

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing March 2019

Zimbabwe Summary 15 March 2019

President Emmerson Mnangagwa (2017-present) retires four senior ranking military officials, as he consolidates power and attempts to signal that he is in effective control of the security sector. Mnangagwa threatens doctors and lawyers, describing them as being part of a coordinated regime change agenda against his government, as the government develops strategies to de-legitimise civil society and minimise their grievances. The Reserve Bank of Zimbabwe (RBZ) (central bank) ends the multi-currency regime, introducing a new quasi-currency.

Mnangagwa retires senior army officers as he consolidates power

President **Emmerson Mnangagwa** (2017-present) retired four senior army officials on 18 February, demonstrating his consolidation of power and control over the security services.¹ Mnangagwa is also attempting to signal that he is fully in control of the army, given ongoing suspicions that vice president **Constantino Chiwenga**, the former **Zimbabwe Defence Forces** commander, has real control over the security sector at large.² Mnangagwa's decision to retire the generals during Chiwenga's absence in **India**, where he was seeking medical treatment, fuelled speculation.³ Mnangagwa made the changes following the army's violent crackdown on protests in January, which attracted considerable domestic and foreign criticism.⁴ The army's attacks on civilians occurred while Chiwenga was acting president whilst Mnangagwa attended the **World Economic Forum (WEF)** in **Davos, Switzerland**.⁵

Chief secretary to the president **Misheck Sibanda** issued a statement indicating that major generals **Martin Chedondo**, **Douglas Nyikayaramba**, **Anselem Sanyatwe**, and air vice marshal **Shebba Shumbayawonda** would retire from the armed services, and join the foreign affairs ministry.⁶ Sibanda indicated that the government would announce the former military officers' new diplomatic postings once it had completed bilateral consultations with the countries to which the government wishes to send them.⁷ Notably, Major General Sanyatwe was the commander of the **Presidential Guard** that was instrumental in the November 2017 coup that ended former president **Robert Mugabe's** (1980-2017) rule.⁸ He is regarded as Chiwenga's close ally, and Mnangagwa reportedly plans to deploy him to **Tanzania** as ambassador.⁹ Air Marshall Shumbayawonda was the acting commander of the **Zimbabwe Air Force** during the coup.¹⁰

¹ Reuters, 18 Feb 2019.

² Reuters, 18 Feb 2019.

³ Reuters, 18 Feb 2019.

⁴ Reuters, 18 Feb 2019.

⁵ EWN, 15 Feb 2019.

⁶ EWN, 15 Feb 2019.

⁷ Reuters, 18 Feb 2019.

⁸ Times Live, 18 Feb 2019.

⁹ Times Live, 18 Feb 2019.

¹⁰ Times Live, 18 Feb 2019.

The army's violent actions have undermined Mnangagwa's efforts to portray himself as a reformist leader and completely different from his predecessor, former president Mugabe.¹¹ They have also accounted for the persistence of sanctions against Mnangagwa's government. **United States (US)** president **Donald Trump** (2017-present) announced on 4 March that he was extending sanctions against the Zimbabwe government by another year, because its policies were antithetical to US foreign policy.¹² Mnangagwa faces an uphill task to inspire confidence in the international community, having lost considerable goodwill that several global actors, particularly the **United Kingdom (UK)** government, had extended to his new government after the coup in November 2017.¹³

Mnangagwa threatens doctors and lawyers

President Emmerson Mnangagwa accused Zimbabwe's doctors and lawyers on 16 February of collaborating with the opposition in January to organise the mass action that turned violent.¹⁴ Mnangagwa's accusations reflect the extent to which his government criminalises and delegitimises civil action.¹⁵ In a public address, Mnangagwa said that doctors and lawyers participated in the coordination of criminal activity by protesters in providing them with medical and legal care. Mnangagwa argued that the doctors' and lawyers' activities were part of a well-organised regime change agenda against his government.¹⁶

"They told them that if anyone gets arrested, they should go to a certain place, there are lawyers waiting to defend them. If anyone gets hurt, they should go to a certain place, there are doctors waiting to treat them... We are now going after those doctors who were involved in those activities..."¹⁷

The **Zimbabwe Lawyers for Human Rights (ZLHR)** have represented at least 700 people who have appeared in court after the protests in January.¹⁸ The **Law Society of Zimbabwe**, the umbrella body for all lawyers working in Zimbabwe, conducted its own protests against the alleged abuse of law and partisan actions by magistrates who heard the protesters' cases.¹⁹ **Zimbabwe Republic Police (ZRP)** arrested over 1,100 people across the country during the January protests.

