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Parliament passes urgent amendments to the Labour Act to stop a wave of retrenchments following a 17 July Supreme Court ruling giving employers the right to terminate services with just three months' notice without other benefits regardless of length of service. The amendments were made after at least 9,000 workers were retrenched within three weeks of the Supreme Court ruling. The amended labour law comes amid a worsening economic climate which has forced President Robert Mugabe (1980-present) to plead for western help for the first time in a decade. Harare says it needs a cash injection to kick-start economic recovery, and has also outlined a 10-point plan which it says will underpin efforts to end the crisis. Mugabe offers former vice-president Joice Mujuru a pension package, increasing speculation over her political future. Her eventual decision will reflect whether she intends to run against Zanu-PF or maintain her current political neutrality. Zimbabwe will benefit from SADC strategies on electricity and revenue generation. This will include the Mozambique-Zimbabwe-South Africa (MoZiSA) project, and a new pricing model. However, this is not likely to improve the current power deficit in the short term, which is expected to worsen by the end of the year.

Parliament approves Labour Act amendments to halt retrenchments

The ruling **Zimbabwe African National Union-Patriotic Front (Zanu-PF)** party and the two factions of the **Movement for Democratic Change (MDC)** have demonstrated an unprecedented unity of purpose in approving urgent amendments to the **Labour Relations Act**. Parliament approved the amendments on 18 August in a bid to stop wide-scale retrenchments following a 17 July **Supreme Court** ruling that recognised an employer's common law right to terminate a contract of employment without benefits regardless of length of service. The Supreme Court ruled that the Labour Relations Act only required an employer to give the affected employee three months' notice.¹ In the three weeks following the ruling at least 9,000 workers were retrenched, and the **Zimbabwe Congress of Trade Unions (ZCTU)** claims the number is as high as 20,000.² The amendments make it impossible for employers to terminate contracts without paying retrenchment packages and allows retrenchment settlements to be retroactively applied to all workers who lost jobs between 17 July and 18 August.³

The retrenchments are a stark indication of Zimbabwe's economic crisis, particularly against the background of the government's **Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-Asset)** programme that aimed to create two million jobs by 2018. Companies laying off workers argue they are unable to meet high wage costs in the face of a crippling economic crisis. President **Robert Mugabe** (1980-present) described the ruling as "*an ass*",⁴ and ordered the labour ministry to amend the labour act to ensure fair treatment of retrenched workers. Mugabe could have invoked the **Presidential Powers Temporary Measures Act (PPTMA)** to stop the retrenchments, but decided instead that parliament should amend the labour act.⁵

¹ The Independent, 24 Jul 2015.

² Reuters, 16 Aug 2015.

³ Veritas, 18 Aug 2015.

⁴ New Zimbabwe, 29 Jul 2015.

⁵ New Zimbabwe, 29 Jul 2015.

The amendment became a political priority as MDC factions pointed out the Zim-Asset programme had resulted in companies closing and greater job losses.⁶ Government departments and state-owned enterprises (SOEs) also started dismissing staff.⁷ The **Harare City Council** dismissed 3,000 employees;⁸ public broadcaster **Zimbabwe Broadcasting Corporation (ZBC)** dismissed 500 workers and state-owned news publisher **Zimpapers** dismissed 100 workers.⁹ This alarmed the government as the state is a major employer. The ZTCU threatened street protests if the government does not intervene to halt job losses.

Some experts have questioned the legality of forcing employers to pay retrenchment packages to employees whose employment was terminated using the Supreme Court ruling. Clause 18 of the new law says the new provisions of the amended law will apply to all employees whose employment was terminated after the Supreme Court judgment.

“... legislation that has retrospective effect... renders unlawful things that would have been lawful when they were done. It leads to uncertainty, as actions done today in a perfectly legal way can be rendered unlawful tomorrow or at any point in future, through retrospective legislation.”¹⁰

Employer organisations such as the **Confederation of Zimbabwe Industries (CZI)** are studying the implications of the bill. It is not yet clear whether employers will challenge the requirement that they pay workers who have already been retrenched. CZI leader president **Busisa Moyo** urged restraint among employers who decide to retrench workers.¹¹ He acknowledged that many companies were under pressure and had been left with no choice but to retrench staff, while some companies have opted to close.¹²

