

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing November 2019

Zimbabwe Summary 16 November 2019

Reports of an impending coup intensify as President Emmerson Mnangagwa (2017-present) faces internal opposition from the ruling Zimbabwe African National Union Patriotic Front (Zanu-PF) party and the Zimbabwe Defence Forces (ZDF). Mnangagwa's cabinet reshuffle, aimed at addressing the ineptitude that plagued his first cabinet, faces criticism as he focuses on filling cabinet posts with loyalists. Finance minister Mthuli Ncube unveils the 2020 budget, but analysts describe it as unrealistic due to political factors that have continuously weakened the country's economy.

Prospects of another coup intensify as defence minister bemoans food shortages...

Zimbabwe faces the possibility of another military coup, this time against President **Emmerson Mnangagwa** (2017-present), after reports surfaced of disgruntlement within the ranks of the ruling **Zimbabwe African National Union Patriotic Front (Zanu-PF)** party and the **Zimbabwe Defence Forces (ZDF)**.¹ This follows months of speculation about infighting within the ruling Zanu-PF-led regime, amidst suspicions and accusations of poisoning and political sabotage between President Mnangagwa's supporters and other senior government officials.² The reports circulated as the foreign minister and one of the central players in the 2017 coup, **Sibusiso Moyo**, were taken ill to **South Africa** on 12 November with an undisclosed ailment.³ This has reignited speculation that Moyo could have been poisoned, along with vice-president **Constantino Chiwenga**, in the immediate aftermath of the coup in November 2017, and has been mostly out of the country seeking medical treatment since his appointment to office.⁴ Intelligence reports have also reportedly revealed that President Mnangagwa's faction in the ruling party is responsible for poisoning senior army officers.⁵

Internal opposition against President Mnangagwa intensified after he sought to consolidate his power by retiring several army generals who participated in the coup and reassigned them as ambassadors in February. These include generals **Martin Chedondo**, **Douglas Nyikayaramba**, **Anselem Sanyatwe**, and Air Vice Marshal **Shebba Shumbayawonda**.⁶ The former army officers are reportedly planning a military operation, code named "**Operation Restore Economy**", to remove Mnangagwa from office.⁷ An unnamed source from Zimbabwe's defence ministry described the situation as follows:

*"Vice president Chiwenga's advisor, former **Ethiopian** ruler **Mengistu Haile Mariam**, who also had an advisory hand in **Operation Restore Legacy** two years ago, after getting concerned about Chiwenga's health, advised the military to conduct investigations into the vice president's poisoning, and it appears that almost all the*

¹ Spotlight Zimbabwe, 15 Nov 2019.

² Spotlight Zimbabwe, 15 Nov 2019.

³ Spotlight Zimbabwe, 15 Nov 2019.

⁴ Spotlight Zimbabwe, 15 Nov 2019.

⁵ Nehanda Radio, 16 Nov 2019.

⁶ Nehanda Radio, 16 Nov 2019.

⁷ Nehanda Radio, 16 Nov 2019.

*generals involved in the coup [against the late former president, **Robert Mugabe** (1980-2017)] have been exposed to poisoning of some sort, including minister Moyo, although the official line is that he is suffering from a kidney ailment. So it is basically an all-out war, and we are nudging towards another putsch. Those generals are angry, and the operation itself depends on Chiwenga giving the green light.”⁸*

The government of **China** has also reportedly advised Mnangagwa to resign and hand over power to vice president Chiwenga.⁹ This is attributed to Mnangagwa’s ploy to re-establish political and economic links with the West through his “*Zimbabwe is open for business*” mantra, which has jeopardised China’s interests in Zimbabwe.¹⁰ Chiwenga, who is recovering at an unnamed Chinese military health institution, is expected back in Zimbabwe at the end of November and will serve as acting president during President Mnangagwa’s annual leave in December.¹¹ China is one of the foreign powers reported to have been supportive of Mugabe’s replacement by Mnangagwa in the November 2017 coup.¹²

Defence minister **Oppah Muchinguri Kashiri** issued a statement in parliament on 7 November that the army faces starvation, poor health and lack of military equipment due to lack of funds and the overall effects of economic decline in the country.¹³ Kashiri said that representatives from other countries’ militaries were reluctant to visit Zimbabwe for joint events with the military because of the poor conditions:

