

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing November 2017

Zimbabwe Summary 27 November 2017

Former vice president, Emmerson Mnangagwa, is inaugurated as Zimbabwe's second executive president since independence. Zimbabwe's long-serving president, Robert Gabriel Mugabe (1980-2017), resigns, following Zimbabwe Defence Forces (ZDF) intervention in a 'soft coup'. Zimbabwe's political and economic future will depend on Mnangagwa's ability to reinvent himself and the Zimbabwe African National Union-Patriotic Front (Zanu-PF) as a reformist movement that establishes prudent political and economic policies, and re-engage with the global community. Zimbabwe's budget deficit has widened as the government struggles to curb expenditure costs.

Mnangagwa takes over ...

Zimbabwe's new president, **Emmerson Mnangagwa**, was inaugurated on 24 November and will serve as president until the 2018 presidential election.¹ Mnangagwa faces the daunting task of reviving Zimbabwe's economy (see below) and reforming Zimbabwe's public institutions, which had collapsed under the 37-year tenure of former president, **Robert Gabriel Mugabe** (1980-2017).² Mnangagwa also faces the Herculean task of rebuilding Zimbabwe's relations with other countries and international institutions, particularly the **United Kingdom (UK)** and the **United States (US)**.

Mnangagwa's inauguration capped three weeks of events that began with Mugabe dismissing him on 6 November.³ The dismissal had signaled the escalation of factional struggles between the "**Group Forty**" (**G40**) and "**Lacoste**" factions of the ruling **Zimbabwe African National Union-Patriotic Front (Zanu-PF)**. The G40 faction included former first lady **Grace Mugabe**, former local government minister **Saviour Kasukuwere**, and former higher education minister **Jonathan Moyo**, while the Lacoste faction included Mnangagwa, the **Zimbabwe Defence Forces (ZDF)**, and liberation struggle veterans.⁴ Mugabe dismissed Mnangagwa after accusing him of bussing his supporters to boo Grace Mugabe at a rally that she and Mugabe had both addressed on 4 November.⁵ Mnangagwa fled Zimbabwe after his dismissal following a tip from intelligence services sources of an impending assassination.⁶ Army commander General **Constantino Chiwenga** held a press conference on 13 November, warning Mugabe that the ZDF would step into Zanu-PF's factional struggles if Mugabe did not end the purge of party officials who had participated in the liberation struggle.⁷ The ZDF mobilised, moving tanks and armoured vehicles into the capital, **Harare**, and took control of

¹ Al Jazeera, 24 Nov 2017.

² Al Jazeera, 24 Nov 2017.

³ CNN, 21 Nov 2017.

⁴ CNN, 21 Nov 2017.

⁵ CNN, 21 Nov 2017.

⁶ The Telegraph, 22 Nov 2017.

⁷ EWN, 24 Nov 2017

state-owned broadcaster **Zimbabwe Broadcasting Corporation** on 14 November.⁸ The ZDF announced in the early hours of 15 November that it had stepped in to “*restore order and normalcy*” in the governance of Zimbabwe.⁹ The ZDF held Mugabe under house arrest, while issuing statements that the events did not constitute a coup. Mugabe resisted calls to resign, prompting the Zanu-PF executive to expel him along with Grace Mugabe, and members of the G40 faction, including former vice-president **Phelekezela Mphoko**.¹⁰ Mugabe eventually resigned on 21 November, following a series of negotiations with senior officials from the ZDF, police, and other security sectors, and mediated by prominent Catholic priest and long-time Mugabe confidant, **Fidelis Mukonori**.¹¹ The negotiations included the former president of Zambia, **Kenneth Kaunda**, (1964-1991) and two envoys from **South Africa’s** president, **Jacob Zuma** (2009-present).¹²

The recent events in Zimbabwe can be understood in the balance of forces that exist between Zanu-PF as a party and government:

“The military has always been part of Zimbabwean politics, mainly as the protective arm of the ruling party. Mugabe’s dismissal of Mnangagwa with the intention of elevating Grace had the terminal effect of upsetting the hierarchy within Zanu-PF and in the military. Hence the intervention is rather a show of force by the military to demonstrate to Zanu-PF that it could no longer tolerate any further destruction of the country’s liberation history and that elements in the G40 faction had to be reined in. The military takeover had little do with restoring democracy in Zanu-PF but rather was a demonstration of displeasure of Mugabe’s latest handling of the balance of forces in the ruling party.”¹³

Who is Mnangagwa?

