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Former Vice President Joice Mujuru regains ground in politics as she builds her People First movement, at the expense of the ruling party and other political parties. She is reportedly recruiting expelled and disgruntled members from her former party Zimbabwe African National Union-Patriotic Front (Zanu-PF). Zimbabwe adopts the Chinese yuan for public transaction. The currency is expected to face resistance among Zimbabweans who have more trust in the established and stable US dollar since the adoption of a dollar-dominated multi-currency regime in 2009. Zimbabweans brace for electricity tariff increases as the government seeks to fund the rising costs maintaining and improving energy delivery.

Joice Mujuru building People First while Zanu-PF faces implosion

Although former vice president **Joice Mujuru** has shied away from the limelight since ruling party **Zimbabwe African National Union-Patriotic Front (Zanu-PF)** expelled her from the party in December 2014, she has been making progress in forming her own political party, **People First**. Mujuru toured the country in December 2015, creating regional structures for her People First project and recruiting potential membership.¹ This has rattled the ruling party, as Mujuru is attracting some of her former colleagues from Zanu-PF to her movement. Dozens of Zanu-PF officials and legislators have reportedly been holding secret meetings with the former vice president, with the intention of joining her People First movement.²

As a political party, People First would be a major threat to Zanu-PF's fortunes in the upcoming elections in 2018. **Mashonaland East** province has had the most defections from Zanu-PF.³ Mujuru's allies, former Zanu-PF national commissar **Webster Shamu** and former provincial chairman **Ray Kaukonde**, were both prominent political figures there before Zanu-PF expelled them from the party for backing Mujuru in 2014.⁴ The People First movement is taking advantage of the continuing expulsions of party members from Zanu-PF, contributing to the defections. Current Zanu-PF Mashonaland East provincial executive, headed by **Joel Biggie Matiza**, recommended the expulsion of several Zanu-PF legislators in December 2015.⁵ These include **Felix Mhona (Chikomba Central)**, **Simbaneta Mudarikwa (Uzumba)**, **Washington Musvairi (Maramba Pfungwe)**, **Phineas Chihota (Seke)** and **Tendayi Makunde (Murehwa North)**,⁶ who are reportedly making forays to the People First movement.

Although she has not yet formally launched People First as a political party, Mujuru is also gaining ground against other opposition political parties. **Morgan Tsvangirai** and **Welshman Ncube's Movement for Democratic Change (MDC)** formations, **Simba Makoni's Mavambo/Kusile/Dawn (MKD)** and **Tendai Biti's People's Democratic Party (PDP)** have reportedly been trying to secure

¹ AllAfrica.com, 13 Jan 2016

² Daily News, 2 Jan 2016

³ Daily News, 16 Jan 2016

⁴ Daily News, 2 Jan 2016

⁵ Daily News, 2 Jan 2016.

⁶ Daily News, 2 Jan 2016

alliances with her fledgling movement.⁷ Several members of the MKD leadership have met with Mujuru to discuss the possibility of crossing the floor.⁸ Once Mujuru establishes People First as a political party, it is likely to be part of the mooted grand coalition of opposition parties that is designed to mount pressure on Zanu-PF in the 2018 elections.⁹ Analysts have described Mujuru's strategy of remaining cagey about her political ambitions as an attempt to avoid premature attacks from Zanu-PF.

*"Mujuru has, in effect formed a political party, although she is yet to announce it. She knows that Zanu-PF is waiting for that declaration and once it is made, they will focus all their resources to crush her. However, once she makes her overt challenge to Zanu-PF, Mujuru will face a brutal and costly battle that may entail smear campaigns and other forms of intimidation that other political parties, especially the MDC, have faced since 1999."*¹⁰

Mujuru's political profile gives her several advantages over both Zanu-PF and opposition candidates:

