

AFRICA RISK CONSULTING

Zimbabwe Monthly Briefing April 2020

Zimbabwe Summary 19 April 2020

Zimbabwe's 40th Independence Day celebrations are muted amidst political and economic woes, exacerbated by the COVID-19 pandemic. President Emmerson Mnangagwa (2017-present) extends Zimbabwe's three-week lockdown by a further 14 days. The country has recorded 25 infections and three deaths as of 19 April, although its testing and diagnosis capacity remains low. The International Monetary Fund (IMF) says Zimbabwe's economy will decline by 7.4% by the end of the 2020 financial year because of the effects of the COVID-19 pandemic on the economy. Sweden-based think-tank Stockholm International Peace and Research Institute (SIPRI) reports secretive weapons deals that the Zimbabwe Defence Forces (ZDF) have conducted since 1995.

Zimbabwe at 40: Muted independence celebrations

Zimbabwe marked 40 years of independence from **British** colonial rule on 18 April but celebrations were muted amidst a government lockdown imposed to curb the spread of the **coronavirus (COVID-19)**.¹ The anniversary commemorated the armed struggle that led to a free Zimbabwe in 1980.² However, Zimbabweans have little to celebrate, given the rapid deterioration of political and economic conditions in the country, particularly since 2000, under the leadership of former president **Robert Mugabe** (1980-2017).³ Under normal circumstances, Zimbabwe would celebrate its independence with a major ceremony at the **National Sports Stadium**, with the president lighting the 'eternal flame' that symbolises the country's bright future.⁴ However, the government cancelled all events because of the COVID-19 virus pandemic (see below).⁵

However, the majority of Zimbabweans have little to celebrate. They face considerable challenges on a daily basis, including a dilapidated health system, poor service provision in urban areas resulting in daily power cuts and water shortages, skyrocketing inflation and unemployment.⁶ In an interview with **Germany**-based newscaster **Deutsche Welle**, Zimbabwe-based political analyst **Alexander Rusero** observed that Zimbabwe's independence has not gone much further than a national anthem and flag:

*"There are no equal opportunities in accessing national resources. For someone waking up every day without fuel, electricity, water, and the basics, the independence gimmick becomes meaningless."*⁷

Zimbabwe-based economist **John Robertson** laid the blame for Zimbabwe's political and economic woes squarely on the ruling **Zimbabwe African National Union Patriotic Front (Zanu-PF)** government.⁸ He cites the regime's penchant for interfering in the economy through price controls, monopolistic conduct and corruption, the land reform programme, high foreign debt, and political repression as some of the factors that have resulted in misery in present-day Zimbabwe.⁹

¹ CNBC Africa, 18 Apr 2020.

² CNBC Africa, 18 Apr 2020.

³ CNBC Africa, 18 Apr 2020.

⁴ Deutsche Welle, 17 Apr 2020.

⁵ Deutsche Welle, 17 Apr 2020.

⁶ CNBC Africa, 18 Apr 2020.

⁷ Analyst Alexander Rusero quoted in Deutsche Welle, 17 Apr 2020.

⁸ CNBC Africa, 18 Apr 2020.

⁹ CNBC Africa, 18 Apr 2020.

By contrast, Zimbabwe's early years of independence, from 1980 to 1990, were promising. Mugabe pursued a policy of reconciliation with the former colonial overlords, which fostered political tolerance and inclusion, and overall democratic stability.¹⁰ With its vibrant agriculture-based economy, Zimbabwe became known as the "breadbasket of Africa".¹¹ Mugabe's government also established a world-renowned publicly funded education and healthcare system that provided a safety net for the country's population.¹²

Forty years later, Zimbabwe's economy is in tatters. Its economic growth rate has been negative, -6.5% as of December 2019.¹³ The official rate of inflation peaked at 676% in March, and the current account has been negative in the last decade, with a notable but modest increase to \$311m in 2019, while the current account to gross domestic product (GDP) percentage is -2.2%.¹⁴

