

EXPLORING U.S. POLICY OPTIONS TOWARD ZIMBABWE'S TRANSITION

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WEDNESDAY, SEPTEMBER 30, 2009

U.S. SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Russ Feingold (chairman of the subcommittee) presiding.

Present: Senators Feingold, Kaufman, and Isakson.

OPENING STATEMENT OF HON. RUSSELL D. FEINGOLD, U.S. SENATOR FROM WISCONSIN

Senator FEINGOLD. Good morning. The hearing will come to order.

On behalf of the Senate Foreign Relations Subcommittee on African Affairs, I welcome all of you to this hearing entitled "Exploring U.S. Policy Options Toward Zimbabwe's Transition."

I'm honored that I will be joined by the ranking member of this subcommittee, Senator Isakson, and I will invite him to deliver some opening remarks in just a moment, when he arrives.

Just over a year ago, the subcommittee held a hearing on the crisis in Zimbabwe, and that hearing came amidst months of intense violence carried out by Robert Mugabe and his allies against the opposition MDC's members, supporters, and families. This was a deliberate campaign to hold on to power and subvert the will of the people that was expressed in the March 29 elections.

Today, the situation in Zimbabwe looks different, at least on the surface. Last September, with South Africa's mediation, the parties signed the Global Political Agreement and committed to form a transitional government. And after 5 months of delays, this February, MDC leader Morgan Tsvangirai was sworn in as Prime Minister, and the MDC assumed control of several ministries. This came just as Zimbabwe's economy reached a low point with world-record inflation and millions of people at risk of starvation. The transitional government, under the leadership of the new Minister of Finance from MDC, has been able to stop that economic decline and has taken initial steps to reverse it. It has stabilized the situation in other respects, as well.

However, 8 months on, many aspects of the Global Political Agreement are still not implemented, beginning with the appointment of new provincial governors and the replacement of the Reserve Bank Governor and Attorney General. Moreover, security

forces continue to operate as instruments of Mugabe's ZANU-PF party, condoning land takeovers and harassing MDC and civil society activists. At every turn thus far, hard-liners in the traditional government have resisted moves that would undermine their historic patronage system and power structures. And, for the most part, they appear to be succeeding.

Reformers in the government are working hard to overcome that resistance, but in many cases, they lack a leverage, as well as qualified personnel and resources. In short, Zimbabwe's transition remains a work in progress, incomplete, and far from irreversible.

So, that brings us to today's discussion, U.S. strategy and policy options toward that transition. Unsurprisingly, Mugabe has increased his calls for the removal of United States and European U.N. sanctions. Regional actors and leaders have echoed that call and made it the focus of their resolution on Zimbabwe at the SADC summit earlier this month. I would understand, and even be sympathetic to their position, if there was real progress being made toward implementing the Global Political Agreement. But, no one really believes that. Rather than deflecting responsibility, regional leaders should step up and hold Mugabe accountable for implementing his share of the agreement. They signed on as guarantors of the agreement, and they should live up to that responsibility.

Let me be clear. I see no reason for the United States to repeal sanctions until we see real, irreversible progress and an end to widespread abuses. However, this does not mean that our hands are tied and that the United States should be on the sidelines. A strict wait-and-see approach is arguably not the best way to influence this transition or keep pressure on Mugabe and company. There are a number of actions that the United States can take now, both symbolic and substantive, to engage the government and help strengthen the hand of reformers within it. And at the same time, there may be ways that we can ramp up the pressure on those individuals obstructing the agreement and perpetrating continuing abuses. We need to explore all these options and move beyond the all-or-nothing debate that seems to have frozen U.S. policy. That debate is out of touch with the fluidity of this transition, as well as the dynamism of our diplomats. Similarly, with our assistance, we should now look at how we can best keep up with and influence the changing situation on the ground.

I was pleased that President Obama pledged \$73 million in new funds for education, health, and livelihoods when he met with Prime Minister Tsvangirai earlier this year. Scaling up and shifting our assistance in Zimbabwe to help rebuild institutions and lay the groundwork for economic recovery makes practical sense. It's also another way in which we can strengthen the hand of reformers within the transition. But, in order to have that positive effect, this new assistance needs to be well designed and well targeted, and it needs to be coordinated with our diplomatic efforts. Today's hearings will explore how the United States can best leverage our assistance, together with our diplomacy, toward advancing the political transition.

Now, we have a great lineup of witnesses this morning. We'll hear first from Assistant Secretary of State for African Affairs, Johnnie Carson. Assistant Secretary Carson is no stranger to

Zimbabwe; he was our Ambassador there from 1995 to 1997. Since taking office, I know he's been actively engaged on the issue. We'll also hear, on our first panel, from USAID Acting Assistant Administrator for Africa, Earl Gast, and Acting Assistant Secretary of Treasury for International Affairs, Andrew Baukol. Both USAID and Treasury play critical roles in our strategy toward Zimbabwe.

So, I thank all of you for being here. I ask that you keep your remarks to 5 minutes or less so we can have plenty of time for questions and discussion, and we, of course, will submit your longer statements for the record.