Economic commentators warn that the pressure on the economy and on the private sector is intensifying. **London (United Kingdom)**-listed Africa-focused financial services group **Atlas Mara** says Zimbabwe’s economic challenges continue to put negative pressure on business performance.¹³ Group CEO **John Vitalo** has warned that in the absence of strong economic policies, the slowdown in economic activity will continue throughout 2015.¹⁴ Zimbabwe companies are now being forced to ask suppliers to cut their prices or risk losing business. **Econet Wireless**, the country’s largest mobile phone company, started the trend in July after demanding a 15% cut in prices from suppliers.¹⁵ Other companies have followed Econet’s example, including financial services group **FBC Holdings**, which has demanded a 20% discount on current contractual obligations and future business.¹⁶

The economic outlook for the rest of 2015 appears bleak. The **World Bank** predicts GDP growth of 1.5% in 2015, although finance minister **Patrick Chinamasa** insists the economy is on track to achieve 3% growth boosted by mineral exports. **International Monetary Fund (IMF)** resident representative **Christine Beddies** also describes the economic prospects for Zimbabwe as “difficult”.¹⁷ Zimbabwe expects the IMF to send a mission to Harare from 31 August to 11 September to conduct the second review under the 15-month **Staff Monitored Programme (SMP)**, an informal agreement between a participating government and IMF staff to monitor the implementation of its economic reforms.¹⁸

⁶ News Zimbabwe, 20 Feb 2014.

⁷ The Chronicle, 5 Aug 2015.

⁸ New Zimbabwe, 18 Aug 2015.

⁹ Nehanda Radio, 23 Aug 2015.

¹⁰ Blog posting, Harare lawyer Alex T Magaisa, 23 Aug 2015.

¹¹ New Zimbabwe Vision, 16 Aug 2015.

¹² New Zimbabwe Vision, 16 Aug 2015.

¹³ Daily News, 28 Aug 2015.

¹⁴ News Day, 28 Aug 2015.

¹⁵ Herald, 8 Jul 2015.

¹⁶ News Day, 28 Aug 2015.

¹⁷ The Telescope News, 3 Nov 2014.

¹⁸ The Source, 26 Aug 2015.

Chinamasa is adamant that multilateral donors must help Zimbabwe out of its crisis. While admitting the country owes up to \$9 billion, Chinamasa says creditors must either cancel the debt or agree on a payment plan. Chinamasa says Harare is aware the economy needs to be reformed to attract investors, and has already formulated a package of measures to assist in the recovery process.¹⁹

“My appeal is give me fresh money to rebuild. All is talk unless you give me money. If that capacity is not there, we will continue talking and talking.”²⁰

Meanwhile, on 25 August for the first time in over a decade Mugabe appealed for western support to fund economic recovery, telling parliament in his **State of the Nation Address** that Harare was open to western engagement. Mugabe, whose controversial land reforms led to the imposition of travel sanctions on him and the ruling elite, admitted the economy was in trouble and outlined a 10-point plan to restore growth.²¹ The plan includes restoring stability and confidence in the financial sector, reviving the agricultural and agro-processing sector, encouraging private sector investment and supporting small and medium businesses.²²

Mugabe’s pension offer to Mujuru adds complexity to her political future

President Mugabe has granted terminal benefits to former vice president **Joice Mujuru**, following her December 2014 dismissal from government and Zanu-PF over multiple allegations. These include corruption, abuse of office and creating a faction that allegedly plotted to unconstitutionally remove Mugabe from office.²³ Zanu-PF also dismissed over 104 senior Zanu-PF officials along with Mujuru on allegations of factionalism that had degenerated into intra-party succession politics. Mugabe announced the lifelong benefits package for Mujuru, and all subsequent ex-vice presidents in a government gazette on 7 August.²⁴ The announcement was based on the **Presidential and Retirement Benefits Act**, a constitutional provision that already guaranteed benefits to former vice presidents and heads of state.²⁵ Benefits will include a monthly salary and benefits equal to a sitting vice president, state-funded vehicle, two security aides and drivers, state-funded medical insurance, an office, private secretary, and other allowances.²⁶

The Zanu-PF led government withdrew Mujuru’s salary, benefits and staff upon her dismissal in December 2014, despite these provisions. Mujuru is yet to make a public response – a refusal of the pension may signal an intention to permanently break ranks with Mugabe and Zanu-PF.²⁷

“It is unclear whether Mujuru will accept the pension or not, since she has maintained silence regarding her political future. However, this offer is intimately attached to her future political choices. The pension is a constitutional guarantee, but if she accepts it, she would remain a beneficiary of Mugabe’s generosity in a way. However, in the event of Mugabe’s departure from office, there is no guarantee that the pensions will continue since several Zanu-PF hawks still believe that Mujuru ought to have been punished.”²⁸

Since her dismissal, Mujuru has been linked to **People First**, a splinter political party formed by former Zanu-PF veterans although she is yet to confirm her involvement in the party.²⁹ She has also remained silent on her political future. She has relocated to a farm 40km south of the capital city, Harare, and has avoided public appearances.³⁰ Political commentators have interpreted her silence as hesitation to challenge Mugabe. Former **Mashonaland West** chairperson **Themba Mliswa** described

¹⁹ Chinamasa speaking at the World Bank new Harare offices on 27 August 2015

²⁰ Chinamasa speaking at the World Bank new Harare offices on 27 August 2015

²¹ The Standard, 30 Aug 2015.

