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Nkosana Moyo, a former industry minister, private equity executive and African Development Bank (AfDB) vice president, announces his entry into Zimbabwean politics and divides opinions among existing political parties. National Railways of Zimbabwe (NRZ) establishes a \$400m recapitalisation plan to revive operations and repair infrastructure and equipment. Air Zimbabwe retrenches 200 employees as it seeks to cut costs in a difficult operating environment and reduce its \$330m debt.

Nkosana Moyo enters 2018 presidential race

Former industry minister **Nkosana Moyo** officially launched a presidential bid and political party, the **Alliance for People's Agenda**, on 29 June, which will contest against the ruling **Zimbabwe African National Union (Zanu-PF)** and other opposition parties in the 2018 elections.¹ Moyo served as industry and international trade minister in President **Robert Mugabe's** (1980-present) cabinet for 10 months before leaving government in May 2001 and moving to **South Africa**.² Moyo served as managing partner and senior adviser on **African** affairs at **Actis LLP**, and chief operating officer and vice president at the **African Development Bank (AfDB)** from 2009 to 2011.³

At the launch of his campaign, Moyo said he intends to capture a **Zimbabwean** electorate disillusioned with current parties and to mobilise support from those who had given up on voting.⁴ Moyo also criticised the mooted opposition coalition as nothing but a plan for job sharing by opposition political elites.⁵ However, **Movement for Democratic Change (MDC-T)** spokesperson **Obert Gutu** responded by saying that a grand coalition would bring together different but complementary skills, and ensure a high opposition voter turn out that would guarantee defeating Zanu-PF at the polls.⁶

*"Moyo's criticism of the opposition coalition is suspect. There are historical examples where coalitions have worked, apart from the apparent and practical reasons in the case of Zimbabwe. A fragmented opposition would not be able to dislodge Zanu-PF, a party that has been in power for 37 years through the ballot. Coalitions have worked, for example, in **Kenya, Zambia** and in the **Gambia** recently. However, Moyo's entry into politics appears to be premised on the need to capture political power for personal interest, instead of social transformation."*⁷

Opposition activists have linked Moyo to Zanu-PF, arguing that his entry into politics is a project of the ruling party to divide the opposition's votes.⁸ Moyo denies ever being a

¹ New Zimbabwe, 30 Jun 2017.

² New Zimbabwe, 30 Jun 2017.

³ Daily News, 17 Jul 2017.

⁴ New Zimbabwe, 30 Jun 2017.

⁵ New Zimbabwe, 30 Jun 2017.

⁶ New Zimbabwe, 30 Jun 2017.

⁷ Source, analyst, Harare

⁸ The Standard, 3 Jul 2017.

member of the ruling Zanu-PF party, saying that although he served as a cabinet minister, he had remained independent and eventually left, “because they were doing things wrong”.⁹

Moyo appears to be an appropriate candidate by virtue of his international exposure and work experience in both the private and public sector. However, his professional qualifications and international experience do not appear sufficient for him to acquire the necessary tools to win an election against Zanu-PF, which thrives on voter intimidation, gerrymandering, and other forms of manipulation.¹⁰ His entry into politics is likely to disrupt efforts to remove Mugabe through a stronger opposition coalition, which, although it does not automatically guarantee an electoral victory, has the potential to undermine Zanu-PF’s parliamentary majority.¹¹

Plans underway to revitalise National Railways of Zimbabwe

The **National Railways of Zimbabwe (NRZ)** has established a \$400m recapitalisation plan to revive operations and repair infrastructure and equipment in order to regain market share. If successful, this would help to solve Zimbabwe’s logistical problems and provide the government with a steady stream of revenue from both passenger and goods freight. The government acknowledged that economic decline has resulted in the NRZ, like other government parastatals and agencies, failing to operate efficiently.¹² The NRZ is currently operating with only 60 functional locomotives, some of which are 50 years old, and an unpaid salary bill of \$90m, while debt has accumulated to \$176m.¹³ The **Parliamentary Committee on Transport and Infrastructural Development**’s report on the turnaround strategy for the NRZ noted that the company has a fleet of 166 locomotives in total, averaging between 33 and 50 years old, whereas a locomotive has a useful lifespan of at most 25 years.¹⁴ The report further notes:

“Out of a total of 7,153 wagons, 3,641 have been decommissioned for various defects, leaving only 3,512 in service, and out of a fleet of 283 passenger coaches, only 108 are in use and these are unusable.”¹⁵

