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The ruling Zimbabwe African National Union-Patriotic Front (Zanu-PF) expels former vice-president Joice Mujuru citing several reasons, including plotting to unseat current president, Robert Mugabe (1980-present). Mujuru allies respond by creating a new party, Zanu People First, with the potential to work with existing opposition parties. Mugabe announces the establishment of a diamond beneficiation project, in partnership with four unnamed partners, but analysts remain sceptical of the success of the government's recent drive to consolidate the diamond industry into a single corporation, given its politically driven nature (and the fact that diamond reserves are reportedly close to exhaustion). The Zimbabwe Power Company (ZPC) says it plans to build \$5 billion worth of power stations using Chinese technology around the country to alleviate chronic power shortages. If successful, the increased power generation will support the country's efforts to revive the economy, especially through mineral exports and beneficiation. But there have been many such announcements in the past, and any such project will further mortgage the country's future mineral revenue to China.

Zanu-PF expels Joice Mujuru as possible link with husband's death surfaces

The ruling **Zimbabwe African National Union-Patriotic Front (Zanu-PF)** has expelled former vice-president **Joice Mujuru** from the party following her dismissal from her post in December 2014 (see *ARC Zimbabwe December 2014 Briefing*). A slew of allegations cited include attempting to "illegally" remove President **Robert Mugabe** (1980-present) from power, corruption in public and private companies, plotting against the party with opposition parties, and fanning internal divisions in Zanu-PF.¹ She joins several formerly high-ranking Zanu-PF officials expelled on the same grounds, including former minister in the president's office, **Didymus Mutasa**, former party spokesman **Rugare Gumbo**, and ex-war veterans leader **Jabulani Sibanda**.² Party secretary for information and publicity **Simon Khaya Moyo** announced the decision after a Zanu-PF politburo meeting on 2 April. He claimed that the party had conducted wide-ranging consultations with its structures, such as the **Women's and Youth Leagues**, and **War Veterans** and resolved to expel Mujuru through the party's **National Disciplinary Committee** chaired by vice-president **Phelekezela Mphoko**.³

Zanu-PF alleges that Joice Mujuru worked in cahoots with her late husband, former nationalist military leader and **Zimbabwe National Army** commander between 1980 and 1992, General **Solomon Mujuru**. He died in a mysterious house fire at his **Alamein Farm** in 2011.⁴ Zanu-PF alleges that, following Joice Mujuru's initial appointment to the post of vice-president in 2004, she and her husband attempted to block Mugabe's nomination to the presidency in subsequent party congresses, using provincial chairmen to vote against his nomination.⁵

Citing "evidence from multiple intelligence sources", Khaya-Moyo stated that the Mujurus attempted to assassinate Mugabe once they failed to oust him through the party's internal electoral process. He

¹ The Herald, 3 Apr 2015

² News Day, 3 Apr 2015

³ The Herald, 3 Apr 2015

⁴ The Herald, 3 Apr 2015

⁵ News Day, 3 Apr 2015

accused them of being behind key political developments prior to the 2008 election, which included former cabinet minister and **Zimbabwe African People's Union (ZAPU)** member **Dumiso Dabengwa** leaving Zanu-PF to revive ZAPU, and former finance minister **Simba Makoni** establishing the **Mavambo-Kusile-Dawn** opposition party, which led to Zanu-PF's 43% electoral loss to opposition **Movement for Democratic Change-Tsvangirai (MDC-T)**'s 47% in 2008.⁶

Khaya-Moyo also alleged that, after her husband's death, Joice Mujuru pursued efforts to create a "competing centre of power" in government. This entailed insisting that ministers and other officials report directly to her once they received instructions from Mugabe, or issuing her own orders in defiance of Mugabe's directives.⁷ Mujuru also allegedly met the former **United States (US)** ambassador to Zimbabwe in 2009 in secret, without notifying Mugabe or the party.⁸ Zanu-PF also alleged that she has continuously collaborated with the opposition MDC-T, foreign intelligence services, and the US to facilitate the removal of Mugabe and Zanu-PF from power.⁹