Zimbabwe's economic woes are likely to persist in the medium to long term because of the Zanu-PF government's hold on power, which depends largely on the military.¹⁵ The regime, which includes veterans of the armed struggle that brought Zimbabwe independence, has a deeply entrenched culture of entitlement to power, since its military effort led to independence.¹⁶ The political opposition is fractured into multiple parties that are largely unable to dislodge Zanu-PF from power due to the ruling party's ability to manipulate election campaigning, processes and results in its favour.¹⁷

COVID-19 update

President **Emmerson Mnangagwa** (2017-present) on 19 April extended the 21-day lockdown that government imposed starting on 30 March by an additional 14 days, indicating that this was necessary to contain the spread of coronavirus.¹⁸ Mnangagwa had declared the COVID-19 epidemic a national disaster on 17 March.¹⁹ The lockdown involves restrictions on domestic and foreign travel, and closure of businesses, except mining companies, and banks.²⁰ The **Reserve Bank of Zimbabwe (RBZ)** (central bank) allowed money transfer agencies to remain open, since a substantial proportion of the country's population survives on foreign remittances.²¹ Zimbabwe has suffered three fatalities from the virus, out of 25 confirmed cases as of 19 April.²² However, these low infection figures may largely be reflective of the country's limited testing capacity, instead of the low prevalence of the disease itself.²³

Mnangagwa acknowledged in his address that the country is yet to meet the **World Health Organisation's** conditions for managing the situation, which includes testing, contact tracing, medications, and availability of equipment, in addition to testing.²⁴ Although an effective prevention measure, the lockdown has exacerbated poverty levels in Zimbabwe, since over 80% of the population depends on income from informal business activities to survive.²⁵

Mnangagwa's 17 March declaration of the COVID-19 epidemic as a national disaster resulted in the government cancelling or postponing all public events, gatherings and activities, and curtailing all

¹⁰ Deutsche Welle, 17 Apr 2020.

¹¹ Deutsche Welle, 17 Apr 2020.

¹² Deutsche Welle, 17 Apr 2020.

¹³ Trading Economics data, accessed 21 Apr 2020.

¹⁴ Trading Economics data, accessed 21 Apr 2020.

¹⁵ Source, analyst, London.

¹⁶ Source, analyst, London.

¹⁷ Source, analyst, London.

¹⁸ Reuters 19 Apr 2020.

¹⁹ Xinhua, 17 Apr 2020.

²⁰ Reuters 19 Apr 2020.

²¹ The Zimbabwe Daily, 6 Apr 2020.

²² Reuters 19 Apr 2020.

²³ Reuters 19 Apr 2020.

²⁴ Reuters 19 Apr 2020.

²⁵ Reuters 19 Apr 2020.

domestic and international travel.²⁶ However, Mnangagwa defied these measures when he travelled to **Namibia** for the swearing in ceremony of President **Hage Geingob** (2015-present) for a second term on 22 March, earning him widespread criticism.²⁷

The government also formally closed borders, except for essential travel such as cargo transport and returning residents, on 24 March.²⁸ This followed the country's first COVID-19 casualty of popular journalist **Zororo Makamba** who died on 23 March at **Wilkins Infectious Diseases Hospital**, following his return from **New York (United States)** on 9 March.²⁹ Makamba had a pre-existing condition, myasthenia gravis, which contributed to the gravity of the COVID-19 infection.³⁰

Zimbabwe's first COVID-19 related death exposed the government's lack of preparedness to fight the virus, as reports emerged that the hospital did not have necessary equipment such as ventilators.³¹ Doctors and nurses staged a strike on 25 March over the lack of personal protective equipment (PPE) in the country, especially in public health facilities.³² The **United Nations** has since collaborated with the government of Zimbabwe to launch a \$715m humanitarian assistance plan, which will assist at least 5.6 million people or a third of the country's population.³³ The funds will primarily help with securing food aid, water and sanitation, health, education, and shelter.³⁴