Mnangagwa's threats have drawn criticism from international human rights organisations.²⁰ UK-based **Amnesty International's** deputy regional director for **Southern Africa, Muleya Mwananyanda**, described President Mnangagwa's comments as *"deeply troubling and unwarranted"*:

"Coming off the heels of Amnesty International's expose of a systematic targeting of dissent during the national 'stay-away' period, they affirm that his government used security forces, including military personnel, to brutalize people who were protesting. This latest threat is a sinister hint that the situation could become even worse. If his government wants to build an inclusive country that is based on respect for human

¹¹ Al Jazeera, 5 Mar 2019.

¹² Al Jazeera, 5 Mar 2019.

¹³ Source, analyst, London.

¹⁴ Times Live, 17 Feb 2019.

¹⁵ Times Live, 17 Feb 2019.

¹⁶ Newsday, 18 Feb 2019.

¹⁷ President Emmerson Mnangagwa, quoted in Times Live, 17 Feb 2019.

¹⁸ Times Live, 17 Feb 2019.

¹⁹ Times Live, 17 Feb 2019.

²⁰ Amnesty International, 18 Feb 2019.

rights, President Mnangagwa should accommodate differing views, whether they please his government or not.”²¹

The **Zimbabwe Doctors for Human Rights (ZDHR)** also dismissed Mnangagwa’s accusations, indicating that they have an ethical responsibility to assist anyone who seeks their services.²²

“Even in conflict zones, doctors and other humanitarian workers are given safe passage to help those injured... our services were not [directed] to protesters, but anyone who fell victim to the skirmishes, ordinary civilians included. Our records show that our doctors didn’t only treat people who were allegedly assaulted by security forces, but also treated people who were allegedly assaulted by protesters.”²³

The Zimbabwe Lawyers for Human Rights similarly disagreed with Mnangagwa’s claims:

“What I can assure you is that as far as the Law Society is concerned, we do not choose our clients and we do not discriminate. We represent any person and it is our mandate to represent any person... as legal practitioners, we have a mandate to represent the people and we will simply continue to represent the people. I am not aware of any legal practitioner who incited violence, and if there is a case of any who incited violence it should be treated in a normal way like any other matter of a criminal nature.”²⁴

Mnangagwa’s accusations against doctors and lawyers are consistent with the ruling **Zimbabwe African National Union - Patriotic Front (Zanu-PF)** government’s narrative that delegitimises all forms of civil society action against the government.²⁵ Mnangagwa has successfully convinced the **Southern African Development Community (SADC)** that the protests were contrived by the non-governmental organisations (NGOs). This resulted in the current SADC chairperson, **Namibia’s** president **Hage Geingob** (2015-present), issuing a statement supporting Mnangagwa and claiming that NGOs were engaged in a programme of destabilising Zimbabwe.²⁶ The narrative minimises protesters’ grievances and justifies the government’s heavy-handed response and violent attacks against civilians.²⁷

Reserve Bank devalues currency, yields to floating exchange rate

The **Reserve Bank of Zimbabwe (RBZ)** (central bank) made changes to the country’s currency regime on 20 February, dropping the 1:1 exchange rate between the US dollar and its quasi currency, bond notes.²⁸ The RBZ in effect restored the Zimbabwe dollar by proxy, and attempted to address the shortage of hard currency.²⁹ The RBZ introduced dollarisation and a multi-currency regime in 2009, following a persistent rise in inflation to a historic figure of 500 billion percent.³⁰ It eventually introduced bond currency in 2016, pegging it at a 1:1 exchange rate with the US dollar, after obtaining a \$250m loan from the **African**

²¹ Muleya Mwananyanda quoted on Amnesty International’s website

²² Newsday, 18 Feb 2019.