Mnangagwa, a qualified lawyer, served as Mugabe’s personal assistant during the liberation struggle and in various capacities in government from independence in 1980.¹⁴ Commanding strong support within the **Zimbabwe Defence Forces (ZDF)** and security establishment, former vice-president Mnangagwa was widely expected to be Mugabe’s successor.¹⁵ As a long-serving Mugabe surrogate, Mnangagwa was intimately involved in political strategies to keep Mugabe in power, including allegedly manipulating election outcomes by promoting violence, intimidation and repression.¹⁶ He was also viewed as a reformist within Zanu-PF.¹⁷

Mnangagwa allegedly played a pivotal role in the **Gukurahundi**, also known as the **Matabeleland** massacres, which took place in 1982 and 1987.¹⁸ Mugabe launched military attacks against Matabeleland residents that stemmed from struggles between Zanu-PF and former late vice-president **Joshua Nkomo’s Zimbabwe African Peoples Union (ZAPU)**,

⁸ EWN, 24 Nov 2017

⁹ Zimbabwe Broadcasting Authority (ZBC) broadcast, 15 Nov 2017.

¹⁰ EWN, 24 Nov 2017

¹¹ EWN, 24 Nov 2017

¹² EWN, 24 Nov 2017

¹³ Source, Analyst

¹⁴ BBC, 24 Nov 2017.

¹⁵ The Guardian, 15 Nov 2017.

¹⁶ BBC, 24 Nov 2017.

¹⁷ BBC, 24 Nov 2017.

¹⁸ The Conversation, 17 Nov 2017.

whose political base was mainly Matabeleland. Mnangagwa has consistently denied involvement and has blamed the army for the atrocities.¹⁹

Mnangagwa also faces long-standing allegations of corrupt business practices and diamond looting in both Zimbabwe and the **Democratic Republic of the Congo (DRC)**.²⁰ Non-governmental organisation (NGO) **Global Witness** released an investigative report in 2012 that alleged that Zanu-PF and the military elite used the proceeds from looted diamonds to fund human rights abuses.²¹ The report pointed to the conduct of Mnangagwa and his close ally, Chiwenga.

Despite these allegations of violence and corruption, the UK government reportedly identified Mnangagwa as the candidate they could best work with in re-engaging with Zimbabwe.²² The UK's **Africa** minister, **Rory Stewart**, has since visited Zimbabwe, and is engaging in talks with Mnangagwa, and opposition and civil society leaders.²³ Without explicitly approving a military coup, world leaders seem content to embrace Mnangagwa as Zimbabwe's new leader.²⁴

Zimbabwe's budget deficit widens

The new government faces the daunting task of reviving Zimbabwe's economy. The immediate past finance minister, **Ignatius Chombo**, announced in parliament on 9 November that the budget deficit for 2017 is expected to increase from the initial projection of \$400m to \$1.82 billion.²⁵ The previous government struggled to manage public expenditure and the economy in general after taking over from the coalition **Government of National Unity (GNU)** in 2013.²⁶ The GNU recorded budget surpluses for three of the four full years when the opposition legislator, **Tendai Biti**, controlled the finance ministry.²⁷ However, since 2013, the Zanu-PF government's expenditure has steadily increased year-over-year, along with a significant reduction in Zimbabwe's foreign earnings. Zimbabwe recorded deficits of \$186m and \$125m in 2014 and 2015 respectively.²⁸ The acting finance minister **Patrick Chinamasa** had projected a deficit of \$1.41 billion for 2017, in a statement issued in October.²⁹

Chombo, who replaced Chinamasa in a cabinet reshuffle in October, said that although revenue has performed above target, government was spending money at a faster rate than before.³⁰ Revenue collection is expected to increase by 11.4% to \$3.9 billion from 2017's \$3.5 billion collection but expenditure will reach \$5.58 billion, up from the budgeted \$4.1 billion.³¹ Reports suggest that the increasing government wage bill is taking about 90% of the

¹⁹ BBC, 24 Nov 2017.