On our second panel, we'll hear from Ambassador Don Steinberg, who is currently deputy president for policy of the International Crisis Group. During three decades of U.S. diplomatic service, Ambassador Steinberg served as Ambassador to Angola, Director of the State Department's Joint Policy Council, Special Representative to the President for Humanitarian Demining, Special Haiti Coordinator, and NSC Senior Director for Africa. Since leaving government, Ambassador Steinberg has written extensively on issues relating to Africa, as well as the role of women in conflict and peacebuilding.

We'll also hear from Dr. Todd Moss, vice president for corporate affairs and senior fellow of the Center for Global Development. Dr. Moss served as Deputy Assistant Secretary of State for African Affairs from May 2007 to October 2008 while on leave from the center. His research has focused on United States/Africa relations and financial issues facing sub-Saharan Africa, and he has worked for years on this economic crisis in Zimbabwe.

Finally, we will hear from Nancy Lindborg, president of Mercy Corps. Mercy Corps has been a humanitarian development leader in Zimbabwe, providing assistance to more than 300,000 people. Ms. Lindborg traveled to Zimbabwe just a few months ago, and she'll provide an important perspective on the changing humanitarian situation there.

So, again, I thank everybody for being here. It's my pleasure now to turn to our distinguished ranking member, Senator Isakson, for his opening remarks.

**OPENING STATEMENT OF HON. JOHNNY ISAKSON,
U.S. SENATOR FROM GEORGIA**

Senator ISAKSON. Well, thank you, Chairman Feingold, and I want to welcome Secretary Carson, and all the members that will be testifying before the subcommittee today. This is a very important hearing, and I associate myself completely with the remarks of the chairman. Given the history of Robert Mugabe and Zimbabwe, it's absolutely critical that reform and transition take place and that the United States be engaged appropriately to see to it that that happens. I look forward to hearing from all of the witnesses today, and work with them on a strong United States policy on Zimbabwe.

So, thank you, Mr. Chairman, for the time. I'll turn it over to the questions.

Senator FEINGOLD. Thank you so much, Senator.

I thank Senator Kaufman for being here, as well.

And we will now begin with Assistant Secretary Carson.

Mr. Carson.

STATEMENT OF HON. JOHNNIE CARSON, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. CARSON. Thank you, Chairman Feingold, Ranking Member Isakson, members of the committee. I welcome the opportunity to appear before you today to discuss Zimbabwe. I look forward to working with the Congress and this committee in advancing United States interests and returning Zimbabwe to democracy, stability, and economic prosperity.

I have a longer statement that I would like to submit for the record, if I may.

Since the signing of the Global Political Agreement in September 2008 and the launch of the transitional government this past February, progress on reform in Zimbabwe has been mixed and uneven. On the positive side, economic conditions have steadily improved since February. The use of the dollar has eliminated hyperinflation and given renewed confidence to business and consumers. We have seen more market-based activity. Budget transparency has become a reality, thanks to the efforts of Finance Minister Tendai Biti. While purchasing power continues to be a challenge for most Zimbabweans, the signs of a limited recovery are manifest.

On the negative side, the political situation has changed very little, if at all. Improved economic conditions have not led to any major political change, nor given the Movement for Democratic Change, and MDC's leader, Morgan Tsvangirai, equal footing to compete in the political realm. Robert Mugabe remains firmly in control of government and government policy. He is likely to remain dominant as long as he and his party cohorts retain control over Zimbabwe's security apparatus which includes the police, the intelligence services, and the military.

Mugabe is surrounded by a half-dozen hard-liners who carry out his policies. These include his Defense and Justice Ministers, the armed services and political chiefs, and the Attorney General. We have seen no evidence of dissent among them that would threaten Mugabe's control.

Mugabe and the ZANU-PF hard-liners could take a number of steps to show a commitment to democratic reform. Mugabe could end the violent land seizures that continue to take place in Zimbabwe. He could stop the harassments and politically motivated arrests of MDC politicians and Members of Parliament. He could swear in the MDC's remaining Cabinet members, including the Deputy Minister of Agriculture, Roy Bennett. And he could repeal the country's draconian emergency decree that restricts personal freedoms. President Mugabe could also end media censorship and dismiss the corrupt Attorney General and the Reserve Bank Governor.

The Global Political Agreement calls for a new political dispensation in Zimbabwe. To follow through on that, President Mugabe could publicly reaffirm his commitment to the drafting of a new constitution and the holding of national elections under inter-

national supervision and monitoring. The people of Zimbabwe deserve to freely elect their leaders.

The steps that I have just outlined above do not require any economic resources to complete, but they do require a commitment to democracy, respect for human rights, and the rule of law. If Mr. Mugabe supports the Global Political Agreement, he should take these steps to ensure the effectiveness of the government.

Mr. Chairman, members of the committee, I want to thank you for this opportunity to appear before you today. I will be pleased to take questions following this intervention.

Thank you.

[The prepared statement of Mr. Carson follows:]

PREPARED STATEMENT OF HON. JOHNNIE CARSON, ASSISTANT SECRETARY OF STATE
FOR AFRICAN AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Chairman Feingold, Ranking Member Isakson, and members of the committee, I welcome the opportunity to appear before you today to discuss Zimbabwe. I look forward to working with the Congress, and especially with this committee, in advancing U.S. interests and returning Zimbabwe to democracy, stability, and economic prosperity.

