

AFRICA RISK CONSULTING

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Zimbabwe Summary 15 March 2018

Former president Robert Mugabe (1980-2017) is reportedly backing a new political party, the New Patriotic Front (NPF), headed by former cabinet minister and retired brigadier general Ambrose Mutinhiri. The party threatens to divide the vote in the upcoming general elections. South Africa-based economic research firm NKC African Economics (NKC) upgrades Zimbabwe's sovereign credit rating for the first time in almost 20 years. Zimbabwe rejoins the Kazungula rail and road bridge project.

Mugabe backs New Patriotic Front

Former president **Robert Mugabe** (1980-2017) is reportedly backing a new political party, the **New Patriotic Front (NPF)**, headed by former cabinet minister and retired brigadier general **Ambrose Mutinhiri**.¹ This is likely to result in a more closely contested election, given that the new party represents the continuation of factional conflicts within the ruling **Zimbabwe African National Union Patriotic Front (Zanu-PF)**. Mutinhiri, a veteran of **Zimbabwe's 1970's Chimurenga** war of national liberation, quit Zanu-PF and gave up his **Marondera West** parliamentary seat on 2 March, alleging that the **Zimbabwe Defence Forces (ZDF)** had unconstitutionally overthrown Mugabe in a coup in November.² Mutinhiri reportedly sought Mugabe's support for the NPF, which local sources say Mugabe has given.³ According to local sources, other founders of the party include Mugabe allies who were ousted from Zanu-PF after the November military coup.⁴

Mugabe's re-emergence in the political scene and his association with the NPF have reportedly rattled President **Emmerson Mnangagwa** (2017-present) and Zanu-PF, because of the potential to divide the vote in the upcoming elections.⁵ Local media report that Mugabe has held meetings with former vice president **Joice Mujuru**, whom he sacked in 2014 over allegations that she and several other senior Zanu-PF figures sought to topple him from power.⁶ Mugabe has also reportedly reached out to some political leaders within the **Movement for Democratic Change (MDC)** and business people to devise strategies that would scuttle Mnangagwa's chances of winning the election.⁷ Mugabe flew to **South Africa** on 7 March, on the pretext of visiting his sons, but reportedly held high-level meetings with his political allies.⁸ These are likely to include former cabinet ministers **Jonathan Moyo**, **Saviour Kasukuwere** and **Patrick Zhuwao**, whose whereabouts are unknown since the coup.⁹ There is speculation they are in South Africa planning the NPF's strategy.¹⁰

¹ News24, 9 Mar 2018.

² Reuters, 4 Mar 2018.

³ Reuters, 4 Mar 2018.

⁴ News24, 9 Mar 2018.

⁵ Reuters, 4 Mar 2018.

⁶ Zimbabwe Independent, 9 Mar 2018.

⁷ Zimbabwe Independent, 9 Mar 2018.

⁸ The Standard, 11 Mar 2018.

⁹ The Standard, 11 Mar 2018.

¹⁰ The Standard, 11 Mar 2018.

Local media report that the military questioned Mugabe's staff about the recent developments and the visitors Mugabe has been receiving at his "**Blue Roof**" private residence.¹¹ Mnangagwa confirmed the fallout with Mugabe in the media, saying his government was closely monitoring Mugabe's moves and would take action if his actions threaten to undermine national security.¹²

*"It appears that Mugabe is trying to create an impression that he has a lot of residual support after the coup. He is unaccustomed to not exercising power and he thinks he can still exercise control over the political direction of Zimbabwe. Mugabe does not think he should depend on Mnangagwa to have a comfortable political retirement and wants people on whom he can exercise authority even when he is off the political field."*¹³

Many blame Mugabe's policies for Zimbabwe's decline from breadbasket to economic "basket case", with unemployment still over 80%, dilapidated public infrastructure and severe foreign currency shortages.¹⁴ Mugabe's alleged attempts to undermine Mnangagwa's administration have the potential to destabilise the country by increasing the risk of intra-Zanu-PF violence. However, Mnangagwa has promised to return the country to democracy and a sustainable growth path, to hold transparent elections by July this year, and to respect the result if the opposition wins.¹⁵ He will also be hoping to re-establish cordial relations with the international community to secure financial assistance and much needed attract foreign investment.

Zimbabwe's sovereign credit rating improves

South Africa-based economic research firm **NKC African Economics (NKC)** upgraded Zimbabwe's sovereign credit rating for the first time in nearly 20 years on 7 March.¹⁶ The stable credit rating shows that Zimbabwe's risk profile has improved and it now has an opportunity to secure fresh lines of credit and new investments.¹⁷ NKC stated that the credit upgrade reflects the continued progress on economic and institutional reforms that could boost the country's growth potential.¹⁸ NKC revised the outlook on Zimbabwe's "C" sovereign risk rating from negative to stable, citing lower risks of loose fiscal policy and no material deterioration in the investment climate under the Mnangagwa government.¹⁹

NKC's decision is based on a raft of economic reforms announced by Mnangagwa's government, some of which have begun to show discernible effects.²⁰ The government announced that it was in talks for a \$1.5 billion guarantee with **Cairo-based African Export Import Bank (Afreximbank)** to ensure foreign investors' funds are protected.²¹ The **Reserve Bank of Zimbabwe (RBZ)** (central bank) has also announced a \$400m facility to support critical imports and allow investors to repatriate funds.²²

¹¹ Zimbabwe Independent, 9 Mar 2018.