Mujuru's involvement in Zanu-PF began in the 1970s armed nationalist war against white-minority rule, which ended in 1979. She was one of the country's youngest cabinet ministers at age 25 in 1980, and served as **Mashonaland Central** governor before Mugabe appointed her as vice-president in 2004.¹⁰ First Lady **Grace Mugabe** first surfaced Mujuru's alleged indiscretions in her "meet the people tours" prior to the December 2014 congress. Since then, Mujuru has issued statements denying the accusations. Several hawkish Zanu-PF officials have recommended her arrest, but this is yet to happen. In addition, Rugare Gumbo stated that Zanu-PF has since withdrawn Mujuru's constitutionally sanctioned post-presidential salary and benefits "out of spite", but information minister **Jonathan Moyo** refuted this claim, saying that they were simply delayed.¹¹

Analysts regard her downfall as connected with her husband's mysterious death in 2011 in a house fire, which a government-sanctioned inquest ruled to have been "accidental".¹² Notorious for corruption and strong-arm tactics in business dealings, Solomon Mujuru was widely seen as one of the few people who could challenge Mugabe.¹³ Before his death, he had reportedly urged Mugabe to retire, in part because the country's economic decline under Mugabe had undermined his business interests, which included diamond mining and property.¹⁴ Once this failed, he is alleged to have plotted to have Mugabe forcibly removed. Either way, the simple fact of his opposition to Mugabe, alongside his unimpeachable credibility from the nationalist war, made him a genuine political threat; few serious Zimbabwe analysts ever saw his mysterious death as an accident and many saw Joice Mujuru as inheriting his mantle and the loyalty of his supporters.¹⁵

*"Mujuru's expulsion does not necessarily spell doom for her political career, but highlights the beginning of a definitive shift in the country's politics. After her removal as vice-president in December, she had repeatedly declared her unwavering support for the party; but her expulsion from the party will change this. Her fall from grace is being seen as a victory for the faction led by the new vice-president, **Emmerson Mnangagwa**. However, this victory is likely going to be short-lived. Mujuru has always maintained cordial relations with local opposition parties, businesspeople and several western countries, including the United States, who regard her as a 'moderate'. She is well-positioned to stage a powerful political comeback in the 2018 elections,*

⁶ News Day, 3 Apr 2015

⁷ News Day, 3 Apr 2015

⁸ The Herald, 3 Apr 2015

⁹ Herald, 3 Apr 2015

¹⁰ News Day, 3 Apr 2015

¹¹ News Day, 19 Apr 2015

¹² Daily News, 18 Jan 2015

¹³ New Zimbabwe, 6 Apr 2015

¹⁴ Nehanda Radio, 3 Nov 2014

¹⁵ Nehanda Radio, 3 Nov 2014

with a strong support base consisting of marginalised Zanu-PF members, the opposition and neutral/apathetic voters.”¹⁶

Joice Mujuru’s formal expulsion from Zanu-PF, together with other formerly high-ranking officials, opens the possibility of an opposition coalition against Mugabe (and perhaps more importantly, Mnangagwa, who has never been popular within the party). The Mujuru-allied group has already formed a breakaway party, **Zanu-PF (People First)** party, although Mujuru is yet to confirm that she wants to be leader.¹⁷ In a press report, Mutasa indicated that People First would join the country’s opposition parties to unseat the Zanu-PF in the 2018 elections.¹⁸ MDC-T leader **Morgan Tsvangirai** has stated that his party is open to the possibility of working with Mutasa and Mujuru’s group.

