

AFRICA RISK CONSULTING**Country briefing – Zimbabwe****25 August 2013****1 Summary**

President Robert Mugabe is sworn in as president having won the presidential election. His victory increases risks to foreign business and undermines economic prospects. Despite concerns about systemic electoral rigging, Mugabe's presidency will not face significant legal or political challenges. Mugabe's Zimbabwe African National Union- Patriotic Front (Zanu-PF)'s large parliamentary majority is enough to amend the constitution. Zanu-PF puts indigenisation at top of the policy agenda. Zanu-PF stalwarts will fill key government positions. Economic reform will stall. A debt deal is unlikely making borrowing difficult. A public finance crisis is imminent. Political protests are unlikely unless economic conditions alter dramatically.

Robert Mugabe inaugurated after flawed presidential election

Robert Mugabe was sworn in as president on 22 August 2013 having won presidential elections on 31 July with 61% of the vote compared to **Movement for Democratic Change (MDC)** candidate, Prime Minister **Morgan Tsvangirai's** 34%.¹ Mugabe and the ruling **Zanu-PF's** return to power sharply raises the risk to foreign and domestic business and undermines the country's medium term economic growth prospects. Mugabe, who was inaugurated in a ceremony that the main opposition boycotted but which 40 world leaders attended, has threatened to continue with vigour a policy of indigenisation.

The elections themselves were peaceful which seems to have been sufficient for the **African Union** and the **Southern African Development Community (SADC)** to give their approval. However, as

¹ Zimbabwe Independent, 3 August 2013

one African election observer official said, "*you don't steal an election on the day, you steal it six months beforehand*".² The credibility of the elections was undermined in that:

- The **Zimbabwe African National Union- Patriotic Front (Zanu-PF)** controlled **Zimbabwe Electoral Commission (ZEC)**, proved malleable and unable to deliver free and fair elections [*see March ARC briefing*].
- **Israeli** company **Nikuv International Projects** helped compile the electoral roll from inside the offices of the defence ministry.³ The exact role that Nikuv International played is contentious. It was also involved in **Zambia's** election in 2011, and **Ghana's** introduction of national identification cards in 2004 which was marred by corruption.⁴
- The ZEC refused requests from the MDC to publish the electoral roll to allow scrutiny by interested parties, and would not allow independent verification of its accuracy.
- The ZEC printed an additional two million ballot papers ostensibly as a precautionary measure. This is 35% more than necessary, where 5% is the international standard.⁵
- Civil society groups report fake voting slips, multiple voting and the bussing of voters between constituencies.⁶
- Consequently, some 750,000 voters were turned away at polling stations, with officials claiming that they were registered in another ward, had already voted or did not have adequate identification.⁷
- Civil society groups report that polling officials intimidated voters into claiming illiteracy, with the electoral staff then completing their ballot papers on their behalf.
- According to ZEC official figures, polling officials turned away 304,890 voters and assisted 206,901⁸. The figures are likely to be considerably higher.

The election breached SADC guidelines on free and fair elections, particularly with regard to equal opportunity to exercise the right to vote, equal opportunity for all parties to access the state media and the independence of electoral institutions.⁹ This may undermine the authority of the SADC before a series of potentially contentious elections in member states including **South Africa** (April

² Source, international election observer official

³ Source, INGO official, Harare

⁴ Ibid

⁵ Source, international election observer official

⁶ Source, INGO official, Harare

⁷ The Zimbabwean, 1 August 2013

⁸ The Herald, 8 August 2013

⁹ <http://www.sokwanele.com/files/Documents/Elections/SADC/sadcprotocolelectio...>

2014), **Malawi** (May 2014), **Namibia** (November 2014) and **Mozambique** (November 2013 and October 2014).