¹² Zimbabwe Independent, 9 Mar 2018.

¹³ Source, analyst, London

¹⁴ Source, analyst, London

¹⁵ Reuters, 5 Mar 2018.

¹⁶ Daily News, 8 Mar 2018.

¹⁷ The Chronicle, 14 March 2018

¹⁸ Daily News, 8 Mar 2018.

¹⁹ Daily News, 8 Mar 2018.

²⁰ Daily News, 8 Mar 2018.

²¹ Daily News, 8 Mar 2018.

²² Daily News, 8 Mar 2018.

“Basically, stabilisation of credit ratings is not only restricted to the country being able to negotiate with multilateral institutions for lines of credit, but essentially points out that the political direction of a country is receiving approval. It also entails that economic policies are attuned to business expectations and that the country can negotiate for foreign direct investments (FDIs) with investors from across the world.”²³

NKC indicated that Mugabe’s removal from power had injected great optimism and a sense of hope, with Mnangagwa’s foreign policy indicating a bias towards renewed economic development.²⁴ NKC has, however, warned that investors should not expect a further upgrade until elections are held:

“What all this means for Zimbabwe in the short to medium term will depend critically on the conduct and outcome of elections scheduled to take place in the next few months.”²⁵

NKC has kept a positive outlook on the upcoming elections and predicts that,

“Zanu-PF will lay off the institutionalised rigging and intimidation and try to run a free and fair poll.”²⁶

The positive credit ratings endorse the new political dispensation and the policies that the new government will enact.²⁷ The political transition has also received approval from various international organisations across the globe, marking an end to Zimbabwe’s political isolation.²⁸ In January, the **European Union (EU)** indicated that it was ready to review its ties with Zimbabwe and support its re-engagement with international financial institutions on the basis that there is a clear plan for political and economic reform.²⁹ Foreign ministers from the **United Kingdom (UK), China, Russia** and other countries have also seized the opportunity to visit **Harare** and establish diplomatic ties with the Mnangagwa administration.³⁰

While the improved credit rating speaks to positive investor sentiments, Zimbabwe still has to address some challenges. In the short term, the economy remains under severe pressure. Foreign currency reserves remain low while the government has opted to inject additional bond notes into the economy to incentivise continued exporting.³¹ The government has mooted setting up its own currency at some point, once the economic fundamentals are in place.³² Positive agricultural production in 2017, combined with the bond note export incentive, could encourage exports (and foreign exchange reserves) in 2018 and 2019, further boosting optimism for Zimbabwe’s economy.³³

Zimbabwe rejoins the Kazungula Bridge project

Botswana and **Zambia** have agreed to re-incorporate Zimbabwe into the \$259m **Kazungula** rail and road bridge project.³⁴ This signifies Zimbabwe’s return to regional integration, and

²³ Source, analyst, Harare

²⁴ Financial Gazette, 8 Mar 2018.

²⁵ NKC, 7 Mar 2018.

²⁶ NKC, 7 Mar 2018.

²⁷ The Chronicle, 14 March 2018

²⁸ Source, analyst, London.

²⁹ Daily News Live, 8 Mar 2018

³⁰ Daily News Live, 8 Mar 2018

³¹ Source, analyst, London

³² Source, analyst, London

³³ NKC, 7 Mar 2018.

³⁴ Sunday Mail, 11 Mar 2018.

will also ensure that it accesses economic benefits accruing from the new bridge.³⁵ President Mnangagwa met with his counterparts, Botswana's President **Ian Khama** (2008-present), and President **Edgar Lungu** (2015-present) of Zambia on 10 March at the newly refurbished **Kasane International Airport** in Botswana to finalise the agreement before touring the project to inspect progress in construction of the bridge.³⁶

Mnangagwa's administration secured its inclusion in the project as part of efforts to revamp Zimbabwe's international diplomatic and economic image.³⁷ Talks on the multinational project in the **Southern African Development Community (SADC)**'s **North-South Corridor** started in 2008. Work began in 2014, but Zimbabwe isolated itself from the initiative because of the tense relationship between Mugabe and Khama.³⁸ Mnangagwa said that Zimbabwe pulled out of the project as a result of a boundary dispute when Mugabe had refused to have the bridge enter Zimbabwe's territory.³⁹ Zambia and Botswana went ahead with the project but had to alter the design of the bridge.⁴⁰ This extended the length of the bridge from 600 metres to 923 metres.⁴¹

A co-financing arrangement with the **African Development Bank (AfDB)** and the **European Union-Africa Infrastructure Fund Trust** is funding construction of the bridge.⁴²

Mnangagwa indicated that Zimbabwe will contribute to the loan in the same way as Zambia and Botswana.⁴³ Once complete, the bridge will enhance the economic activities and prospects of the entire SADC region. The handover of the project to the three governments is expected in March 2019.⁴⁴