NRZ is a key player in the commercial and industrial bulk goods transportation sector in Zimbabwe.¹⁶ However, infrastructure has deteriorated in the last two decades, a situation made worse by a decline in economic activity that translated into low volumes for the railway transporter.¹⁷ The general decline in Zimbabwe’s industrial performance over the last two decades accounts for diminishing railway traffic volumes, which in turn have led to operational deficits.¹⁸ At its peak, NRZ moved 18 million tonnes of freight annually.¹⁹ In 2016, the company reportedly moved less than three million tonnes of freight and has a target of 3.7 million tonnes for 2017.²⁰

⁹ IOL News, 29 Jun 2017.

¹⁰ Daily News, 17 Jul 2017.

¹¹ Daily News, 17 Jul 2017.

¹² Daily News, 17 Jul 2017.

¹³ The Source, 14 July 2017.

¹⁴ The Source, 14 July 2017.

¹⁵ The Source, 14 July 2017.

¹⁶ The Source, 14 Jul 2017.

¹⁷ The Source, 14 Jul 2017.

¹⁸ NewsDay Zimbabwe, 31 May 2017.

¹⁹ The Source, 14 July 2017.

²⁰ The Source, 14 July 2017.

The NRZ board acknowledges that there needs to be an increase in rail traffic in order to restore viability and realise the benefits of the recapitalisation programme.²¹ However, the currently low industrial volumes in the economy may undermine the success of the parastatal even after the recapitalisation programme.²²

“Due to the depressed macro-economic environment and the resultant poor performance of the economy, business availed to NRZ by industry for bulk movement is low and insufficient to meet the projected tonnages. Currently, the traffic tonnage being moved by rail is very low due to the decline in freight availed to NRZ as a result of the prevailing economic challenges in the country where some companies have shut down or scaled down production. The low business from industry is also shared between NRZ and road transporters.”²³

Six private investors have reportedly submitted bids for the \$400m recapitalisation tender.²⁴ These include local firm **Croyeaux**, **SMH Rail Malaysia**, South Africa-based **Transnet**, **China Civil Engineering and Construction**, accounting firm **Crowe Horwath** and **SinoHydro**.²⁵ Transnet appears poised to get the tender partly because of its joint partnership with the **Diaspora Investment Group**, a group of Zimbabwean investors living abroad. Transnet also has long experience of railway business in **Southern Africa**.²⁶

Zimbabwe’s political system has created a risky environment for business and investment, especially in ventures in which the current Zanu-PF has investments or control. This will determine the success or failure of the recapitalisation programme, and subsequent profitability of the venture. NRZ would need to increase traffic volumes from the current average of 3.5m tonnes to 7 m tonnes annually in order to increase profitability.²⁷ Its ability to do so depends on political and economic conditions. This puts the recapitalisation drive in jeopardy. Possible measures to increase the project’s profitability include state-assisted measures to redirect certain traffic back to rail as part of the transport sector master plan, a government guarantee to pay the debt owed to employees, and addressing some of the internal inefficiencies through restricting NRZ’s administrative structures.²⁸

Air Zimbabwe retrenching workers

Air Zimbabwe is retrenching 200 employees, more than a third of its workforce, as it seeks to cut costs in a difficult operating environment.²⁹ The state-owned airline is on the brink of bankruptcy, having accumulated a debt of \$330m.³⁰ Air Zimbabwe, founded as **Central African Airways** in 1946 and changed after the country’s independence from the **United Kingdom (UK)** in 1980, has struggled to maintain normal operations in the midst of a decline in the country’s economic fortunes since 2000.³¹ Air Zimbabwe used to operate routes to

²¹ The Source, 14 Jul 2017.

²² The Source, 14 Jul 2017.

²³ Source, business analyst, Harare

²⁴ The Source, 14 Jul 2017.

²⁵ Engineering News, 4 Jul 2017.

²⁶ Engineering News, 4 Jul 2017.

²⁷ NewsDay Zimbabwe, 31 May 2017.

²⁸ Engineering News, 4 Jul 2017.

²⁹ Bloomberg, 11 Jul 2017.

³⁰ Bloomberg, 11 Jul 2017.

³¹ Bloomberg, 11 Jul 2017.