The election will stand

Despite Zanu-PF's manipulation of the electoral process to ensure an unassailable result, the MDC's performance was poor. In its current structure, it may have lost the regional and international backing it had as the viable alternative to Zanu-PF during the **Government of National Unity (GNU)**. The MDC did well in urban areas and won 23 out of 29 seats in **Harare** province and all 13 seats in **Bulawayo**. However, party insiders criticise Morgan Tsvangirai's poor leadership and failure to boycott an election that started out as flawed.¹⁰ The Zanu-PF is likely to take advantage of the opposition's disarray and may call for an election before the end of its term in office in 2018.¹¹

The absence of a regional or international political appetite to challenge the legitimacy of the election saw the MDC withdraw its petition to the Constitutional Court to overturn the result. Zanu-PF continued with the petition and on 20 August 2013 the Court dutifully ruled July's elections free and fair and dismissed an MDC petition for voter rolls to be released. The SADC is keen to remove Zimbabwe from its political agenda by the end of 2013.¹² South Africa's president, **Jacob Zuma** is likely to announce that his role as facilitator of the **Global Political Agreement** that oversaw Zimbabwe's inclusive, power sharing government has been successful and will stand down. SADC elected Mugabe as deputy chair in August, and he will take over from current chair Malawian president **Joyce Banda** at the next annual leaders' summit in Harare in March 2014.

Beyond the region, western governments will remain divided between those who want to influence Mugabe through constructive engagement and those who want to maintain the policy of isolation. The **United Kingdom (UK)** is currently the largest donor to Zimbabwe.¹³ At a time when the UK government is under pressure to reduce its international development budget, it will be difficult to justify the continued funding of an undemocratically elected government. A review of its

¹⁰ Source, INGO official, Harare

¹¹ Ibid

¹² Ibid

¹³ UK government policy as of August 2013

Zimbabwe Strategy will take place in the next two months.¹⁴ The **European Union (EU)** said it would lift all remaining sanctions if the SADC declared the election free and fair. Divisions between EU member states may mean that a final decision is delayed but it must be made before February 2014 when the sanctions policy is due to be renewed.¹⁵ The **US State Department** said elections were not sufficiently credible to warrant a rethink of its sanctions policy.

...All new government

Zimbabwe's political environment reverts to its status before coalition government in 2009 with Zanu-PF restored as the sole ruling party. Alongside the presidential win, Zanu-PF won 158 seats in Zimbabwe's parliament compared to the MDC's 49. This means it has the parliamentary majority to amend the March 2013 constitution, but may decide that it can rule perfectly unchallenged without doing so.¹⁶ This is likely to be reflected in government appointments such as finance, defence and foreign affairs. Other key posts will be drawn from among the following Zanu-PF stalwarts:

- The current foreign affairs minister, **Simbarashe Mumbengegwi**, is considered a likely prospect, having been a loyal member of Zanu-PF since his youth in the 1960s.¹⁷ He belongs to the Zanu-PF elite who kept the party going through fundraising during their student days overseas. Mugabe has entrusted him with a number of politically sensitive roles, including ambassador to the **United Nations** (1990-1995) when Zimbabwe needed funds for its economic structural adjustment programme, and to the European Union (1995-1999) when Zimbabwe needed funds for its land reform programme. As ambassador to the United Kingdom (1999- 2005), Mumbengegwi was at the forefront of efforts to patch up relations during Mugabe's land reform programme. Mugabe trusts Mumbengegwi as he does not display any presidential ambitions and has shied away from political bickering within Zanu-PF. In a formal leadership contest, he would likely side with fellow **Karanga, Emmerson Mnangagwa**.
- The leader of the **Zimbabwe National Liberation War Veterans Association**, **Joseph Chinotimba**, is the national assembly member for **Buhera South**. Chinotimba rose to prominence during the invasion of commercial farms in 2000 and is a militant cadre with unquestionable allegiance to the Zanu-PF old guard.