IMF predicts COVID-19 to cause 7.4% economic contraction in Zimbabwe

The **International Monetary Fund (IMF)** predicted on 16 April that Zimbabwe's economy will decline by 7.4% in 2020 in the aftermath of the COVID-19 pandemic.³⁵ The negative forecast intensifies concerns about the country's economic future, since the IMF reported an 8.3% decline in Zimbabwe's economy in the 2019 financial year.³⁶ The IMF forecast in its April 2020 **Sub-Saharan Africa Regional Outlook** that the COVID-19 pandemic will considerably weaken Zimbabwe's economic outlook, and the economic shocks will extend to the rest of the **sub-Saharan African** geopolitical region:

*"The sharp downward revision largely reflects the fallout from the spread of COVID-19 and lower-than expected commodity prices. In addition, idiosyncratic factors such as continued structural constraints, policy adjustments, climate, and other natural shocks such as the locust invasion in **East Africa** have also contributed to the downward revisions."*³⁷

A **Confederation of Zimbabwe Industries (CZI)** weekly survey from 25-30 March, released on 2 April, revealed that the COVID-19 pandemic has affected 88% of local companies, mainly through restricting access to raw materials and export markets.³⁸ Zimbabwe's investment promotion agency, **ZimTrade**, reported that the lockdown measures that Zimbabwe's leading trade partner, **South Africa**, instituted to curb the spread of coronavirus, will adversely affect 49% of Zimbabwe's total exports:

*"This situation in **Africa** is almost the same across the world, where Zimbabwean exports will likely be affected by restricted movements, ban on air travel, or grounding of ships, which transport the bulk of the country's exports."*³⁹

²⁶ Xinhua, 17 Apr 2020.

²⁷ News24, 22 Apr 2020.

²⁸ Newsday, 23 March 2020.

²⁹ New York Times, 30 Mar 2020.

³⁰ New York Times, 30 Mar 2020.

³¹ New York Times, 30 Mar 2020.

³² Globe and Mail, 25 Mar 2020.

³³ News 24, 2 Apr 2020.

³⁴ News 24, 2 Apr 2020.

³⁵ NewsDay, 16 Apr 2020.

³⁶ NewsDay, 16 Apr 2020.

³⁷ Excerpt from the IMF's April 2020 Sub-Saharan Africa Regional Outlook, quoted in Newsday, 16 Apr 2020.

³⁸ Newsday, 16 Apr 2020.

³⁹ Excerpt from ZimTrade's statement, quoted by Newsday, 16 Apr 2020.

The IMF acknowledged that the disruption of trade relations would contribute to economic decline in the region.⁴⁰ A sharp slowdown in growth among key trading partners will reduce external demand, while disrupted supply chains will lower the availability of imported goods and possibly increase inflation. The tightening of global financial conditions will also reduce investment flows to the region, and hamper the government's ability to finance expenditure needed to deal with the health crisis and support growth:

"This may result in either a cut in government spending, a build-up in arrears, or an increase in government borrowing in local markets, with attendant consequences on domestic credit and growth."⁴¹

South Africa's shutdown is already leading to a decline in the availability of goods in Zimbabwe, which relies on imports for a wide variety of commodities from food to auto parts. A **Harare**-based entrepreneur said that despite the governments of Zimbabwe and South Africa allowing goods freight, individual importers account for a large proportion of imports into Zimbabwe:

"We are facing a situation where groceries, auto and machine parts and other goods are in short supply in the country. The largest volume of passenger travel between Zimbabwe and South Africa consists of individual importers who either run their own businesses, or supply various shops throughout the country. Since passenger travel has been suspended, there is now a gap in the market, and the formal goods transportation that the governments allowed to continue operating will not be sufficient to meet the pre-existing demand."⁴²

The projected economic decline will exacerbate Zimbabwe's economic and political woes, which will in turn worsen the country's humanitarian situation.⁴³ Zimbabwe already has a dearth of investment needed to ramp up economic growth and development, and the projected global economic contraction will further slow down its economic activity.⁴⁴ Given its limited sources of capital and political goodwill in the international community resulting from its rampant human rights abuses, the government will struggle to implement measures to revive the economy once the COVID-19 crisis ends.⁴⁵