*"While Mujuru could be taking advantage of factionalism in both Zanu-PF and the opposition, she also has something that both [President **Robert**] **Mugabe** [1980- present] and Morgan Tsvangirai do not have. Unlike Morgan Tsvangirai, for example, Mujuru has liberation war credentials that are appealing to disgruntled former Zanu-PF members who are suspicious of political figures who did not participate in the war of liberation. She is educated and enjoys a certain level of support in the ranks of security sectors, which is crucial to acquiring and maintaining political power in Zimbabwe. Unlike Mugabe or any other Zanu-PF candidate, Mujuru is well known to be a moderate with warm relations with the business community and other international powers, which is one of the main reasons for her dismissal from Zanu-PF. As a result, she appeals to the frustrated electorate who neither wish to associate themselves with hawkish Zanu-PF politics nor the opposition's immature, radical politics seemingly dictated from the West."*¹¹

While the People First movement is gaining traction, Zanu-PF continues to fragment due to factional infighting over the succession issue. Tensions between vice president **Emmerson Mnangagwa** and the group of young leaders popularly known as **Generation 40 (G40)** are well reported in both domestic and international media. Sitting cabinet ministers **Makhosini Hlongwane**, (sports minister), **Tapiwa Matangaidze** (tourism deputy minister) and **Annastacia Ndhlovu** (public service deputy minister) currently face the dreaded "votes of no confidence" orchestrated by Generation 40-aligned members who accuse them of representing Mnangagwa's faction.¹² It remains unclear if Mnangagwa will succeed Mugabe as party president, because of the continued internecine conflict in Zanu-PF.

Zimbabwe adopts the Chinese yuan

Finance minister **Patrick Chinamasa** announced in December that his government had approved the **Chinese** yuan as a currency for public transaction in Zimbabwe.¹³ This announcement was not strictly news as the yuan, also known as the renminbi (RMB), was added to Zimbabwe's **United States (US)** dollar-dominated multi-currency system in 2014. The government had not yet activated its use as the market preferred the US dollar and the **South African** rand. The **International Monetary Fund (IMF)** also included the yuan as one of its reserve currencies, alongside the euro, the US dollar, the

⁷ The Standard, 20 Dec 2015.

⁸ The Standard, 20 Dec 2015.

⁹ The Standard, 20 Dec 2015.

¹⁰ Source, analyst

¹¹ Source, analyst

¹² The Independent, 8 Jan 2016.

¹³ Sunday Mail, 20 Dec 2015.

British pound and the **Japanese** yen in November 2015.¹⁴

Chinamasa also clarified that the **Reserve Bank of Zimbabwe (RBZ)** was working out modalities with the **People's Bank of China** on a system of clearance that would allow payments to be made in the RMB currency in Zimbabwe.¹⁵ China is now **Africa's** single largest trading partner, with total trade reaching \$200 billion in 2014.¹⁶ Zimbabwe expects to reap other benefits in various sectors of the economy from the adoption of the yuan. For example, Chinese tourists would be free to transact in their own currency, which could provide a much-needed boost to the tourism sector.¹⁷ Zimbabwe would also benefit from lower interest rates when receiving Chinese capital.¹⁸

Analysts are sceptical of the timing of the announcement. Some say that Zimbabwe adopted the yuan after China had promised to cancel Zimbabwe's \$40m debt that was due by the end of December 2015.¹⁹ **Deborah Brautigam**, professor of political economy and director of the **China Africa Research Initiative** at **Johns Hopkins University**, said that the announcement was reportedly made to project the importance of Zimbabwe's relationship with China.²⁰ However, she argues that "*China is much more important to Zimbabwe than Zimbabwe is to China.*"²¹

John Robertson, economist at the **University of Zimbabwe**, dismissed the yuan as having no future in Zimbabwe given the lack of significant channels to bring the currency in the country.²²

*"The Chinese yuan is unlikely to circulate in the Zimbabwean market in the same manner as the US dollar and the South African rand. If by any chance the government manages to throttle down the yuan against simmering public objections, it is clear that the yuan will play second fiddle to the stable US dollar just as the rand is now doing. Chances are that it may altogether be rejected by the market, just like the rand which is now being rejected in places like surgeries and small shops."*²³