Zimbabwe mulls local diamond cutting and polishing venture

The government will engage four international diamond cutting and polishing firms in order to establish a local diamond cutting and polishing enterprise, with the aim of adding value to the country’s diamond output. President Mugabe made the announcement at the country’s Independence Day celebrations on 18 April.¹⁹ He said the government intended to improve revenue capture, stem diamond smuggling and revenue embezzlement, create jobs and improve the economy in general through this beneficiation policy. Mugabe also indicated that one of the (still unnamed) companies would commence operations in 2015, while three others would start operations in 2016.²⁰ The **Centre for Natural Resource Governance (CNRG)**, a local think-tank, criticised the government in a 2013 report for exporting rough, unprocessed diamonds and thereby undermining the country’s cutting and polishing industry.²¹ It noted – without providing much supporting data – that the economy could gain over \$8 billion in revenue annually and create approximately 210,000 jobs if the government pursued a beneficiation policy.²²

Zimbabwe’s diamonds could potentially boost its economy, since analysts believe it holds about 25% of the world’s supply (though the vast majority are low-quality industrial-use stones).²³ The **Antwerp World Diamond Centre** has opined that Zimbabwe could earn \$400m annually from diamond exports.²⁴ The **European Union (EU)** lifted sanctions against the parastatal **Zimbabwe Mining Development Corporation (ZMDC)** in 2013 (following state-sanctioned political violence in the area in 2008).²⁵ Since then, the country has earned over \$80m in two auction sales²⁶ including approximately \$10.5m from its first sale in Antwerp by **Marange Resources, Diamond Mining Company (DMC), Anjin Investments, Jinan and Kusena Diamonds**.²⁷ The mining ministry has since been wooing cutting and polishing companies to set up facilities in the country. It has primarily focused on companies from the **Middle and Far East**, especially **China, Hong Kong, Dubai and Israel**.²⁸

The country’s wholly state-owned diamond mining company, Marange Resources, also claims to be on the verge of establishing a joint cutting and polishing venture with the **Reserve Bank of Zimbabwe**

¹⁶ Source, analyst

¹⁷ Bulawayo 24, 19 Apr 2015

¹⁸ New Zimbabwe, 11 Apr 2015

¹⁹ Daily News, 20 Apr 2015

²⁰ Daily news, 20 Apr 2015

²¹ The Standard, 27 Oct 2013

²² The Standard, 27 Oct 2013

²³ Daily News, 20 Apr 2015

²⁴ Daily News, 20 Apr 2015

²⁵ The Guardian, 17 Feb 2013

²⁶ The Herald 13 Nov 2013

²⁷ The Herald, 10 Nov 2013

²⁸ The Herald, 13 Dec 2013

(RBZ).²⁹ The two entities plan to establish a company that will manufacture gold and diamond jewellery, with the RBZ's **Fidelity Printers and Refiners** providing the gold.³⁰ However, the government's impending consolidation of mining operations into a single company may complicate this deal. The aim is to create the **Zimbabwe Consolidated Diamond Company (ZCDC)** of which the government will own 50%, with private companies holding the rest of the stock according to their initial diamond mining investments.³¹ Corruption, diamond smuggling and revenue externalisation allegedly necessitated the state's plan to bundle all the diamond companies as a single unit, though there remain suspicions that the single company may simply facilitate illicit activity on a more organised basis.³²

This development comes amidst a reported decline in the country's annual diamond exports, which dropped from 8.9m carats in 2013 to 5.9m carats in 2014.³³ The **Minerals Marketing Corporation of Zimbabwe (MMCZ)**, another state-owned mineral mining parastatal, attributed the decline to the exhaustion of alluvial diamonds in the Marange diamond fields.³⁴ In addition, the country's overall mining industry experienced a general 2.1% decline in 2013 due to frequent power outages, obsolete equipment, inadequate capitalisation and weak global mineral prices.³⁵ The government appears to be pinning its hopes on extracting from so-far unexploited kimberlites, or diamonds located deep under the ground, in order to fund its ambitious economic programme called **Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET)**.³⁶ The programme will depend on \$27 billion in financing, which the government hopes to derive largely from the mining industry.³⁷ Analysts are sceptical.