The people of Zimbabwe continue to face extreme hardship, and desperately need a government that respects human rights and rule of law and works to rebuild institutions and public services. Thus far in the current fiscal year, U.S. humanitarian aid to Zimbabwe has surpassed \$200 million for emergency assistance, including food aid and food security, refugee support, health, and water, sanitation, and hygiene programs. We continue to be the largest provider of food assistance to Zimbabwe, and we stand solidly behind Zimbabweans in their continuing time of need.

We note that this assistance would not be necessary were it not for the antidemocratic and abusive practices of Robert Mugabe and his followers. The United States has not sanctioned the needy and deserving people of Zimbabwe. Our targeted sanctions are imposed specifically on individuals and entities that have hindered democracy and abused human rights there. The reason we imposed targeted sanctions and continue them now is the failure of those individuals to act in the best interest of the people of Zimbabwe. Our measures will remain in place until genuine, sustained democratic opening has taken place.

September 15 marked the 1-year anniversary of the signing of the Global Political Agreement (GPA) by the two factions of the Movement for Democratic Change and the Zimbabwe African National Union-Patriotic Front (ZANU-PF). In February, a transitional government was initiated based on the GPA. We commend Prime Minister Morgan Tsvangirai and members of his Movement for Democratic Change for entering the government in spite of longstanding and ongoing abuse and intimidation by President Robert Mugabe and members of his ZANU-PF party.

During the past 7 months, the transitional government has made important progress in halting the devastating economic decline and implementing measures to restore fiscal integrity. The elimination of the worthless Zimbabwean dollar, rationalization of the budget process, and other sound policies by Finance Minister Tendai Biti have eliminated hyperinflation and begun to restore the confidence of the people of Zimbabwe. Other reformist ministers are also embracing change, and abandoning the failed policies of the past, and we strongly encourage all political actors in Zimbabwe, of whatever political party, to do the same. Challenges remain, however, as most Zimbabweans continue to survive on less than \$1 per day and as millions remain food insecure.

Unfortunately, hard-liners from the previous Mugabe regime that remain in Government, and others at their direction, continue to violate the human rights of the Zimbabwean people. These hard-liners have refused to move forward with agreements on senior government appointments, media freedom, and other important reforms. The Governor of the Reserve Bank was reappointed by Mugabe, before the formation of the transitional government, and without consultation with the Movement for Democratic Change. The Attorney General was appointed unilaterally by Mugabe prior to the start of the transitional government, in violation of the GPA. Since his appointment, he has carried out a sustained campaign of politicized arrests and prosecution of members of the opposition, in particular Movement for Democratic Change officials, and members of civil society. Violent land invasions

continue. So do severe human rights abuses, including extrajudicial killings, by members of the security forces, especially in the Marange diamond mining area. Revenues from these diamond mines and from gold mines that rightfully belong to the Zimbabwe people are plundered by these hard-liners, and moved outside Zimbabwe for their own personal use.

The prospects for reform and democratic transformation in Zimbabwe are immensely challenging, but we remain committed to facilitating peaceful change to improve the condition of Zimbabweans. Our assistance to Zimbabwe seeks to lay the groundwork for a return to democracy and prosperity by supporting democratic voices and civil society, including support to the Prime Minister's office for communications and other capacity-building. In addition, our assistance supports efforts to mitigate the devastating impact of HIV/AIDS and other epidemics. As noted by President Obama in June, this humanitarian aid is directed through nongovernmental organizations and contractors rather than through the central government. In this way, we can be assured assistance reaches the people who need it. We are mindful of existing legal restrictions on our assistance and will continue to consult closely with the Congress on any new or expanded assistance proposals. This includes our recent notification and consultation on new targeted programs in the agriculture and education sectors. These initiatives were undertaken in response to President Obama's commitment to Prime Minister Tsvangirai in June.

We continue to support those working for full implementation of the GPA, and to seek ways to ease the suffering of the people of Zimbabwe without aiding those forces who cling to power through repression and corruption. The road to reform in Zimbabwe will be long and challenging. In addition to a new constitution, reform of the electoral process and electoral institutions, as well as the repeal of repressive legislation which restricts freedom of speech and assembly, are essential to free and fair elections. The GPA calls for the completion of a new constitution by August 2010. Following a public referendum on the constitution, internationally monitored elections should take place as soon as feasible to enable the people of Zimbabwe to freely select their President and other representatives. The international community has joined us in calling for transparency in the process of drafting a new constitution and the conduct of closely monitored elections.

We also call on the nations of Africa, in particular the members of the Southern African Development Community, to ensure that Mugabe and his cohorts fully implement the GPA and work toward democratic reform. We were pleased that South African President Jacob Zuma visited Zimbabwe last month and stressed the importance his government places on democracy and respect for human rights in Zimbabwe and compliance with the GPA.

Senator FEINGOLD. Thank you, Secretary Carson.
Mr. Gast.

STATEMENT OF EARL GAST, ACTING ASSISTANT ADMINISTRATOR FOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. GAST. Good morning, Mr. Chairman, Ranking Member Isakson, and members of the subcommittee. Thank you for the opportunity to testify on how USAID is confronting challenges and promoting progress in Zimbabwe.

While Zimbabwe's political transition brought with it great promise, the stark reality of what it's like to live in Zimbabwe remains tenuous. The number of Zimbabweans without enough food to eat will exceed 2 million by early next year. Much of the country's water and sanitation system is either not functioning, or close to it. Schools and public hospitals were closed for most of last year, and are only slowly beginning to rebuild. Zimbabwe's first cases of the H1N1 virus were confirmed last month, and the fragile health system will depend on donor assistance to respond to an outbreak. The lack of progress in democracy, governance, and human rights has been disappointing.