“We are expected to host other defence forces but no one wants to come here because of these conditions. We can’t beg for food for soldiers. These are people who have sacrificed themselves. We need food rations, as we are expected to provide 30 items, but we are only giving them 10. We are expected to provide four sets of uniforms, but they have only one. You can easily identify a Zimbabwean soldier by their worn-out uniforms. We are losing soldiers who are leaving the force and others due to health complications.”¹⁴

Kashiri also blamed the poor conditions and lack of equipment for the military’s failure to render assistance to victims of **Cyclone Idai** in March:

“Idai was a stern test for us as it took three days to reach affected areas. We have to seek assistance from South Africa, and that is embarrassing. We need all-weather helicopters. In order to deal with threats, we are to modernise and equip our air force because our equipment is obsolete.”¹⁵

The state of affairs in the army creates a considerable security risk and makes another military coup likely.¹⁶ Since the November 2017 coup, President Mnangagwa has struggled to establish a firm hold on power, which has resulted in the widening of rifts within the ruling party and failure to implement policies that would turn the country’s economy around.¹⁷

... as President Mnangagwa’s cabinet reshuffle sparks criticism

President Emmerson Mnangagwa conducted a cabinet reshuffle on 8 November that has

⁸ Unnamed source reportedly from Zimbabwe’s defence ministry, quoted by Spotlight Zimbabwe, 15 Nov 2019.

⁹ Bulawayo24, 8 Nov 2019.

¹⁰ Bulawayo24, 8 Nov 2019.

¹¹ Bulawayo24, 8 Nov 2019.

¹² Bulawayo24, 8 Nov 2019.

¹³ Sunday Times, 10 Nov 2019.

¹⁴ Minister Kashiri quoted by Sunday Times, 10 Nov 2019.

¹⁵ Minister Kashiri quoted by Sunday Times, 10 Nov 2019.

¹⁶ Source, analyst, London.

¹⁷ Source, analyst, London.

elicited criticism from both the government and external commentators for rewarding political allies instead of improving efficiency.¹⁸ The shuffle reflects Mnangagwa's insecurity, given escalating reports of a possible removal through a coup (see above).¹⁹ Mnangagwa faced pressure from senior Zanu-PF officials to make changes to the cabinet because of the ongoing economic crisis that the government has failed to deal with.²⁰ The party leadership is also reportedly anxious about the prospect of losing the 2023 elections because of the deteriorating political and economic conditions.²¹ Ministers facing the strongest criticism are finance minister **Mthuli Ncube**, transport minister **Joel Biggie Matiza**, energy and power development minister **Fortune Chasi**, home affairs minister **Caith Mathema**, and industry and commerce minister **Mangaliso Ndlovu**.²² However, Mnangagwa did not dismiss the poorly performing ministers, and faces criticism for either retaining or reassigning them instead.

*"Mnangagwa, who is from the Midlands, adopted former president Robert Mugabe's model by surrounding himself with people from his ethnic clan. During Mugabe's time, Zezurus were powerful and held key positions, especially in the security sector. When Mnangagwa assumed power, he made sure that all security sector commanders are from the Midlands or **Masvingo**... The Zezurus were complaining and, as you know, there is always need for ethnic balancing in Zanu-PF. As part of his power retention drive, Mnangagwa has now appointed his Zezuru loyalists to ease the discontent. He, however, did nothing to get rid of deadwood and corrupt officials to indicate he wanted to change the country's fortunes. Ministers who have failed to deliver on social issues like health, water, and electricity kept their positions, which is worrying."*²³

Notable changes include the replacement of former home affairs minister Cain Mathema with loyalist **Kazembe Kazembe**.²⁴ Mathema moved to the primary and secondary education portfolio. Mnangagwa also reassigned Ndlovu from the industry and commerce ministry, to the environment portfolio, which was vacant after the dismissal of **Priscah Mupfumira** in August.²⁵ Mnangagwa appointed another ally, **Jenfan Muswere**, as the new information minister.²⁶ Muswere is reportedly a close family friend of the Mnangagwa's, and played a pivotal role in the November 2017 coup by helping Mnangagwa escape from Zimbabwe into **Mozambique**.²⁷ Mnangagwa created a new ministry, National Housing and Social Amenities, for another loyalist, **Daniel Garwe**.²⁸ He retained Ncube as finance minister, Matiza as transport minister and **Obadiah Moyo** as health minister. Analysts expected Mnangagwa to dismiss Moyo, who falsely claimed to be a qualified medical doctor and has failed to deal with a long-running strike by medical doctors that has crippled the health sector.²⁹

President Mnangagwa's latest cabinet shuffle is focused on political survival, instead of

¹⁸ The Independent, 15 Nov 2019.