²⁰ The Conversation, 17 Nov 2017.

²¹ The Conversation, 17 Nov 2017.

²² BBC, 24 Nov 2017.

²³ BBC, 24 Nov 2017.

²⁴ Source, analyst

²⁵ The Source, 7 Nov 2017.

²⁶ The Source, 7 Nov 2017.

²⁷ The Conversation, 31 Oct 2017.

²⁸ The Conversation, 31 Oct 2017.

²⁹ Reuters, 6 Nov 2017.

³⁰ The Source, 9 Nov 2017.

³¹ The Source, 9 Nov 2017.

budget.³² The government appears to have deviated from the path of fiscal consolidation Chinamasa announced during his 2016 budget presentation.³³

Zimbabwe's economy has become increasingly unstable in recent months following fears of basic commodity shortages and the return to currency inflation.³⁴ Lack of foreign currency is threatening the survival of many companies and hurting business confidence.³⁵ Results from a **Confederation of Zimbabwe Industries (CZI)** survey indicate that despite an optimistic picture presented by government and representatives from the private sector since May this year, Zimbabwe's industrial sector has declined, with firms coming under pressure from an escalating banking crisis, policy instability, restrictive foreign currency regulations, inefficient government bureaucracy and severe raw material shortage.³⁶ As a result of the foreign currency crisis, about 30% of manufacturing companies are facing closure.³⁷ Some firms have retrenched employees, leaving only skeleton staff to take care of the plants after scaling down or calling off production.³⁸

The CZI also released a manufacturing sector survey showing that the sector had lost 15% of total jobs over the past year.³⁹ The survey suggests that capacity utilisation had declined to 45.1% in 2017 from the 47.4% recorded in 2016 after it had peaked at 57.2% in 2011.⁴⁰ The decline has been driven by sectors such as non-metallic mineral products, wood and furniture, transport and equipment production and petroleum products.⁴¹ The survey also found that about 40% of equipment currently in use by firms is more than 20 years old.⁴² According to the report, business is worried by the rising fiscal deficit and the prospects of inflation higher than the 3-7% target for the countries in **Southern African Development Community (SADC)**.⁴³

The CZI survey suggests that about 37% of companies have had difficulty accessing their funds from banks, even after the central bank established a foreign currency allocation priority list last year, which is supposed to give exporters preferential treatment.⁴⁴ However, a year after the foreign currency management system was announced, at least 50% of industrial players had been forced to hike prices by over 10% because they were sourcing their foreign currency from the black market to import inputs.⁴⁵

"The fight over the future control of Zanu-PF overshadowed the economic crisis the country is facing. Authorities may also just ignore the results of the CZI survey, and interpret that as a negative detraction given that state institutions have been giving glowing accounts of the state of the economy."⁴⁶

³² The Source, 9 Nov 2017.

³³ The Source, 9 Nov 2017.

³⁴ The Source, 9 Nov 2017.

³⁵ The Financial Gazette, 26 Oct 2017.

³⁶ The Financial Gazette, 26 Oct 2017.

³⁷ The Financial Gazette, 26 Oct 2017.

³⁸ The Financial Gazette, 26 Oct 2017.

³⁹ The Financial Gazette, 26 Oct 2017.

⁴⁰ The Financial Gazette, 26 Oct 2017.

⁴¹ The Financial Gazette, 26 Oct 2017.

⁴² The Financial Gazette, 26 Oct 2017.