²² The Standard, 30 Aug 2015.

²³ New Zimbabwe, 16 Aug 2015.

²⁴ New Zimbabwe, 16 Aug 2015.

²⁵ Daily News, 17 Aug 2015.

²⁶ New Zimbabwe, 16 Aug 2015.

²⁷ Daily News, 17 Aug 2015.

²⁸ Source, analyst, Harare

²⁹ New Zimbabwe, 16 Aug 2015.

³⁰ African Arguments, 17 Aug 2015.

Mujuru's silence as "cowardice" and lack of "political stamina" necessary to challenge Mugabe successfully.³¹ Veteran political activist and former Zanu-PF legislator **Margaret Dongo** called on "fence sitters" like Mujuru to challenge Zanu-PF publicly.³²

*"If she chooses to run against Zanu-PF or take up any other paid political or non-political position, the constitution provides that she loses the pension. On the other hand, Zanu-PF may see a rejection of the offer as communicating her desire to stand against the party in the 2018 election, and this may attract backlash from the party as well. Mujuru has vast potential to defeat Zanu-PF as a candidate for a unified political opposition, which is a long-standing possibility that certainly makes Zanu-PF jittery. It is thus possible that she will not give a quick response, in order to maintain the current state of mystery regarding her political future. However, her continued silence may harm her chances of winning in a 2018 election since she comes across as fearful of Mugabe."*³³

Political analyst **Ibbo Mandaza** argued that Mujuru's acceptance of the pensions would not weaken her politically, since it was a legal requirement extended to former pre-independence political leaders, such as former **Rhodesia** prime minister **Ian Smith**.³⁴ However, Mugabe is yet to grant former deputy prime minister **Morgan Tsvangirai** (2009-2013) the same benefits since the **Government of National Unity (GNU)** ended in 2013. This fuels speculation that the granting of Mujuru's terminal benefits is not only based on compliance with the constitution but a political move to influence her choices.

Zimbabwe to benefit from SADC energy infrastructural and pricing strategies

Zimbabwe will benefit from the construction of a 550km inter-connector transmitter, which it will establish in partnership with **South Africa** and **Mozambique**.³⁵ A \$3.5m grant from the **Development Bank of Southern Africa (DBSA)** will fund the project, formally referred to as **MoZiSA**.³⁶ Finance minister Patrick Chinamasa made the announcement at the **Southern African Development Community (SADC)** finance ministers' and central bank governors' meeting that took place in **Bulawayo** from 1-2 August. The 400 kilovolt, high voltage inter-connector is a result of an agreement signed between the **Southern African Power Pool (SAPP)** and the DBSA in April 2015.³⁷ The electricity transmission infrastructure will span 550km from Mozambique to Zimbabwe, and from Zimbabwe to South Africa.³⁸ It will improve the region's power supply through creating an alternative electricity transmission route from Mozambique's **Hydro Cahora Bassa** into the SAPP grid.³⁹ The project will deliver up to 1000MW of electricity, which will alleviate current acute power shortages in the region.⁴⁰

*"The interconnector infrastructure will not guarantee the improvement of electricity supply in the country in the short term since it is only in the inception stages, but in the next few years perhaps. Such grand projects will do little to improve the present power generation crisis. Instead, Zimbabwe and other **sub-Saharan African** countries need to accelerate the introduction of alternative power sources, primarily solar."*⁴¹

SADC member states will also introduce a cost-plus pricing strategy in electricity tariffs starting in 2016 to improve their electricity generation and better develop and maintain infrastructure.⁴² The

³¹ News Dze Zimbabwe, 15 Aug 2015.

³² Nehanda Radio, 7 Aug 2015.

³³ Source, analyst

³⁴ News Day, 17 Aug 2015.

³⁵ News Day, 5 Aug 2015.

³⁶ News Day, 5 Aug 2015.

³⁷ News Day, 5 Aug 2015.