*"The government's politically-driven initiatives have always ended in failure, and this planned diamond mining conglomerate is not any different. Since ordinary Zimbabweans will not be able to raise the required capital to buy equity in the company, Zanu-PF-linked businesspeople, both within the country and from outside will likely constitute the merger. This culture of crony capitalism, which was behind its notorious "indigenisation" and "land reform" programmes, will undermine the diamond industry's potential to support the country's economic recovery efforts. Botswana's diamond management model, that the Zimbabwean government is clearly trying to emulate, occurred within a more democratic, inclusive and transparent political system. Zimbabwe's consolidation and beneficiation attempts, on the other hand, have been undermined by an entrenched culture of ideology, corruption, a culture of personal entitlement and nepotism. Instead, the government ought to conduct such sensitive reforms through a multi-stakeholder forum that incorporates local and international diamond mining experts, civil society, business people and other independent practitioners in the industry, and create a similarly inclusive management structure constituted by neutral professionals."*³⁸

The government has said it intends to replicate Botswana's successful public-private ownership model, with **Debswana** and its recent beneficiation project, where it transferred diamond sights from **London to Gaborone** in 2013. But the forced nature of Zanu-PF's approach to all such activities to date has only ended up discouraging foreign investment. For example, the government's 50% shareholding in ZCDC will not be backed up by commensurate investment, and it is unclear how it will finance its equity going forward. Plus, it has already requisitioned 50% of most of the mines operating in the Marange fields (DMC, Anjin, **Mbada**, Marange Resources and the now defunct **Gye Nyame**

²⁹ The Zimbabwe Independent, 2 Apr 2015

³⁰ The Zimbabwe Independent, 2 Apr 2015

³¹ The Herald, 13 Apr 2015

³² News Day, 17 Apr 2015

³³ News Day, 17 Apr 2015

³⁴ Financial Gazette, 26 Mar 2015

³⁵ Financial Gazette, 26 Mar 2015

³⁶ New Zimbabwe, 16 Apr 2015

³⁷ New Zimbabwe, 16 Apr 2015

³⁸ Source, analyst

Resources)³⁹ and has also indicated that it will use future revenue from the minerals to secure loans from unnamed Chinese and **European** investors, which it will then invest in mining and other sectors of the economy.⁴⁰

Other critics argue that the merger will cause increased levels of unemployment, since several companies have already retrenched workers. For instance, Mbada Diamonds dismissed over 100 workers in November 2014, while Anjin has retrenched over 200 since February 2015.⁴¹

Diamonds and other minerals such as coal, platinum and steel are arguably the last frontier for Zanu-PF to revive Zimbabwe's economy. Its record to date gives little room for optimism concerning its competence and/or understanding of investor needs. For example, the government will need to establish a transparent revenue capture, accountability and management structure that will prevent the continued theft of diamond revenue, which has resulted in the embezzlement of diamond revenue since diamond exports formally began in 2013.

The government again says it will build new power stations

The Zanu-PF government announced on 16 April that it plans to construct new power stations with a combined capacity of 3,500 megawatts (MW) in order to end severe power shortages that have contributed to economic decline.⁴² **Noah Gwariro**, the managing director of the national parastatal power utility **Zimbabwe Power Company (ZPC)** indicated in a public statement that the project would cost \$5 billion over a six-year period.⁴³ However, he did not divulge the project's source of funding. Zimbabwe cannot borrow from any multilateral lenders due to outstanding debts owed to the **International Monetary Fund** and **World Bank**.⁴⁴ The company also owes \$99m to its suppliers, including **South Africa's Eskom**.⁴⁵

Zimbabwe currently produces 1,190 MW of electricity, below peak demand levels of 1,200 MW.⁴⁶ Gwariro said the ZPC plans to jointly produce up to 2,400 MW with **Zambia** and expand the **Hwange Power Station** in the country's western coal producing region, which will add a further 600 MW.⁴⁷ Zimbabwe's main local sources of power generation are Hwange, with a 920 MW capacity, and the **Kariba Hydro Power Station** which produces 750 MW, while the smaller **Harare Power Station** produces only 90 MW.⁴⁸ It also has additional power stations at **Munyati** and **Bulawayo**. Due to poor maintenance, Hwange operates at only 70% of its total capacity, while Munyati, Bulawayo and Harare produce approximately 20-33% below capacity.⁴⁹ This forces the country to rely on power imports from the region, especially South Africa. Gwariro added that the ZPC plans to install a new gas or diesel-powered electricity generation plant in the eastern town of **Mutare**.⁵⁰