The need is overwhelming, and while we agree that it is premature to reengage the Government of Zimbabwe with a full devel-

opment assistance program, there is also a risk of doing too little. We believe that positive change will come only when there are better opportunities and demonstrable improvement in people's lives.

As part of a closely coordinated group of international donors, USAID adheres to the humanitarian-plus concept of providing for the Zimbabwean people, while strengthening democratic institutions and supporting timely, credible elections.

In fiscal year 2009, the United States has provided \$313 million, targeting the critical needs of Zimbabwe's people: Health, water, food, agriculture, protection of vulnerable people, economic recovery, and accountable and responsible governance. Our quick response to last year's disastrous cholera outbreak helped mitigate both its impact and its chance of recurring this year. We mobilized \$2 million to stem the tide of an imminent malaria outbreak, protecting over a million persons. We are helping small farmers improve food production through access to credit, markets, and training. We are assisting the drafting of a new constitution and strengthening government institutions.

The \$73 million pledged by President Obama this summer will augment these activities, bolstering our programs in good governance, civil society, independent media, and support for victims of violence, as well as significantly expanding our efforts to fight HIV/AIDS.

To help prepare for elections, USAID is supporting civil society's pursuit of electoral law reform. We will also provide them training on parallel vote tabulation, a system we supported during the 2008 elections that was instrumental in limiting the ruling party's ability to manipulate the results.

The whole of this assistance program is critical to helping reformers in the transitional government move Zimbabwe toward recovery and improve the lives of Zimbabwe's people. And our support is carefully targeted to reach only these reformers. We have been diligent in ensuring that none of our assistance is diverted or misused by Robert Mugabe and his associates. Zimbabwe's government is aware that true and full reengagement with the international community can only begin when it takes clear steps toward meeting donor principles on democracy, rule of law, and economic stabilization. Until that time, USAID will continue to do everything it can to respond to the needs of Zimbabwe's people and work with them to build a better future.

And we will continue to celebrate signs of hope. Just this week, the Zimbabwe Supreme Court issued a permanent stay of prosecution in the case of human rights activist Jestina Mukoko. Last December, she was abducted by police and tortured in secret locations. The ruling that she cannot be tried, either now or in the future, came from judges appointed by Robert Mugabe and is a signal of progress and justice that we applaud.

Thank you, Mr. Chairman, Ranking Senator Isakson, and members of the subcommittee, for the continued commitment you have shown to the Zimbabwean people, and for your support for real reform within the government. I welcome any questions you might have.

[The prepared statement of Mr. Gast follows:]

PREPARED STATEMENT OF EARL GAST, ACTING ASSISTANT ADMINISTRATOR FOR
AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Good morning, Mr. Chairman, Ranking Senator Isakson, and members of the subcommittee. Thank you for the opportunity to testify on U.S. policy options for Zimbabwe's transition and on how the U.S. Agency for International Development (USAID) is confronting challenges and promoting progress.

As my colleagues from the Departments of State and Treasury have already highlighted Zimbabwe's troubled history and provided the context for our need to deliver targeted assistance to the people of Zimbabwe and reform-minded elements of the transitional government, I will focus my remarks on USAID-related matters.

To date in FY 2009, the U.S. Government has provided approximately \$313 million for health, vulnerable population protection, agriculture and food security, economic recovery and market systems, humanitarian coordination, water, sanitation, and hygiene (WASH) programs, as well as emergency relief supplies and food assistance in Zimbabwe. In addition, funding has included support for civil society strengthening; support to help fulfill the terms of the Global Political Agreement (GPA) (e.g., resources for the constitution-making process); programs to demonstrate responsible governance (e.g., improving the public outreach capacity of the Office of the Prime Minister); assistance to nongovernmental monitoring of compliance of all parties to the GPA; and support for independent media.

The USG is the leading food assistance donor to Zimbabwe. To date in FY 2009, USAID's Food for Peace program has provided nearly 190,000 metric tons of Public Law 480, Title II emergency food assistance, valued at more than \$166 million, through the World Food Programme and the Consortium for Southern Africa Food Emergency (C-SAFE). I would also highlight the provision by our Office of Foreign Disaster Assistance's (OFDA) of nearly \$31 million in FY 2009 for emergency humanitarian assistance and our Office of Transition Initiative's funding for transitional support in FY 2009 of \$4.58 million.

In addition, OFDA committed more than \$7.3 million in emergency assistance this year for Zimbabwe's cholera outbreak to support the provision of emergency relief supplies for affected populations, humanitarian coordination and information management, health programs, WASH interventions, and hygiene promotion and social mobilization activities. OFDA has also committed more than \$8.5 million for other WASH programming to date in FY 2009 to improve community resilience to cholera and other waterborne diseases and to help mitigate a potential recurrence of cholera later in 2009. To date in FY 2009, OFDA has contributed nearly \$9 million for agriculture and food security programming, including the construction and rehabilitation of water catchment structures, training in conservation farming, distribution of agricultural inputs, and improvement of livestock health. In addition, to complement agriculture and food security programming, OFDA has committed more than \$2.5 million for regional food procurement and distribution in Zimbabwe in FY 2009.