²³ Newsday, 18 Feb 2019

²⁴ ZLHR president, Thandaza Moyo quoted in Newsday, 18 Feb 2019.

²⁵ Source, analyst, London.

²⁶ Newsday, 18 Feb 2019.

²⁷ Source, analyst, London.

²⁸ Bloomberg, 20 Feb 2019.

²⁹ Bloomberg, 20 Feb 2019.

³⁰ Bloomberg, 20 Feb 2019.

Development Bank (AfDB).³¹ However, the bond notes began devaluing almost immediately on the market, and are currently trading between 3.66 and 3.8 to the US dollar.³²

RBZ governor **John Mangudya** said that the central bank would set up an interbank foreign exchange market which converts the bond notes to RTGS dollars, which is similar to the pre-existing inter-bank electronic transfer system by the same name (**Real-Time Gross Settlement**).³³ Mangudya said that the new measures would facilitate predictability, stability and certainty of the foreign exchange market.³⁴ Additional features of the new policy are:

- All entities in Zimbabwe, including the government, will use RTGS to price goods and services;
- The new RTGS system effectively eliminates the multi-currency system, thus requiring that prices either remain at their current levels or drop to match the new exchange rate;
- The RBZ has secured adequate credit lines to undergird the new exchange rate;
- Foreign currency from the intermarket bank rate will pay for foreign-payment invoices.³⁵

Although analysts commended the government's acknowledgment of the market rate of the bond note, they cautioned that the RBZ may not have sufficient fiscal and monetary discipline to restrain it from printing more money, thus driving inflation:

*"There is nothing to stop Zimbabwe printing money with this new currency... The government has basically kicked the can down the road in recent years by trying to stimulate the economy through excessive spending."*³⁶

Before resorting to its dollarisation policy in 2009, the RBZ drove up inflation by printing money to fund higher salaries for civil servants and pay for patronage politics.³⁷ However, finance minister **Mthuli Ncube** said that the government would refrain from increased public spending and keep the RBZ relatively independent from political interference.³⁸ However, this remains unlikely, given the government's history and reputation for using the RBZ for partisan political ends.³⁹ Inflation is already on a steady rise, reaching 57% in January.⁴⁰ Ncube announced on 15 March that the inflation rate had increased by 1.68% in February, down from a 10.8% increase in January.⁴¹

Zimbabwe's current foreign currency shortages have forced the central bank to borrow funds from continental lenders, after failing to access loans from multilateral lenders such as the **International Monetary Fund (IMF)** and the **World Bank**.⁴² With Zimbabwe's arrears to the World Bank exceeding \$2.4 billion, it has been unable to service the debt and unlock more

³¹ Bloomberg, 20 Feb 2019.

³² Bloomberg, 20 Feb 2019.

³³ Bloomberg, 20 Feb 2019.

³⁴ Bloomberg, 20 Feb 2019.

³⁵ Bloomberg, 20 Feb 2019.

³⁶ Analyst at South Africa-based NKC African Economics, quoted in Reuters, 24 Feb 2019.

³⁷ Reuters, 24 Feb 2019.

³⁸ Reuters, 24 Feb 2019.

³⁹ Reuters, 24 Feb 2019.

⁴⁰ Reuters, 24 Feb 2019.

⁴¹ Bloomberg, 15 Mar 2019.