Scheduled power shortages, or "load shedding", which often last to up to 18 hours a day, have hamstrung the country's economic revival efforts, especially in the mining and manufacturing sectors.⁵¹ Most companies have resorted to investing in their own diesel power generators, or private power imports from around the region, leading to increased input costs.⁵²

³⁹ New Zimbabwe, 13 Apr 2015

⁴⁰ New Zimbabwe, 16 Apr 2015

⁴¹ New Zimbabwe, 13 Apr 2015

⁴² New Zimbabwe, 17 Apr 2015

⁴³ Reuters, 17 Apr 2015

⁴⁴ Construction Review, 20 Apr 2015

⁴⁵ Yahoo News, 17 Apr 2015

⁴⁶ Reuters, 17 Apr 2015

⁴⁷ New Zimbabwe, 17 Apr 2015

⁴⁸ The Herald, 30 May 2014

⁴⁹ All Africa, 25 Aug 2014

⁵⁰ Yahoo News, 17 Apr 2015

⁵¹ Daily News, 13 Oct 2014

⁵² The Herald, 30 Sept 2013

The government predicted in 2014 that the power shortages would persist at least until 2018, when it expected its current plans to revive domestic power generation to mature.⁵³ It also signed a \$1.5 billion deal with China's **Sino Hydro** to expand Hwange in October 2014.⁵⁴ China's **Export-Import Bank** provided a loan to fund the project.⁵⁵ The ZPC also appealed for funding from the **Indian** government for the rehabilitation of the Bulawayo station.⁵⁶ ZPC's parent company, **Zimbabwe Electricity Supply Authority (ZESA)**, also said it had secured partial funding (\$380m) from the Sino Hydro Corporation to expand Kariba Power Station, at a cost of \$539m, to increase capacity from 750 to 1050 MW, expected to be complete in 2018.⁵⁷

Adding to Zimbabwe's problems, the southern African region is also facing power shortages, with South Africa and Botswana also conducting load shedding. Both countries have supplied surplus electricity to Zimbabwe in the past. Economic growth within the region, averaging 5% per year in most of the **Southern African Development Community (SADC)**, has been steadily increasing electricity demand while supply has failed to keep up.⁵⁸

Implications

Joice Mujuru's expulsion from Zanu-PF increases the likelihood of a new coalition emerging against the ruling party in the 2018 election. Although her demise represents a visible loss in the party's internal struggle to succeed Robert Mugabe, she now has an opening to re-establish her political career as part of an inclusive and united coalition.

Zimbabwe's dependence on mineral revenue, especially from diamond mining, reveals the paucity of funding sources for its economic regeneration project, ZIMASSET. The success of the impending consolidation of diamond companies depends on the government's ability to learn from its past mistakes and create a well funded and inclusive management model that is immune from political influence. Zanu-PF has traditionally had a hard time admitting it makes mistakes, e.g. on indigenisation, never mind learning from them. The planned electricity generation projects could boost the country's capacity for economic growth if successful, especially through support for the mining sector. But the plans depend heavily on the promised sums from China – or (more precisely) the sums that Zanu-PF claims have been promised – actually arriving and the competence of the government and its parastatals at deploying the monies effectively. Their record to date on both fronts offers little room for optimism.

⁵³ Daily News, 13 Oct 2014

⁵⁴ Daily News, 13 Oct 2014

⁵⁵ Daily News, 13 Oct 2014

⁵⁶ The Herald, 26 Jan 2015

⁵⁷ Daily News, 21 Jul 2014

⁵⁸ Grid Arendal, Environment and Poverty Times No. 5, 2014

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