China's ongoing financial meltdown should also be taken into account with regard to the adoption of the yuan in Zimbabwe. The move may drive Zimbabwe into a recession in 2016.²⁴ The **People's Bank of China** on 7 January devalued the yuan to 6.5646 per dollar, the weakest point since February 2011, heightening fears that turmoil in China's financial markets could pile more pressure on the already struggling Zimbabwean economy.²⁵ China's problems have impacted on commodity prices the world over and Zimbabwe's main exports – gold, platinum and tobacco – are likely to suffer. Following the collapse of China's global equity markets and the biggest slide in the yuan in five months that forced a temporary halt in **Shanghai** stocks, China may no longer be counted on to power Zimbabwe's stuttering economy. **Stephen Chan** of the **University of London's School of Oriental and African Studies** warned that trade flows into Zimbabwe will likely suffer because of the Chinese economic slowdown, but aid projects and huge regional infrastructural funds will be unaffected.²⁶

¹⁴ Sunday Mail, 20 Dec 2015.

¹⁵ Sunday Mail, 20 Dec 2015.

¹⁶ Toronto Star, 23 Dec 2015.

¹⁷ Sunday Mail, 20 Dec 2015.

¹⁸ The Guardian, 22 Dec 2015.

¹⁹ The Zimbabwe Mail, 28 Dec 2015.

²⁰ Toronto Star, 23 Dec 2015.

²¹ Toronto Star, 23 Dec 2015.

²² Zimbabwe Mail, 28 Dec 2015.

²³ Source, analyst, Zimbabwe

²⁴ Daily News Live, 12 Jan 2016.

²⁵ Daily News Live, 12 Jan 2016.

²⁶ Daily News Live, 12 Jan 2016.

ZESA proposes to raise electricity tariffs

National power utility **ZESA Holdings**, through its subsidiaries, **Zimbabwe Electricity Transmission and Distribution Company (ZETDC)** and **Zimbabwe Power Company (ZPC)**, has sought the permission of national regulator, the **Zimbabwe Energy Regulatory Authority (ZERA)**, to increase tariffs in order to cover rising operational costs.²⁷ ZESA proposed an average tariff of between \$0.122 per kilowatt hour (kWh) and \$0.127 per kWh from the current level of \$0.986 per kWh for 2016.²⁸ While a tariff hike is perhaps unavoidable, it comes against the backdrop of power supply challenges that decreasing water levels at **Kariba Dam** have worsened.²⁹ Analysts are concerned about the affordability of a tariff hike given Zimbabwe's current economic challenges.³⁰ ZETDC argued that if the tariff increase succeeds, consumers would enjoy improved electricity availability, higher security of supply, reduced load-shedding (planned power outages), improved service delivery, higher economic activity and ultimately, better investor confidence.³¹

Meanwhile, ZERA is currently undertaking stakeholder consultations on the tariff review applications with parties representing various consumer categories.³² The consumer groups include the **Consumer Council of Zimbabwe**, residents' associations, farmers' unions, the **Confederation of Zimbabwe Industries**, **Zimbabwe National Chamber of Commerce**, amongst others. The energy and power development ministry has already warned Zimbabweans that they should embrace the significant tariff increases the government seeks in order to increase capacity.³³ However, farmers' organisations have reportedly objected to the proposed increase in electricity tariffs, noting that this will drive up production costs and compromise food security at a time when the nation is facing its worst drought in years.³⁴ In addition, **Harare** residents, through the representative organisation **Harare Metropolitan Residents' Forum**, rejected the proposed increases as it would make electricity unaffordable for the majority of citizens.