Swedish think-tank alleges opaque weapons deals

The **Sweden**-based military intelligence think-tank, **Stockholm International Peace and Research Institute (SIPRI)**, reported on 10 April that the **Zimbabwe Defence Forces (ZDF)** spent \$94m between 2000 and 2016 on purchases of military hardware without parliamentary oversight.⁴⁶ The accusations draw fresh scrutiny of lavish spending by the country's military, often under a veil of secrecy.⁴⁷ SIPRI's report, entitled, *"Transfer of major weapons: Deals with deliveries or orders made from 1995 to 2019"*, details how Zimbabwe's military purchased weapons from countries in **Asia** and **Eastern Europe** during a period where Zimbabwe experienced acute economic decline and escalating human rights abuses by the government.⁴⁸ Defence minister **Oppah Muchinguri** and ZDF spokesman **Overson Mugwisi** declined to comment on the report.⁴⁹

The report showed that as recently as June 2019, President Mnangagwa's government bought 50,000 mortar bombs and 58,500 grenades from overseas suppliers.⁵⁰ In the same year, the army also acquired:

⁴⁰ Excerpt from the IMF's April 2020 Sub-Saharan Africa Regional Outlook, quoted in Newsday, 16 Apr 2020.

⁴¹ Excerpt from the IMF's April 2020 Sub-Saharan Africa Regional Outlook, quoted in Newsday, 16 Apr 2020.

⁴² Source, Harare-based entrepreneur, 17 Apr 2020.

⁴³ Source, analyst, London.

⁴⁴ Source, analyst, London.

⁴⁵ Source, analyst, London.

⁴⁶ The Zimbabwe Independent, 10 Apr 2020.

⁴⁷ The Zimbabwe Independent, 10 Apr 2020.

⁴⁸ The Zimbabwe Independent, 10 Apr 2020.

⁴⁹ The Zimbabwe Independent, 10 Apr 2020.

⁵⁰ Nehandaradio, 10 Apr 2020.

- 3,343 **AK 47** assault rifles
- 2,000 **CZ pistols**, and 500 P1 pistols
- 500 **Steyr** 223 rifles
- 500 **Uzi** sub-machine guns
- 500 **Moseberg** guns
- 500 **RPT** guns, 300 mortar tubes
- 1,500 **Tokarev** guns
- 100 rocket propelled grenade launchers
- 22,943 **AK 47** magazines.⁵¹

The report showed that the ZDF took delivery of 85 refurbished 'large caliber artillery' from South Africa in 2016.⁵² According to the report, the United States government has not exported weapons to Zimbabwe since independence in 1980, and Zimbabwe has mostly relied on **China, Russia** and other Eastern European countries for its weapons.⁵³ The **United Kingdom (UK)** last delivered a shipment of weapons to Zimbabwe in 1992, worth \$22m.⁵⁴

As political relations with the US and UK deteriorated, Zimbabwe turned to Eastern Europe and China for its weapons. The ZDF bought six units of a multiple rocket launcher popularly known as '**Stalin's Organ**' from **Slovakia** in 2000 at a cost of \$1m.⁵⁵ The army also bought a fleet of **K-8 Karakorum** jet trainers from China in 2006 for \$21m, and military hardware worth \$55m between 2004 and 2006.⁵⁶ The ZDF also acquired an array of military accessories from the **Ukraine** in 2006.⁵⁷ Other deals include a currently active contract with **Dubai-based Boomslang Logistics** for the repair of **EE-9 Cascavels** armoured vehicles.⁵⁸

Although countries upgrade their military hardware as standard practice, the report shows that Zimbabwe's military spent lavishly on weapons throughout periods of economic turmoil, particularly between 2000 and 2019.⁵⁹ The military acquisitions highlight the Zanu-PF regime's investment in maintaining considerable military capacity to maintain control and dominance of Zimbabwe's political system.⁶⁰ The secretive deals highlight the potential for large-scale corruption, since the transactions have occurred outside of parliamentary oversight or general public scrutiny.⁶¹

⁵¹ Nehandaradio, 10 Apr 2020.