The \$73 million in funding for Zimbabwe pledged by President Obama during Prime Minister Tsvangirai's recent visit to the United States includes significant interagency funding for HIV/AIDS programs through PEPFAR (\$46.5 million). It also expands existing USAID programs in: parliamentary strengthening (\$2.4 million); elections and constitution-making (\$3.2 million); rule of law (\$3.8 million); consensus-building (\$2.7 million); media (\$1.5 million); victims of torture (\$1.9 million); civil society/local government capacity-building (\$5.8 million); maternal and child health, including tuberculosis (\$4.1 million); and family planning (\$1.2 million).

The President also indicated a desire to assist with education and agriculture, both of which are being addressed through new programs. One million dollars is currently being programmed in support of textbook procurement and distribution. In the agricultural sector, \$26 million is currently being programmed for a loan guarantee program to provide inputs to farmers and to support farmer training, market linkage development, and supply of inputs in out-years. These new activities, as well as family planning activities, required waivers of section 620(q) of the Foreign Assistance Act and the Brooke amendment, found in section 7012 of the FY 2009 Department of State, Foreign Operations and Related Programs Appropriations Act (FOAA), both of which prohibit assistance to countries in default on USAID loans, such as Zimbabwe. With the signing of the waivers on September 9, these activities can proceed. We believe that these programs in agriculture, education, and family planning will rapidly yield results to demonstrate the benefits of pursuing reform.

Other new activities this year will focus on reviving the ailing public health system through provision of training, supplies, equipment, and services. In this regard, earlier this year, USAID mobilized an additional \$2 million in urgent funding to address increasing concerns that measles and malaria epidemics were imminent. To

prevent these epidemics and reduce the potential for increased maternal and child mortality, USAID supported a measles immunization and vitamin A campaign; procuring the commodities needed to improve maternal and child health, such as syringes, IVs, and gloves; and funding the training, logistics, management, and social mobilization needed to effectively implement these programs. In collaboration with the U.K.'s Department for International Development, USAID also provided emergency funding for an indoor residual spray program, where teams were quickly mobilized in 20 high-risk districts. The teams sprayed more than 600,000 structures, protecting nearly a million people from malaria.

Under the GPA signed September 15, 2008, Zimbabwe's leaders have broadly agreed to pursue economic recovery, land reform, a new constitution, freedom of expression and political association, nondiscrimination, justice and national healing, free and fair elections, and the restoration of the rule of law. The extent to which the repressive elements within the government respect the terms of this agreement, however, remains a source of concern.

USAID is responding by: assisting in drafting the new constitution; assisting in the reform of governmental institutions and processes; strengthening local government and Parliament; addressing emergency health needs; and providing a humanitarian safety-net for those most affected by economic instability.

To help prepare for new elections, USAID will help civil society pursue electoral law reform and provide training on parallel vote tabulation, a system that was instrumental in limiting the ruling party's ability to manipulate polling data during the March 2008 elections. Furthermore, USAID will help democratic political parties rebuild their structures after the movement of many key members into government service and further losses as a result of inter-election violence. If possible, assistance will also be extended to support the development and reform of electoral systems.

To support economic stabilization and recovery, USAID will help small farmers and improve agricultural production through access to credit, skills development, establishment of market linkages, strengthening of agricultural institutions, and a better overall enabling environment. Implementation of these activities was made possible through the recent approval of limited waivers to the section 620(q) and Brooke amendment restrictions. As conditions permit broader USG engagement, USAID is prepared to expand its assistance to include public financial management technical assistance (macroeconomic reform) and the private sector.

USAID, in consultation with other donors and the U.S. Embassy in Harare remains diligent in ensuring that none of our assistance is diverted or misused by Robert Mugabe and his associates. All USAID assistance is carefully targeted to support reformers within the government and civil society. No funds go directly to the transitional government as support is delivered in the form of goods and services through grantees and contractors hired and monitored in compliance with standard U.S. Government procurement procedures. U.S. Government sanctions against designated individuals and institutions are carefully observed in the award of contracts and grants and the designation of beneficiaries of assistance.

The consultation process includes all major donors present in Zimbabwe who meet on a weekly basis to review the operating environment, assess progress, discuss challenges, and modify a collective approach to providing assistance ensuring consistency between donor programs. Consistent with the strongly unified position on the concept of "Humanitarian Plus" of the donor community, USAID's programs are centered around safeguarding the Zimbabwean people, supporting the transitional government's ability to meet its commitments under the GPA and to respond to the needs of its people, and enhancing the likelihood of free and fair elections within 2 years. Specifically, USAID efforts focus on re-establishing and strengthening democratic institutions, processes, and systems; providing social assistance to protect vulnerable people during the transition; and supporting economic revitalization, especially in the agricultural sector. All of the activities being implemented are done in close consultation with Congress, State, and Treasury Departments and the National Security Council and are consistent with the U.S. Government's overall strategy in this transition period.

The United States is part of a closely coordinated donor group—along with the United Kingdom, the European Commission, Canada, Sweden, Norway, Denmark, Australia, Germany, France, Switzerland, and the Netherlands—that has agreed on five principles, and associated benchmarks, to guide our reengagement with the transitional Government of Zimbabwe:

1. Full and equal access to humanitarian assistance;
2. Commitment to macroeconomic stabilization;
3. Restoration of rule of law;
4. Commitment to democratic processes and respect for human rights;
5. Commitment to timely elections with international observers.