³⁸ Bulawayo24, 5 Aug 2015.

³⁹ The Chronicle, 13 May 2015

⁴⁰ The Chronicle, 13 May 2015

⁴¹ Source, analyst

⁴² The Herald, 19 Aug 2015.

selling price for utilities will include a percentage of the production cost, and thus allow the public utilities to recoup funds for maintenance of generation and transmission infrastructure.⁴³ Currently, the **Zimbabwe Electricity Supply Authority (ZESA)** uses a rate of return pricing system where companies set prices based on revenue generation targets.⁴⁴ There is little competition in this market. Permanent secretary in the energy ministry, **Partson Mbiriri**, said the new pricing would facilitate a speedy generation of income that will allow ZESA to generate funds and access more affordable loans for future capital projects.⁴⁵

“Cost-plus pricing is a smart model for generating domestic revenue, since the power utility will recoup production costs as consumers use the electricity. At present, countries in the region depend on externally sourced funding for setting up new power generators and maintaining existing ones. That will also complement the smart meter system that ZESA recently introduced, since the increased costs and the pay-per use meter system will be an incentive for consumers to use energy sparingly. However, although this model may work elsewhere in the region, such as in South Africa, Namibia and Botswana, the state of Zimbabwe’s economy will make this difficult to implement. It will add pressure to an already burdened urban clientele, who will likely resist a hike in electricity user fees.”⁴⁶

Zimbabwe is one of the hardest hit countries in regional electricity shortages since 2007. Currently it has a 1,000MW power deficit due to continued poor investment and outdated machinery.⁴⁷ **Kariba Dam**, the primary generation facility, has precariously low water volumes, which will result in the complete closure of the dam’s power stations.⁴⁸ Excessive water usage and poor rains in the **Zambezi** catchment, where most of the dam’s water supply comes from have contributed to the declining water levels.⁴⁹ At present, the power station produces 700MW for the Zimbabwe side and 1,000MW on the **Zambia** side.⁵⁰

“The impending closure of the electricity turbines at Kariba Dam will further strain the weak economy and threaten the few remaining jobs in the economy. Most companies will be preparing for the upcoming festive season in this last quarter of the year, and the acute electricity shortages will inhibit production that would serve the high-consumption holiday period. The economy would have to increase its reliance on import commodities then, but the further scaling down of industrial output will create considerable human insecurity.”⁵¹

Implications

For the first time in a decade, President Mugabe has asked for western help, saying Harare is keen to engage with donors on how to revive the country’s worsening economic crisis. This comes after the government amended the labour act to stop retrenchments. The retrenchments have reached crisis proportions, worsening an already high unemployment rate which could result in social unrest, although this is still considered unlikely. However, the compensation requirements may drive more companies out of business – leading to further job losses in the medium term. Some western governments appear to have softened their attitudes towards Harare. The United Kingdom, **France** and the **Netherlands** have recently sent investor and business missions. The World Bank and the IMF are assisting the government to reform the economy, even though they continue to insist that Zimbabwe repay the \$9 billion owed to multilateral creditors including the **Paris Club**.

⁴³ The Herald, 19 Aug 2015.

⁴⁴ Nasdaq.com

⁴⁵ The Herald, 19 Aug 2015.

⁴⁶ Source, analyst

⁴⁷ News Day, 5 Aug 2015.

⁴⁸ The Zimbabwean, 14 Aug 2015.

⁴⁹ The Zimbabwean, 14 Aug 2015.

⁵⁰ The Zimbabwean, 14 Aug 2015.

⁵¹ Source, analyst

Mugabe's granting of Mujuru's terminal benefits appears to be a ploy to influence her decision on whether to run against Zanu-PF in 2018, or to remain neutral. Since she is yet to make any comment regarding her political future, analysts speculate that she may delay giving her response on the benefits package, which will inevitably reveal her plans. It is likely that she will run as an opposition candidate in 2018, although some political commentators construe her failure to directly challenge Mugabe since her dismissal as a sign of "*cowardice*".

Zimbabwe faces further electricity shortages, despite the impending construction of interconnector infrastructure under the MoZiSA project. The project will boost electricity supply into Zimbabwe, Mozambique and South Africa but this may only mature in five to ten years. Although the proposed cost plus pricing model may allow ZESA to raise funds for maintaining electricity infrastructure, consumers may resist the inevitable increase in electricity user fees. Erratic power supply damages the economy. A further decline in power generation will increase the likelihood of political instability, especially in the run up to the 2018 election. The recent retrenchments add to the high unemployment rate, which exacerbates this risk.

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