*"Electricity is a key cost driver. Any increase on electricity would likely drive up the cost of food and other produces, including services. The Zimbabwean populace cannot afford it and this might just increase the number of consumer defaults, a development which will erode the utility's credit rating. Moreover, no one can bet on the government's promise of better service delivery. Such promises have been made before and they did not own up. Instead, ZESA should streamline its operations and improve efficiencies to bring down costs before calling for tariff increases."*³⁵

Zimbabwe is currently implementing various projects to boost electricity supply. Work on the expansion of **Kariba Hydro Power Station** – to increase the capacity of the plant by 300MW – is underway.³⁶ In addition, Zimbabwe signed a preferential buyer credit loan of close to \$1 billion with the **Export Import Bank of China (Exim Bank)** for the expansion of **Hwange Thermal Power Station**.³⁷ On completion of the project, the plant will add 600 megawatts to the national grid and ease the country's electricity challenges. The ZPC indicated that Zimbabwe has an installed capacity of 1,960 MW but is currently generating 1,100MW, and sometimes as low as 975MW, resulting in major shortfalls and long periods of load-shedding.³⁸ Kariba hydro-power plants, which generate up to 40%

²⁷ The Herald, 28 Dec 2015.

²⁸ The Herald, 15 Dec 2015.

²⁹ The Independent, 18 Dec 2015

³⁰ The Herald, 20 Jan 2016

³¹ The Herald, 28 Dec 2015.

³² The Herald, 20 Jan 2016

³³ The Herald, 28 Dec 2015.

³⁴ NewZimbabwe, 13 Jan 2016.

³⁵ Source, analyst, Harare

³⁶ The Herald, 15 Dec 2015

³⁷ The Herald, 15 Dec 2015

³⁸ NewZimbabwe, 13 Jan 2016.

of power requirements for both **Zambia** and Zimbabwe, may be facing a complete shut-down after water level in the dam dropped to below 14%³⁹ due to the current drought conditions related to the **El Niño** weather phenomenon.

Implications

Joice Mujuru's rise will shake up Zimbabwe's political arena. Her movement's recruitment of former Zanu-PF members makes her a direct threat in the 2018 elections. Despite maintaining her silence since leaving Zanu-PF in 2014, she is clearly preparing for a strong political comeback that will likely upset the ruling party considerably. Meanwhile, Zanu-PF is also under pressure from the looming pact among the country's opposition parties, following the recent signing of a memorandum of understanding by various opposition political parties to demand key electoral reforms before 2018. The memorandum can be viewed as a prelude to a more comprehensive electoral pact, which could see all opposition parties rallying behind a single presidential candidate against President Mugabe.

The adoption of a foreign currency as legal tender by struggling economies has been a privilege previously reserved for the US dollar, which is a dozen other countries officially use, hence the deal with Zimbabwe attracted so much attention. China is determined to use any opportunity to make their currency prestigious and this is a cheap way to claim that their currency is becoming internationally accepted, while enhancing their diplomatic and political standing. For Zimbabwe, the adoption of foreign currencies assisted the country to curb hyperinflation, and the addition of the yuan might help to ease liquidity challenges.

Zimbabwe's adoption of the Chinese yuan is, however, a precarious move, given the current state of China's economy. The country's overall association with China has not positively contributed to its economy, since Chinese exports to Zimbabwe, mostly consisting of cheap low quality goods, further suffocate the weak economy. However, although the deal between China and Zimbabwe is insignificant compared to the IMF's inclusion of the yuan in its basket of reserve currencies, its symbolism remains important to both sides.⁴⁰ In this case, Zimbabwe gets debt relief while China gets international financial credibility.⁴¹ Nevertheless, this is another minimally effective, stop-gap measure on Zimbabwe's part, since it will eventually need to re-start its economy and use its own currency.

Electricity remains a challenge for Zimbabwe, just as in the rest of **Southern Africa**. The looming tariffs increases may not be a panacea in the current situation, and will likely face resistance from various consumer stakeholders in the country.

³⁹ Business Day Live, 15 Jan 2016.

⁴⁰ Benjamin J. Cohen, of the University of California, Santa Barbara reported in The Zimbabwe Mail, 28 Dec 2015.

⁴¹ The Zimbabwe Mail, 28 Dec 2015.

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