The donors have agreed to retain targeted sanctions on President Mugabe and Zimbabwe African National Union-Patriotic Front (ZANU-PF) hard-liners until a credible reform-minded government is evident. They have also agreed that while transitional assistance is scaling up, none of this will be delivered in the form of budget support or directly through the government. True and full reengagement, typified by full sustainable development and cooperation programs can only begin when the entire government takes clear steps toward meeting donor principles on democracy, rule of law, and economic stabilization.

As USAID implements its transitional assistance programs, we are planning for contingencies. All activities are implemented through nongovernmental organizations or contractors and can be suspended rapidly if the situation warrants such action. If the unity government were to fail, we would rapidly scale back our programs to only support reformists outside the government and address the most pressing humanitarian needs. Some programming now under the rubric of humanitarian plus, such as education and agriculture, might be suspended. We are following a pragmatic approach in Zimbabwe, looking for opportunities to strengthen people's resolve and to maintain the forward momentum of democratization and reform. We believe that positive change will come from the expansion of opportunity and demonstrable improvements in people's lives. We will endeavor to continue to support this change within the parameters of U.S. policy.

There have been improvements since the formation of the transitional government in February, but enormous challenges remain. U.S. support is critical to help reformers in the transitional government move Zimbabwe toward recovery and legitimate democratic governance defined by a constitution and elections. In the aftermath of last year's flawed elections, some signs of reform have emerged. Ministers from the Movement for Democratic Change (MDC) party—and even some ZANU-PF officials—are working hard to bring much-needed services to the people. At the same time, there are strong opponents to reform who seek to undermine the power-sharing agreement and discredit reformists.

Due to U.S. and others' assistance, the humanitarian situation in Zimbabwe has improved since the end of the massive cholera outbreak a few months ago and an improved harvest in 2009 as compared to 2008. However, deteriorating or nonfunctional water and sanitation infrastructure requires major rehabilitation, the health system is in the early stages of the recovery process after public hospitals were forced to close last year, a gap continues to exist in agricultural inputs for the current planting season, and the potential exists for spread of H1N1, or swine flu, after health authorities reported the first laboratory-confirmed cases in Zimbabwe in August. In addition, the USAID-funded Famine Early Warning Systems Network (FEWS NET) estimates that between 2 million and 2.4 million people are likely to be food-insecure during the peak hunger period, which typically lasts from January to March.

The education sector witnessed dramatic deterioration in 2008 as a result of the prolonged and violent election period, teacher strikes and the hyperinflationary environment. A large number of schools were closed for much of the year. However, the transitional government has clearly indicated commitment toward education and most schools resumed teaching in 2009. Currently, the sector is characterized by severe shortages of essential supplies including textbooks, reduced accessibility due to high staff turnover, destabilized planning and management capacities, and inconsistent availability of teachers, who in the past few months have intermittently gone on strike over low wages.

This administration appreciates and understands ongoing concerns over the lack of progress in democracy, governance, and human rights. This administration is in full agreement that it is premature to reengage the Government of Zimbabwe with a full development assistance program. However, we believe that there is also a risk of doing too little. The support USAID is providing and has proposed to provide to reform-minded elements of the transitional government and the broader community is critical if the people of Zimbabwe are to believe that change can be achieved through an accountable government.

Senator FEINGOLD. Thank you very much, Mr. Gast.
Mr. Baukol.

STATEMENT OF ANDREW BAUKOL, ACTING ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, DEPARTMENT OF TREASURY, WASHINGTON, DC

Mr. BAUKOL. Thank you, Mr. Chairman, Ranking Member Isakson, other distinguished members of the panel. Thank you for inviting me to testify, along with my colleagues, here today. I'm also impressed with your next lineup of panelists, including people from the Center for Global Development, Mercy Corps, and the International Crisis Group. I had the pleasure to visit a Mercy Corps project in Zimbabwe in July this year, and was very impressed with what they're doing to help the people of Zimbabwe.

Regarding Zimbabwe's economy, the bottom line is that the economy has taken a turn for the better during the tenure of the transitional government in the last 7 months, but progress could be fleeting if it is not supported by a political solution that restores democracy, the rule of law, and strong institutions.

The last 7 months have been characterized by relative economic stability as reformist elements began to undo some of the more disastrous economic policies of the previous 9 years, especially by doing away with the discredited Zimbabwe dollar. This has ended hyperinflation and led to some reliable of economic activity. The new Finance Minister has also introduced other measures to reduce the government's interference in the economy and to stop the quasi-fiscal activities of the Reserve Bank of Zimbabwe. Government revenues are beginning to recover, and the Finance Ministry has reduced government spending to more closely match expected revenues. Let me note that I've met Minister Biti several times over the past year. I think he's doing a good job under very trying circumstances.

The international financial institutions have taken a cautious approach to engagement in Zimbabwe due to the large arrears but—by the government and the lack of a track record on reform. The IMF has begun to lead short-term, targeted technical assistance missions, and the World Bank is administering a multidonor trust fund to support basic analytical work on the Zimbabwean economy and to assess its needs. Further actions will depend on continued reform, as well as a plan to address Zimbabwe's arrears to the international financial institutions.