There have been mixed views about the benefits to Zimbabwe of the Kazungula Bridge. Some analysts suggest that the bridge will divert traffic from the **Chirundu** and **Beitbridge** ports of entry, as it will provide an alternative route to South African port of **Durban** for Zambia, **Tanzania** and the **Democratic Republic of the Congo (DRC)**.⁴⁵ However, Mnangagwa said Zimbabwe will have a share of revenue accruing from the bridge, as Botswana and Zambia have agreed that Zimbabwe must have the same facilities of a one-stop border post as in their countries.⁴⁶ The Kazungula Bridge will facilitate trade through reduced transit time for freight and passengers, and reduced time-based trade and transport costs.⁴⁷ Border management operations are also expected to improve as a result of the new one-stop border facilities.⁴⁸

"By joining the Kazungula projects, Mnangagwa is re-assuring his neighbours and the world that Zimbabwe is indeed open for business, and committed to new way of doing things. While the completion of the project increases transit competition for Zimbabwe, it may also provide an opportunity for the country to address its own transit

³⁵ Sunday Mail, 11 Mar 2018.

³⁶ Sunday Mail, 11 Mar 2018.

³⁷ Sunday Mail, 11 Mar 2018.

³⁸ Sunday Mail, 11 Mar 2018.

³⁹ Sunday Mail, 11 Mar 2018.

⁴⁰ Sunday Mail, 11 Mar 2018.

⁴¹ Sunday Mail, 11 Mar 2018.

⁴² Sunday Mail, 11 Mar 2018.

⁴³ Sunday Mail, 11 Mar 2018.

⁴⁴ Financial Gazette, 11 March 2018

⁴⁵ The Herald, 13 Mar 2018.

⁴⁶ The Herald, 13 Mar 2018.

⁴⁷ The Herald, 13 Mar 2018.

⁴⁸ The Herald, 13 Mar 2018.

inefficiencies. Zimbabwe needs to speed up the dualisation of the Beitbridge-Chirundu highway for traffic flowing into Zambia, DRC and Tanzania and address congestion at these two border posts.”⁴⁹

The re-activation of sound relations between Harare and **Gaborone** could see revived talks for the construction of a railway line linking the two countries to **Mozambique**.⁵⁰ Although Zimbabwe and Mozambique have made several diplomatic overtures in the past, they have not engaged in large-scale economic cooperation because poor political relations were not conducive for the multi-million-dollar projects to take off.⁵¹

⁴⁹ Source, analyst, London.

⁵⁰ Source, analyst, London.

⁵¹ The Herald, 13 Mar 2018.

Planner

March 2019: Scheduled opening of **Kazungula Bridge**

18 Apr 2018. Zimbabwe Independence Day

July/August 2018. Scheduled general elections

Chronology

18 Mar 2018. **(Zimbabwe)** *Eyewitness News*. President **Emmerson Mnangagwa** announces that Zimbabwe's elections are scheduled for July;

15 Mar 2018. **(Zimbabwe)** *The Guardian*. Former president **Robert Mugabe** gives first formal news media interviews since being ousted in a coup in November 2017, calling president **Emmerson Mnangagwa's** government "illegitimate";

14 Mar 2018 **(Zimbabwe)** *The Chronicle*. **South Africa**-based economic research firm **NKC African Economics (NKC)** upgrades Zimbabwe's sovereign credit rating for the first time in close to 20 years;

13 Mar 2018 **(Zimbabwe)** *The Herald*. **Botswana** and **Zambia** re-incorporate Zimbabwe into the **Kazungula Bridge** project, signaling improved diplomatic relations;

12 Mar 2018 **(Zimbabwe)** *Daily News*. Former president **Robert Mugabe** publicly backs new opposition party, the **National Patriotic Front**;

9 Mar 2018 **(Zimbabwe)** *Eyewitness News*. Tourism minister **Prisca Mupfumira** attends the **Berlin International Travel Show**, reaffirming government's position that Zimbabwe is open for business;

9 Mar 2018. **(Zimbabwe)** *Vanguard*. Vice-president **Constantino Chiwenga** presents an eight-year national strategic plan for clearing landmines, which requires over \$122m to clear anti-personnel mines;

7 Mar 2018. **(Zimbabwe)** *Deutsche Welle*. **Russia's** foreign minister **Sergei Lavrov** visits **Harare** to re-establish economic and political ties with President **Emmerson Mnangagwa's** government;

5 Mar 2018. **(Zimbabwe)** *The Chronicle*. Several churches endorse President **Emmerson Mnangagwa's** government ahead of the 2018 elections;

2 Mar 2018. **(Zimbabwe)** *Deutsche Welle*. Court orders the government and police to pay \$30,000 reparations each to farmers evicted from **Manzou** farm in **Mazowe** district by former first lady **Grace Mugabe**;

1 Mar 2018. **(Zimbabwe)** *News24*. The government has offered incentives to evicted white farmers in **Zambia** to return to farming in Zimbabwe;

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