¹⁹ The Independent, 15 Nov 2019.

²⁰ The Independent, 1 Nov 2019.

²¹ The Independent, 1 Nov 2019.

²² The Independent, 1 Nov 2019.

²³ Anonymous comment by senior government official, quoted by The Independent, 15 Nov 2019.

²⁴ The Standard, 10 Nov 2019.

²⁵ News Day, 9 Nov 2019.

²⁶ News Day, 9 Nov 2019.

²⁷ The Independent, 15 Nov 2019.

²⁸ The Independent, 15 Nov 2019.

²⁹ The Independent, 15 Nov 2019.

ensuring an efficient government.³⁰ Although the November 2017 coup removed former president Mugabe and several officials from government, the party remains fractured along the lines of ethnic background and other political differences.³¹ Mnangagwa also faces pressure from former long-serving ministers whom he removed from cabinet and appointed to work full time for the Zanu-PF party, such as **Obert Mpofu**, who constitute a power bloc and bring pressure to bear on his government.³²

Analysts dismiss 2020 budget as unrealistic

Finance minister Mthuli Ncube delivered the 2020 national budget in parliament on 14 November, setting out the government's priorities and expectations for economic growth in the coming year.³³ Ncube said that the \$63.6 billion budget will mainly focus on economic productivity, job creation, competitiveness, economic diversification and import substitution.³⁴ The government projects that the economy will grow at 3% in 2020, despite having contracted by 6% in 2019.³⁵ Factors driving economic growth will include improved availability of electricity through alternative energy, tax and non-tax incentives to businesses, improving the business environment through reforms, and increased investment by the government and private investors.³⁶ The 2020 budget also signalled the end of the government's policy of austerity, in order to stimulate economic growth through supporting production-oriented investment and productivity.³⁷

Ncube said that the government expects inflation to fall during the first quarter of 2020 and reach 2% by the end of the year.³⁸ The government will minimise expenditure through non-inflationary financing and a strict monetary policy that will entail having the Accountant General closely monitor any spending by government departments.³⁹ Ncube indicated that the government expects to earn \$58.6 billion in revenue in 2020.

The government also plans to address persistent power shortages in the country:

"Government has already instituted new pricing frameworks for fuel and electricity that adequately reflect costs, including those resulting from changes in import prices and exchange rate fluctuations. The pricing framework for fuel also ensures that pump prices remain comparable to those charged in neighbouring countries, so as to remove arbitrage opportunities arising from illicit fuel imports."⁴⁰

Ncube bemoaned the impact of corruption on political stability, the economy and national fiscus, noting that government will strengthen internal control systems such as internal audits, and enact whistle-blower legislation.⁴¹ However, analysts cautioned that inflation would render the budget obsolete. Month-on-month inflation increased to 38.7% in October, from 17.7% in September.⁴²

³⁰ Source, analyst, London.

³¹ Source, analyst, London.

³² Source, analyst, London.

³³ VOA, 14 Nov 2019.

³⁴ VOA, 14 Nov 2019.

³⁵ VOA, 14 Nov 2019.

³⁶ VOA, 14 Nov 2019.

³⁷ VOA, 14 Nov 2019.

³⁸ VOA, 14 Nov 2019.

³⁹ VOA, 14 Nov 2019.

⁴⁰ Finance minister Mthuli Ncube quoted in VOA, 14 Nov 2019.

⁴¹ VOA, 14 Nov 2019.

⁴² The Standard, 17 Nov 2019.