The key question today regards United States actions in Zimbabwe. We believe that it will be important for U.S. agencies to have the ability to respond positively, if conditions for assistance with economic reform are demonstrated. Broad cash—broad assistance programs or cash assistance by the United States are not appropriate now, but targeted technical assistance that complies with current legal restrictions could help address the capacity constraints that have arisen from years of political repression and brain drain. Such technical assistance would have to be provided to officials and ministries who have demonstrated the willingness to reform and who can show a continued commitment to these efforts. This assistance could also be deployed or withdrawn quickly, according to circumstances on the ground.

Nonetheless, while the United States can play a role in assisting reform-minded Zimbabwean officials in areas of economic governance, and while economic progress will likely strengthen the

reformers' hand in pressing for political reforms, we should recognize that sustained improvement in the economy will not come without a full restoration of democracy and law and order.

Our assistance to Zimbabwe and our policy at the international financial institutions are governed by existing legislation and executive orders. For the target areas of assistance that I discussed, the United States should be able to act under the legislation, but we will find it difficult to support broader engagement by the international financial institutions, including any arrears clearance process.

Treasury also maintains targeted economic sanctions against the Mugabe regime and has designated dozens of senior regime officials, supporters, and state-owned or -controlled companies. Treasury believes that, where circumstances clearly warrant, we should consider licensing, delisting, or easing sanctions on individuals or institutions to reward improved behavior and provide a positive incentive for change.

In summary, Zimbabwe has arrived at a crucial crossroads in its modern history. The United States and the rest of the international community are right to be skeptical of Mugabe's actions and withhold full reengagement and development assistance. But, we should seek to support people and institutions in Zimbabwe that are pursuing appropriate economic policies and that are working to bring about a government that reflects the will of Zimbabwe's people.

Thank you for your time. I'm anxious to answer any questions you might have.

[The prepared statement of Mr. Baukol follows:]

PREPARED STATEMENT OF ANDREW BAUKOL, ACTING ASSISTANT SECRETARY, OFFICE OF INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Chairman Feingold, Senator Isakson, and distinguished members of the committee, thank you for inviting me to testify at this important hearing on the current situation in Zimbabwe. Thank you also for asking my colleagues from the Department of State and USAID to join me at the witness table. I think we all agree that Zimbabwe's economy has taken a turn for the better over the last 7 months and that progress could be fleeting if it is not supported by a political solution that restores democracy, rule of law, and strong institutions.

People who follow Zimbabwe closely are probably familiar with the recent economic trends, but it is worth recapping the economic mismanagement that devastated the country and contributed to the profound fragility of the current situation. When Robert Mugabe took office as leader of Zimbabwe after a long civil war, Zimbabwe had all the ingredients necessary for prosperity. With a per capita GDP of around \$1,400,¹ Zimbabwe was blessed with ample mineral resources, decent infrastructure, and productive farms that made it a breadbasket to Southern Africa. In 1980, Tanzania's then-President Nyerere told Mugabe he had inherited the "jewel of Africa." For almost two decades, Mugabe's government managed to maintain economic growth and roughly stable per capita GDP, but beginning in the late 1990s, the wheels began to come off. Thanks to a set of disastrous economic policies, headlined by a chaotic land redistribution scheme, five decades of economic progress were erased in 5 years, with per capita GDP in 2005 roughly equaling that in 1953, according to an analysis by the Center for Global Development. The combination of undermining the rule of law, instituting oppressive economic decrees, and suppressing press freedoms and political opposition led one observer in 2003 to describe Zimbabwe as a case study in "How to Kill a Country."²

¹Michael Clemens and Todd Moss, "Costs and Causes of Zimbabwe's Crisis," CGD Notes, Center for Global Development, July 2005.

²Samantha Power, "How to Kill a Country," the Atlantic Monthly, December 2003.

The economic crisis further deepened as bad policies and the government's paranoid reaction to international isolation due to gross violations of human rights fed the spiral of decline.

- The government revalued the currency in 2006 but quickly began resorting to the printing press to paper over yawning budget deficits. Inflation hit 90 sextillion percent in November 2008.
- Despite its former status as a breadbasket for the region—one that sourced U.N.-sponsored food aid to other countries in Africa³—Zimbabwe's agricultural output declined to the point that about half of the population was in need of food aid in 2008.
- Neglect of the medical sector and water infrastructure helped lead to a cholera outbreak that killed 4,276, according to the WHO.⁴
- An estimated one-fourth of the population left conditions in Zimbabwe over the last decade; most went to South Africa in search of jobs to support their families.
- The country's reserves plummeted to \$5.8 million by the end of 2008, according to the IMF,⁵ despite the country's possession of mineral resources such as chromite, coal, platinum, asbestos, copper, nickel, gold, and iron ore.
- Economic activity and GDP plummeted, with the IMF estimating that per capita GDP fell to \$188 on a PPP basis in 2008.