¹⁴ Source, INGO official, London

¹⁵ Ibid

¹⁶ Source, INGO official, Harare

¹⁷ Africa Confidential profile

• **Saviour Kasukuwere** has an outside chance of becoming finance minister. The current youth and indigenisation minister is a loose cannon and a hardliner with a background in the **Central Intelligence Organization**.¹⁸ It was Kasukuwere who boasted that he had “*acquired*” \$4 billion of mining assets from South Africa’s **Impala Platinum, Anglo American** and **Rio Tinto**.¹⁹ While this is untrue, indigenisation was a cornerstone of Mugabe’s election campaign and is central to his post-election plans.²⁰ Any senior appointment would be an impressive recovery for Kasukuwere’s political fortunes. Kasukuwere seemed to emerge worse off in a dispute with reserve bank governor **Gideon Gono** over the indigenisation of **Standard Chartered** in April 2013.²¹ It was thought that Mugabe would begin to sideline Kasukuwere, but his policies have been at the centre of Mugabe’s economic plans.²²

...All old policies

Zanu-PF's return to power presents a considerable threat to business and may cost the country as much as 2 per cent of GDP. Zanu-PF returned to power on the back of a single policy - continuing its “indigenization” programme. On 6 August, Zanu-PF ran a series of national newspaper adverts promising a “*unique wealth transfer model that will see ordinary people take charge of the economy*”.²³ The next day, a Zanu-PF spokesman confirmed that the party plans to create a **Harare Stock Exchange** limited to black Zimbabweans by the end of the year.²⁴ On 13 August, Mugabe told a defence forces day rally that his re-election provided him with the mandate for the “total” implementation of indigenisation.

Immediate sharp drops in the **Zimbabwe Stock Exchange (ZSE)** underlined foreign and domestic investor response to Zanu-PF indigenisation plans: The ZSE fell 11% on 5 August.²⁵ Several foreign investments that were poised to take up opportunities under an MDC government will now not take place. Several foreign investors that the MDC coalition enticed to Zimbabwe are now reviewing the future of these investments.²⁶ The Zanu-PF victory will see domestic business return

¹⁸ Source, economist, Harare

¹⁹ Bloomberg, 12 December 2012

²⁰ Source, INGO official, Harare

²¹ Source, businessman, Harare

²² Ibid

²³ VOA, 6 August 2013

²⁴ Zimbabwe Independent, 8 August 2013

²⁵ Business Day, 6 August 2013

²⁶ Source, businessman, Johannesburg

to the “siege strategies” it adopted during hyperinflation which peaked under Zanu-PF in October 2008. Business is likely to defer domestic investment in new machinery and capacity as political uncertainty returns and curtail economic growth.

Meanwhile, Zanu-PF is likely to face an immediate financial crunch. The government has insufficient funds to meet a civil service, police and armed forces wage bill that is now paid in US dollars. Zanu-PF in government has no credibility with the **International Monetary Fund (IMF)** or broader donor community and is unlikely to be able to raise funds easily. Zanu-PF is equally hostile to the IMF and related institutions [*see ARC Briefing July*] and is unlikely to be able to secure an essential debt deal. This in turn will increase pressure on a Zanu-PF government to source funds elsewhere or increase the speed of indigenisation in the short-term.

Finally, several international donor programmes including health, education and social welfare programmes were run through MDC-controlled ministries. The question is whether these programmes will continue under Zanu-PF government.

Widespread political protests unlikely

Popular response to Zanu-PF's return is likely to be muted in the next few months. Harare has been quiet since the election. The MDC has said it is committed to legal means to challenge the election results, and has traditionally been wary of calling for demonstrations for fear of a crackdown by the security forces. Demonstrations are rare in Zimbabwe, even at times of political or economic turmoil. Recently, however, the government has deployed a larger number of police in Harare, notably around the MDC headquarters, suggesting any demonstrations that do emerge will be responded to quickly and will be unlikely to spread.²⁷

Implications

Despite substantial evidence of systematic election rigging, no legal or political challenges will pose a significant threat to Robert Mugabe's presidency. His victory marks a renewed phase of political and economic uncertainty. No-one expects him to remain president for more than six to

²⁷ Source, INGO official, Harare



nine months. Both deputy president **Joice Mujuru**, and defence minister, **Emmerson Mnangagwa** will begin machinations and maneuvering in earnest to earn the succession.

Regardless of who emerges as finance minister, western businesses need urgently to prepare a strategy to respond to government calls for indigenisation. Any lurch in this direction will cause further stock exchange volatility and could prompt a run on banks as depositors take fright. ARC nevertheless recommends that companies take a long-term perspective, waiting until 2014 for a clearer picture of Zimbabwe's political and economic prospects.