⁵² Nehandaradio, 10 Apr 2020.

⁵³ Nehandaradio, 10 Apr 2020.

⁵⁴ Nehandaradio, 10 Apr 2020.

⁵⁵ The Zimbabwe Independent, 10 Apr 2020.

⁵⁶ The Zimbabwe Independent, 10 Apr 2020.

⁵⁷ The Zimbabwe Independent, 10 Apr 2020.

⁵⁸ The Zimbabwe Independent, 10 Apr 2020.

⁵⁹ Nehandaradio, 10 Apr 2020.

⁶⁰ Source, analyst, London

⁶¹ Source, analyst, London

Planner

1 May 2020 **(Zimbabwe)** Workers' Day (holiday);
 10 Aug 2020 **(Zimbabwe)** Heroes Day (holiday);
 June 2023 **(Zimbabwe)** General elections

Chronology

18 Apr 2020 **Harare (Zimbabwe)** *CNBC Africa*. **Zimbabwe** celebrates 40 years of independence from **British** colonial rule;

16 Apr 2020 **Harare (Zimbabwe)** *Newsday*. The **International Monetary Fund (IMF)** projects that Zimbabwe's economy will contract by 7.4% at the end of the 2020 financial year because of developments associated with the **COVID-19** pandemic;

16 Apr 2020 **Harare (Zimbabwe)** *Bloomberg*. **Bankers Association of Zimbabwe** urges **Reserve Bank of Zimbabwe** (central bank) to introduce more frequent reviews of the fixed-exchange rate and to ease rules on capital buffers to help the industry cope with the fallout from the **coronavirus**;

15 Apr 2020 **Harare (Zimbabwe)** *Anadolu Agency*. The **Zimbabwe** government places 500 returning citizens under a compulsory 21-day quarantine as part of measures to curb the spread of the **COVID-19** virus;

14 Apr 2020 **Harare (Zimbabwe)** *Times*. President **Emmerson Mnangagwa** threatens to impose 20-year jail sentences for spreading rumors regarding the **coronavirus** pandemic on social media.

14 Apr 2020 **Harare (Zimbabwe)** *Reuters*. **Zimbabwe National Statistics Agency (ZimStat)** reports that **Zimbabwe's** year-on-year inflation increased to 676% in March, from 540% in February as economic decline continues;

13 Apr 2020 **Beitbridge (Zimbabwe)** *The South African*. Undocumented migrants damage **South Africa's** new border fence with **Zimbabwe**, built to control the movement of people during the travel restrictions imposed to reduce the spread of **COVID-19**;

12 Apr 2020 **Harare (Zimbabwe)** *Times*. **China's** ambassador to **Zimbabwe**, **Guo Shaochun**, says some Chinese nationals in Zimbabwe have been denied access to health care since the **covid-19** outbreak although their cases were not related to the pandemic;

10 Apr 2020 **Harare (Zimbabwe)** *Reuters*. **Zimbabwe's** national carrier, **Air Zimbabwe**, will put employees on unpaid leave because of revenue loss resulting from the grounding of global air travel;

10 Apr 2020 **Harare (Zimbabwe)** *The Zimbabwe Independent*. **Sweden**-based think tank, the **Stockholm International Peace and Research Institute (SIPRI)**, reports that the **Zimbabwe Defence Forces (ZDF)** spent over \$90m in murky weapons deals between 1995 and 2019;

7 Apr 2020 **Harare (Zimbabwe)** *Al Jazeera*. Medical personnel accuse the **Zimbabwe** government of failing to provide sufficient equipment to fight the **COVID-19** pandemic in Zimbabwe;