⁴² Reuters, 4 Mar 2019.

funding.⁴³ RBZ governor John Mangudya revealed on 4 March that the central bank has borrowed \$985m from several banks in **Africa** to pay for fuel and other crucial imports.⁴⁴ The RBZ borrowed \$641m from the **African Export and Import Bank**, \$152m from the **Eastern and Southern African Trade and Development Bank**, and \$25m from the **Bank of Mozambique**.⁴⁵ Mangudya said that the RBZ will use future revenue from gold exports to repay the loans, which have three- to five-year tenure, and carry interest of up to 6%.⁴⁶ RBZ data shows that gold is Zimbabwe's leading foreign currency earner. The central bank takes 45% of dollar sales from gold producers and 50% from other miners to fund the imports and repay foreign debt.⁴⁷

Zimbabwe's currency troubles are largely a result of political dynamics.⁴⁸ The RBZ's frequent changes in policy provide only temporary reprieve from the underlying political and economic fundamentals that lead to the decline in the value of Zimbabwe's currency.⁴⁹ The RBZ also suffers from lack of trust from local and foreign actors.⁵⁰ Local businesses and individuals avoid using banks, because of policy uncertainty and rapid loss of value, thus leading to limited cash reserves.⁵¹ Foreign investors are also wary of the endemic political instability and the government's failure to service foreign debts, resulting in limited investment and availability of loans.⁵²

Planner

23 Apr 2019. **Bulawayo (Zimbabwe) Zimbabwe International Trade Fair (ZITF) Business Days**;
 12 Jun 2019. **Harare (Zimbabwe) Sign Africa Expo**;
 17 Jul 2019 **Bulawayo (Zimbabwe) Mining Engineering and Transport Expo (MINENTRA)**
 June 2023. **(Zimbabwe) General elections**;

Chronology

12 Mar 2019. **Harare (Zimbabwe) Fin24. South Africa's president, Cyril Ramaphosa**, issues a statement supporting President **Emmerson Mnangagwa's** government, calling for the removal of sanctions against **Zimbabwe**;
 11 Mar 2019. **Harare (Zimbabwe) Reuters. Reserve Bank of Zimbabwe governor John Mangudya** says the newly introduced RTGS dollar is unlikely to remain at 2.5 per US dollar exchange rate, indicating the central bank's admission that its value will decline further;
 6 Mar 2019. **Harare (Zimbabwe) Bloomberg. Finance minister Mthuli Ncube** says the

⁴³ Reuters, 4 Mar 2019

⁴⁴ Reuters, 4 Mar 2019.

⁴⁵ Reuters, 4 Mar 2019.

⁴⁶ Reuters, 4 Mar 2019.

⁴⁷ Reuters, 4 Mar 2019.

⁴⁸ Source, analyst, London

⁴⁹ Source, analyst, London

⁵⁰ Source, analyst, London

⁵¹ Source, analyst, London

⁵² Source, analyst, London

government will scrap the requirement that local shareholders own the majority stake in platinum mines;

5 Mar 2019. **Washington DC (United States)** *Al Jazeera*. **United States** President **Donald Trump** announces the extension of the US government's sanctions against Zimbabwe by a year, saying the Zimbabwe government's policies are against US foreign policy;

4 Mar 2019. **Harare (Zimbabwe)** *Reuters*. The **Reserve Bank of Zimbabwe (RBZ)** borrows \$985m from several **Africa**-based banks, as it runs out of foreign currency reserves for imports;

4 Mar 2019. **Harare (Zimbabwe)** *Fox News*. Police arrest **Zimbabwe's** youngest legislator, **Joanna Mamombe**, on charges of subversion, as government moves to preempt future protests;

20 Feb 2019. **Harare (Zimbabwe)** *Bloomberg*. The **Reserve Bank of Zimbabwe** devalues its quasi-currency, yields to a "managed" floating exchange rate;

18 Feb 2019. **Harare (Zimbabwe)** *Amnesty International*. Global human rights organisation **Amnesty International** condemns President **Emmerson Mnangagwa's** threats against doctors and lawyers;

18 Feb 2019. **Harare (Zimbabwe)** *Reuters*. President **Emmerson Mnangagwa** retires four senior ranking military officials, as he consolidates power over the security sector;

17 Feb 2019. **Harare (Zimbabwe)** *TimesLive*. President **Emmerson Mnangagwa** threatens doctors and lawyers with arrest, describing them as part of a regime change agenda against his government;

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)