

<sup>11</sup> New Zimbabwe, 18 Jul 2016.

<sup>12</sup> Fin24, 9 Oct 2015.

<sup>13</sup> The Economist, 9 Jul 2016.

<sup>14</sup> Fin24, 9 Oct 2015.

<sup>15</sup> NewsDay Zimbabwe, 18 Jul 2016.

<sup>16</sup> NewsDay Zimbabwe, 18 Jul 2016.

<sup>17</sup> NewsDay Zimbabwe, 18 Jul 2016.

<sup>18</sup> NewsDay Zimbabwe, 18 Jul 2016.

<sup>19</sup> NewsDay Zimbabwe, 18 Jul 2016.

<sup>20</sup> Source, analyst, Zimbabwe

The government's policies over the years – including violent land reform and indigenisation – have not demonstrated any commitment to prudent economic management. The international community is also seemingly fatigued with the situation in Zimbabwe, including the **Chinese** who have long propped up the government through loans and direct investments. Chinamasa's trip to Europe, risking domestic embarrassment, showed the extent of the government's desperation, which may lead to some policy concessions.

### Government plans to implement new transport system

The government is drawing up a modern urban transport system that aims to decongest traffic in cities.<sup>21</sup> Other African countries, including **Tanzania, Ethiopia, Kenya** and **South Africa**, have conducted similar upgrades to urban transport systems. The initiative will receive technical and financial support from the World Bank.<sup>22</sup> Local government secretary **George Mlilo** said the government plans to implement a system in which high-volume buses link central business districts to intra-city locations, while it would restrict commuter omnibuses ("kombis") to inter-suburb routes until their decommissioning.<sup>23</sup> An estimated one million people use urban public transport across Zimbabwe every day, most relying on minibuses that became the main mode of transport after the state-owned **Zimbabwe United Passenger Company (ZUPCO)** failed.<sup>24</sup> With the increasing number of vehicles in Zimbabwean cities, traffic congestion has caused challenges to both authorities and the general public, especially in Harare. The **City of Harare's** department of urban planning said that there are about 4,500 registered commuter omnibuses, with an additional 6,000 operating illegally in the city.<sup>25</sup>

This is not the government's first attempt to roll out a high volume public transport system. The government tried a similar programme in 2005 when it acquired buses through ZUPCO.<sup>26</sup> The buses were intended to move people in high volumes between the city of Harare and some of the busy and highly populated areas around the city. However, the system failed at the initial stages as ZUPCO could not raise sufficient funds to procure more buses to supplement the initial 50 buses it had procured from **Pioneer Motor Corporation (PMC)**.<sup>27</sup>

Although the World Bank's involvement in the programme has given credence to this initiative, some observers argue that the initiative may not succeed.

*"The idea is long overdue and very important given the chaos in cities at the moment. Although this is a good idea in theory, it may not work in Zimbabwe as long as Zanu-PF is still in power. Everything that happens in Zimbabwe with the government's involvement has to play into Zanu-PF's modus operandi – that of corruption and self-enrichment. It will be used to capture power, keep it or expand it in the same way Zanu-PF has failed to operate other parastatal led projects in the country."*<sup>28</sup>

In a similar attempt to improve infrastructure, transport minister **Joram Gumbo** said his ministry will embark on an extensive **Build-Operate-Transfer (BOT)** road programme, in which it will offer tenders to rehabilitate the road network under tolling concessions.<sup>29</sup> While addressing the inaugural **Infrastructure Development Conference** on 20 July in **Bulawayo**, which ran concurrently with the **Mining, Engineering and Transport Expo**, Gumbo told delegates that the government had secured a

<sup>21</sup> Sunday Mail, 24 Jul 2016.

<sup>22</sup> Sunday Mail, 24 Jul 2016.

<sup>23</sup> Sunday Mail, 24 Jul 2016.

<sup>24</sup> Sunday Mail, 24 Jul 2016.

<sup>25</sup> Sunday Mail, 24 Jul 2016.

<sup>26</sup> Zimbabwe Independent, 15 Apr 2005.

<sup>27</sup> Zimbabwe Independent, 15 Apr 2005.

<sup>28</sup> Source, analyst, Zimbabwe

<sup>29</sup> New Zimbabwe, 21 Jul 2016.

financier for the rehabilitation of the **Beitbridge-Harare-Chirundu** highway, with an estimated cost of \$2.71 billion.<sup>30</sup> Gumbo also indicated that the Treasury and the **Zimbabwean National Roads Administration (ZINARA)** do not have capacity to rehabilitate the countries' roads, hence, the government is looking to attract external participation in the sector.<sup>31</sup> Gumbo said that the **National Railways of Zimbabwe (NRZ)** is attracting a number of potential investors as it seeks to resuscitate its operations. The state-owned enterprise is struggling to offset a legacy debt of about \$144m owed to various creditors and requires about \$1.9 billion to fully recapitalise its operations.<sup>32</sup> The minister indicated that although companies from Europe, **India** and China<sup>33</sup> have shown interest in injecting capital into the NRZ, the government is taking time to consider the right partner to provide wagons and locomotives that fit the country's specifications.<sup>34</sup>

*"Any investment in Zimbabwe's rail sector needs to be considered with a great deal of caution. There is a huge maintenance backlog of the railway infrastructure: in some cases, the tracks have been vandalised. Given that Zimbabwean industry has virtually collapsed, meaning less or no work for NRZ, investors should do their own feasibility studies in order to establish if they will get back the money in case of insufficient government guarantees."*<sup>35</sup>

Public transport infrastructure is one area where the government has engaged the private sector through public-private partnerships (PPPs). The road and rail projects that the government proposes are typical examples of PPP projects. In this case, there seems to be investment security in the rehabilitation of the highways where the user-pay principle will be applied. The rail sector will move slowly as it is still not clear who will bear the cost in the rail system. As part of efforts to rehabilitate the country's road network, the government introduced a road tolling system six years ago. ZINARA officials told parliament recently that they had collected \$180m from the tollgates and that plans were underway to introduce more tollgates.<sup>36</sup>

### Implications

The increasing protests in Zimbabwe indicate that Mugabe's political influence is declining as a consequence of almost three decades of misrule and economic decline. Ongoing economic and social challenges have led to growing frustration among Zimbabweans, resulting in the recent protests that the #This Flag campaign triggered. The worsening cash shortages have further weakened the economy, as bond currency has failed to curb the cash shortages.

The government seeks to re-engage the international community, including European countries for financial assistance. Long-term lenders, led by the IMF, are pushing for reforms before considering any discussion for resumption of financing, which the Mugabe administration has promised but not yet adopted. Any form of assistance that comes without any reform preconditions may play into Zanu-PF's favour. The Zanu-PF government would use the funds to sustain the patron-client system that Mugabe' administration depends on. In the short term, the government may adopt some commitments to seemingly genuine reforms, although it is likely to abandon them in the long run.

Transport systems and other infrastructure rehabilitation plans currently underway are likely to fail due to ongoing political instability and economic decline.

<sup>30</sup> New Zimbabwe, 21 Jul 2016.

<sup>31</sup> Sunday News, 24 Jul 2016.

<sup>32</sup> Sunday News, 24 Jul 2016.

<sup>33</sup> Sunday News, 24 Jul 2016.

<sup>34</sup> Sunday News, 24 Jul 2016.

<sup>35</sup> Source, analyst, Zimbabwe

<sup>36</sup> New Zimbabwe, 21 Jul 2016.

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