⁴³ The Financial Gazette, 26 Oct 2017.

⁴⁴ The Financial Gazette, 26 Oct 2017.

⁴⁵ The Financial Gazette, 26 Oct 2017.

⁴⁶ Source, analyst.

Mnangagwa appears to be economically savvy and promised in his inauguration address to tackle the economy immediately.⁴⁷ With key ally Chinamasa, Mnangagwa had already begun a range of economic reforms.⁴⁸ Chinamasa and Mnangagwa opened channels of engagement with international financiers that had shunned Zimbabwe, among them the **International Monetary Fund (IMF)**, **World Bank** and the **African Development Bank (AfDB)**.⁴⁹ The IMF had indicated that it was considering resuming aid to Zimbabwe for the first time in nearly two decades.⁵⁰ Negotiations also opened with the **European Union (EU)**, which saw the resumption of budgetary aid after several years' suspension.⁵¹

What's next for Zimbabwe?

Zimbabwe's future under Mnangagwa depends on the 18 months of his presidency until the next election.⁵² The success of Mnangagwa's presidency largely depends on his capacity for reinvention of his leadership, and that of Zanu-PF as a party:

"The large majority of Zanu-PF officials and their associates in government and outside have benefitted immensely from an entrenched culture of patron-client politics since independence. Mnangagwa stands a chance to rewrite history by leading the establishment of a new culture of efficient and competent governance, reduction of corruption, and prudent politics that will accelerate economic growth, job creation and resuscitation of public services such as health, and education."⁵³

It is unclear whether Mnangagwa will establish an inclusive government that will include cabinet ministers from the political opposition, civil society and private sector, when he forms his cabinet.⁵⁴ It also remains unclear whether the army, which staged a coup to bring Mnangagwa into power, would accept a free and fair election result in which their candidate loses and has to step down.⁵⁵ The army has previously indicated that it would not submit to a new president who does not have a background of participating in the liberation struggle.⁵⁶

Planner

12-17 Dec 2017. Zanu-PF Extraordinary Congress;
 21 Feb 2018. Robert Mugabe National Youth Day;
 18 Apr 2018. Zimbabwe Independence Day
 July/August 2018. Scheduled general elections
 14 Aug 2018. Defence Forces Day

⁴⁷ Source, analyst

⁴⁸ Source, analyst

⁴⁹ The Source, 7 Nov 2017.

⁵⁰ The Source, 7 Nov 2017.

⁵¹ Source, analyst

⁵² Source, analyst

⁵³ Source, analyst

⁵⁴ Source, analyst

⁵⁵ Source, analyst

⁵⁶ Source, analyst

Chronology

24 Nov 2017. (Zimbabwe) *Al Jazeera*. **Emmerson Mnangagwa** sworn in as Zimbabwe's president, becoming the country's second executive president since independence;

23 Nov 2017. (Zimbabwe) *My Zimbabwe*. **British** minister for **Africa** heads to Zimbabwe for talks with political leaders and civil society activists;

22 Nov 2017. (Zimbabwe) *The Telegraph*. Zimbabwe president-in-waiting **Emmerson Mnangagwa** returns from exile, where he had fled to after dismissal by Mugabe;

21 Nov 2017. (Zimbabwe) *BBC*. Zimbabwe's **Robert Mugabe** resigns, ending 37-year rule, following a military coup;

15 Nov 2017. (Zimbabwe) *CNN*. Zimbabwe under military control after army seizes power from Mugabe, as factional struggles with **Zanu-PF** escalate;

13 Nov 2017. (Zimbabwe) *The Telegraph*. Zimbabwe army chief warns President **Robert Mugabe**'s party that military may intervene after sackings of vice-president **Emmerson Mnangagwa** and his perceived allies in government;

4 Nov 2017. (Zimbabwe) *The Herald*. President **Robert Mugabe** dismisses former vice president **Emmerson Mnangagwa** from government, accusing him of being disloyal and incompetent;

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 online 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 online 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)