European countries, **China** and several other countries in Africa. It now flies to South Africa and **Zambia**, in addition to domestic flights to **Bulawayo** and **Victoria Falls**.³²

Air Zimbabwe is facing tough competition on the busy **Harare-Johannesburg** route, dominated by **South African Airways**, with low-cost carrier **Fast Jet** also staking a claim for market share. Global aviation safety organisation, **International Air Transport Association (IATA)** deregistered Air Zimbabwe in November 2016 after it failed to comply with international safety regulations.³³ The **European Union** banned Air Zimbabwe from operating in its air space in May even though the airline had stopped flying there due to its operational challenges.³⁴ These challenges reportedly stem from corruption and nepotism in the company. Mugabe's son-in-law, **Simba Chikore**, is the chief operating officer at the parastatal.³⁵

“Air Zimbabwe has been one of the feeding troughs for certain Zanu-PF elites and their close connections, including the first family. This has undermined good corporate governance systems, leading to the accumulation of debt and increased inefficiency. The airline has been unable to make any repayments towards the reduction of its debts as it continues to operate under government support.”³⁶

The retrenchment of employees on 11 July had an immediate effect on Air Zimbabwe's operations; the Harare-Bulawayo flight failed to take off the following day. Senior Air Zimbabwe employees interviewed by the local media suggested that the airline board and management rushed to retrench without looking at how this would affect operations.³⁷ Air Zimbabwe reportedly retrenched its entire marketing department, leaving no staff to process payments.³⁸ Some Air Zimbabwe employees suggested that the Air Zimbabwe board does not understand the aviation business.³⁹ The Air Zimbabwe board reportedly did not consider the turnaround plan produced three years ago by **Ernst & Young (EY) Consultancy** but instead engaged a lawyer who recommended retrenchment.⁴⁰

The retrenchments have also affected Air Zimbabwe's chances of readmission into IATA. The job cuts came at a time when the airline was due for the **IATA International Operation Safety Audit (IOSA)**, with all groundwork for the audit having been completed.⁴¹ The IOSA process is the benchmark for global safety management in airlines.⁴² The IATA auditors were due to arrive in Harare in August but reportedly some staff members who would have been involved in the auditing process are among those retrenched.

Air Zimbabwe's struggles are taking place at a time when the government has reportedly spent approximately \$1 billion on new planes. The government has reportedly procured **Boeing 777-200ER** planes from **Malaysia**, in what appears to have been a secret deal.⁴³ The purchase has triggered speculation that the loss-making Air Zimbabwe would be rebranded

³² Bloomberg, 11 Jul 2017.

³³ Bloomberg, 11 Jul 2017.

³⁴ Bloomberg, 11 Jul 2017.

³⁵ Financial Gazette, 14 Jul 2017.

³⁶ Financial Gazette, 14 Jul 2017.

³⁷ Financial Gazette, 14 Jul 2017.

³⁸ Financial Gazette, 14 Jul 2017.

³⁹ Source, former Air Zimbabwe employee, Harare

⁴⁰ Financial Gazette, 14 Jul 2017.

⁴¹ Financial Gazette, 14 Jul 2017.

⁴² Financial Gazette, 14 Jul 2017.

⁴³ Financial Gazette, 13 Jul 2017.

and would lease the new aircraft. A company with the name **Zimbabwe Airways** is registered at the department of the registrar general in Harare.⁴⁴ The government has reportedly planned since 2012 to shut down Air Zimbabwe and start a new company trading as Zimbabwe Airways. Chikore is spearheading efforts to acquire new planes, together with transports and infrastructure development minister **Joram Gumbo**.⁴⁵ This development appears to have excluded the Air Zimbabwe board and other senior executives.⁴⁶ Air Zimbabwe's chief executive officer has reportedly not been involved in the acquisition of planes.⁴⁷

Air Zimbabwe is facing the same challenges that have undermined other parastatals in Zimbabwe over the years. Mugabe maintains close control of the company through his son-in-law. The first family has often monopolised use of the airline on their foreign trips, including Mugabe's frequent visits to East Asia. This may work against the company's efforts to implement a turnaround strategy. The recent arbitrary sacking of employees may compound Air Zimbabwe's operational challenges as it has to secure money for retrenchment packages in the midst of the other financial challenges it is currently facing.⁴⁸

⁴⁴ Financial Gazette, 13 Jul 2017.

⁴⁵ Financial Gazette, 13 Jul 2017.

⁴⁶ Financial Gazette, 13 Jul 2017.

⁴⁷ Financial Gazette, 13 Jul 2017.

⁴⁸ Financial Gazette, 13 Jul 2017.

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