Zimbabwe National Chamber of Commerce (ZNCC) chief executive officer **Chris Mugaga** noted that the budget comes against a background of a slowing economy:

“Projections of a fiscal deficit on the gross domestic product (GDP) of 1.5% are not realistic. We also look at the issue of expenditure pattern. I don’t think we can have an expenditure of below \$80 billion for 2020 given the inflationary trends we are having. So generally, if we look at the numbers, I think I will agree to say a supplementary budget will certainly be on the way. I don’t think I will be surprised with a supplementary budget of a minimum of about 30% of the \$63.6 billion.”⁴³

Zimbabwe’s economic woes are rooted in political factors, and this will largely impact the attainment of the objectives set out in the budget.⁴⁴ Apart from public sector corruption and ineptitude, the central government’s policies drive inflation and disincentivise the entry of new private investment.⁴⁵ This renders the budget statements and the aspirations contained therein a formality, for the most part.⁴⁶ The country has also faced several droughts and a cyclone in the recent past that have exposed the government’s inefficiency through ineffective responses and poor coordination between the relevant state agencies.⁴⁷

Planner

21 Feb 2020 **(Zimbabwe)** Robert Mugabe National Youth Day (holiday);
 18 Apr 2020 **(Zimbabwe)** Independence Day (holiday);
 21 Apr 2020 **Bulawayo (Zimbabwe)** Zimbabwe International Trade Fair Business Days;
 1 May 2020 **(Zimbabwe)** Workers’ Day (holiday);
 10 Aug 2020 **(Zimbabwe)** Heroes’ Day (holiday);
 June 2023 **(Zimbabwe)** General elections;

Chronology

14 Nov 2019 **Harare (Zimbabwe)** *BusinessLive*. Finance minister **Mthuli Ncube** unveils the 2020 budget, ditching a policy of austerity and focusing on growth and productivity;
 14 Nov 2019 **Harare (Zimbabwe)** *BusinessDay*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) investigates two local banks, **Commercial Bank of Zimbabwe (CBZ)** and **Ecobank**, for allegedly siphoning newly issued banknotes onto the black market;
 12 Nov 2019 **Harare (Zimbabwe)** *The Independent*. Zimbabwe’s tourism sector is under threat as over 200 elephants, along with other animals, have died from drought-induced water shortages;
 13 Nov 2019 **Harare (Zimbabwe)** *Reuters*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) indicates that it will not allow mining companies to keep all their earnings in foreign currencies in order to allow the government access to some of the foreign currency for

⁴³ ZNCC CEO Chris Mugaga, quoted by The Standard, 17 Nov 2019.

⁴⁴ Source, analyst, London.

⁴⁵ Source, analyst, London.

⁴⁶ Source, analyst, London.

⁴⁷ Source, analyst, London.

imports;

13 Nov 2019 **Harare (Zimbabwe)** *Reuters*. Mines minister **Winston Chitando** announces that government will enforce a “use it or lose it” policy for mineral asset holders to address the speculative use of the undeveloped mines;

12 Nov 2019 **Harare (Zimbabwe)** *BBC*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) issues **Zimbabwe** dollar notes for the first time since 2009 amidst skyrocketing inflation at approximately 300%;

11 Nov 2019 **Harare (Zimbabwe)** *Al Jazeera*. The **Reserve Bank of Zimbabwe (RBZ)** (central bank) fails to deliver the gazetted new **Zimbabwe** dollar banknotes, leaving banks and their customers frustrated and confused;

5 Nov 2019 **Harare (Zimbabwe)** *BusinessDay*. Health minister **Obadiah Moyo** dismisses 77 striking doctors, throwing the country’s health sector into disarray;

1 Nov 2019 **Harare (Zimbabwe)** *BusinessLive*. Foreign affairs minister **Sibusiso Moyo** threatens to cut off diplomatic ties with the **United States (US)** after US ambassador to Zimbabwe **Brian Nichols** dismisses the **Southern African Development Community (SADC)** campaign for lifting US sanctions against Zimbabwe;

31 Oct 2019 **Harare (Zimbabwe)** *Business Report*. Finance minister **Mthuli Ncube** says Zimbabwe’s economy will contract by 6.5% in the 2019 financial year because of drought and power shortages;

26 Oct 2019 **Washington DC (United States)** *The Hill*. The **United States Department of State** imposes sanctions on **Zimbabwe’s** state security minister **Owen Ncube**, over his involvement in human rights abuses;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)