6 Apr 2020. **Harare (Zimbabwe)** *New York Times*. **Reserve Bank of Zimbabwe (RBZ)** governor **John Mangudya** issues a statement permitting money transfer agencies to allow recipients of remittances from abroad to collect funds during the lockdown;

6 Apr 2020 **Harare (Zimbabwe)** *New Zimbabwe*. **Media Institute of Southern Africa Zimbabwe** accuses Zimbabwe police of assaulting journalists during the lockdown;

6 Apr 2020 **Harare (Zimbabwe)** *The Zimbabwe Daily*. **Reserve Bank of Zimbabwe** (central bank) calls on money transfer agencies to open door for business on 8 April as the country faces serious shortages of food, much of which is imported from neighbouring countries;

2 Apr 2020 **Harare (Zimbabwe)** *EWN*. **Zimbabwean** authorities and the **United Nations** launch an emergency humanitarian plan worth \$715m to help a third of the country's population, threatened by famine and at high risk of the **covid-19** pandemic;

2 Apr 2020 **Harare (Zimbabwe)** *Times Live*. Information minister **Monica Mutsvanga** says 185 people were arrested for contravening regulations imposed for the 21-day lockdown in **Zimbabwe**, with a journalist facing up to a year in jail;

30 Mar 2020. **Harare (Zimbabwe)** *Bloomberg*. The **Zimbabwe** government pays off \$33 million debt to **South Africa's** national utility, **Eskom** which paves the way for the resumption of electricity imports;

31 Mar 2020 **Harare (Zimbabwe)** *The Zimbabwe Mail*. **The Zimbabwe Mail** reports that a family spokesperson said President **Emmerson Mnangagwa** has tested positive for **covid-19**;

31 Mar 2020 **Harare (Zimbabwe)** *Reuters*. **Supreme Court** declared opposition party **Movement for Democratic Change** leader **Nelson Chamisa** illegitimate and orders the party to hold an election to replace him within three months;

30 Mar 2020 **Harare (Zimbabwe)** *Bloomberg*. Energy minister **Fortune Chasi** says **Zimbabwe** has paid the \$33m debt it owed to **South Africa**-based energy utility **Eskom Holdings**;

30 Mar 2020 **Harare (Zimbabwe)** *News24*. President **Emmerson Mnangagwa** declares a 21-day "total" lockdown from 30 March, curtailing movement, shutting most shops and suspending flights;

27 Mar 2020 **Harare (Zimbabwe)** *Eyewitness News*. President **Emmerson Mnangagwa** says **Zimbabwe** will impose a nationwide lockdown for 21 days from 30 March to help curb the spread of **covid-19**;

25 Mar 2020 **Harare (Zimbabwe)** *AA*. **Zimbabwean** doctors and nurses strike over the lack of personal protective equipment amid **the covid-19** pandemic;

24 Mar 2020 **Harare (Zimbabwe)** *Fin24*. Several **Zimbabwe** banks close branches and suspend some services after the country's first **covid-19** death;

23 Mar 2020 **Harare (Zimbabwe)** *News Day*. President **Emmerson Mnangagwa** closes borders and bars, and says government is considering shutting down popular open markets such as **Mbare Musika**;

21 Mar 2020 **Harare (Zimbabwe)** *News24*. President **Emmerson Mnangagwa** attends the investiture of his **Namibian** counterpart, **Hage Geingob**, in **Windhoek**, defying his own government's ban on anyone leaving the country over **covid-19**;

17 Mar 2020 **Harare (Zimbabwe)** *Business Day*. President **Emmerson Mnangagwa** declares **COVID-19** a 'national disaster' and issues a ban on all public gatherings of more than 100 people, as its largest annual trade event, the **Zimbabwe International Trade Fair**, is cancelled;

16 Mar 2020 **Harare (Zimbabwe)** *Herald*. **Zimbabwe National Statistics Agency** says the year-on-year inflation rate for the month of February stood at 540.16% – which was the first time the statistics agency released its first consumer price data since June 2019;

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)