In this context, the last 7 months have been characterized by relative economic stability as reformist elements of the transitional government began to undo some of the more disastrous economic policies of the previous 9 years. In the weeks before the transitional government became effective and only weeks after introducing a 100-trillion Z-dollar note, the acting Finance Minister acknowledged the ongoing dollarization of the economy by allowing Zimbabweans to conduct business in other currencies. The rapid abandonment of the Zimbabwe dollar by the populace—and later steps by the government to do away with the discredited currency—have led to stabilization of prices and some revival of economic activity. Finance Minister Biti has also introduced other measures to reduce the government's interference in the economy, including eliminating the 7.5-percent foreign exchange surrender requirement, eliminating the 5-percent tax on bank profits, eliminating import duties on capital equipment and raw materials, cutting import duties in half on intermediate products, and stopping quasi-fiscal activities at the Reserve Bank of Zimbabwe (which took the form of directed lending for favored businesses and sectors). Consumer demand has rebounded modestly, and businesses are also reacting to the new incentives of a stable currency and the removal of many restrictions on economic activity.

Government revenues are beginning to recover, and the Zimbabwean Government expects to take in about \$1 billion in revenue this year, or about 25 percent of GDP. This would represent a sharp uptick from an estimated 4.2-percent of GDP in 2008. The Finance Ministry has slashed government expenditures to more closely match expected revenues, thereby avoiding the accumulation of massive arrears or the printing of money to pay government debts. Yet the government is facing significant pressures for increased civil service pay and expenditures in basic social services that were neglected in recent years, especially in health and education. It is also banking on large amounts of budget support by the donor community, roughly 10 percent of GDP, which has not materialized yet.

While there may be an interest from businesses in resuming production and some room for the agricultural sector to take advantage of the current situation, recovery will not be easy. The banking sector—traditionally a critical source of funding for business growth—suffers in Zimbabwe from a lack of liquidity. There are only \$700 million in deposits in the country's banking system—not nearly enough to fund the lending needed to restart the economy. Zimbabwe's banking sector is interested in gaining access to lines of credit from abroad to enable local lending, but the general uncertainty about the investment climate and the lack of a credible central bank make it unlikely that Zimbabwe will be able to access additional credit lines. Even local branches of international banks are strapped for liquidity, with their parent banks unwilling to take on the risk of funneling more capital into Zimbabwe. The central bank in Zimbabwe (RBZ) has been an active part of the economic destabilization of the last decade, but it has been neutralized for the time being by dollarization. Substantial reform of the RBZ is needed to enable it to play a positive

³ Ibid.

⁴ World Health Organization, June 9, 2009, update (http://www.who.int/csr/don/2009_06_09/en/index.html).

⁵ International Monetary Fund, 2009 Article IV Consultation With Zimbabwe, 6 May 2009, PIN No. 09/53 (<http://www.imf.org>).

role in the economy. In summary, Zimbabwe remains one of the riskiest locations for investment, and Dunn & Bradstreet recently called it the worst investment location in the world, equal to Afghanistan.

The international financial institutions (IFIs) have taken a cautious approach to engagement in Zimbabwe due to the large arrears by the government—over \$1.3 billion—and the lack of a track record on reform. The IMF⁶ has begun to lead short-term, targeted technical assistance missions,⁶ and the World Bank is administering a multidonor trust fund to support basic analytical work on the Zimbabwean economy and to assess its needs. Further actions will depend on a track record of reform as well as a plan to address Zimbabwe's arrears.

Zimbabwe has around \$6 billion in foreign debt, of which \$1.3 billion is arrears to multilateral bodies. It owes the IMF 89.5 million SDRs, or around \$140 million. At the development banks, Zimbabwe has \$702.5 million in arrears to the World Bank and \$468.8 million in arrears to the African Development Bank as of July 2009. Clearing Zimbabwe's arrears at the IFIs will depend greatly on whether the IMF and World Bank Boards find Zimbabwe eligible for the Heavily Indebted Poor Countries (HIPC) Initiative. Zimbabwe has limited domestic resources, and competing expenditure priorities make it unlikely that it could repay arrears—even in part—in the foreseeable future.

I would note that the donor community has been functioning well in the case of Zimbabwe. The donor community coordinates closely and has adopted a common set of principles for engagement in Zimbabwe. Donors are united in seeking to support reformers when appropriate and enhance social service delivery in key sectors such as health and education. They are also working to enhance food production and reduce Zimbabwe's dependence on food aid. Finally, some donors are working on key economic governance issues, such as improving the Ministry of Finance's financial management capability. We are actively looking at what role the U.S. can play in assisting reform-minded Zimbabwean officials in areas of economic governance in order to stabilize the region. The depressed state of the Zimbabwean economy introduces fragility and risk to the region, as witnessed by recent refugee flows and the spread of the cholera epidemic beyond Zimbabwe's borders. Sustained improvements in the economy will not come without a full restoration of democracy and law and order. We are disturbed by new violent farm invasions and other violations of the Global Political Agreement (GPA) that cast doubt on the commitment of the ZANU-PF to true cooperation with the MDC. The continued presence of Gideon Gono as head of the central bank is one example fueling these doubts. Mugabe reappointed Gono as head of the RBZ at the beginning of the new government despite Gono's leadership over the monetary policies that led to one of the world's worst cases of hyperinflation. Gono has also been linked to several corruption scandals and is currently subject to U.S. and EU sanctions. Finance Minister Biti, the leading force behind recent economic reforms and a member of the MDC, has effectively limited Gono's power by terminating the RBZ's quasi-fiscal activities and has introduced legislation to increase oversight over the RBZ.

We continue to look for signs of sustained commitment to economic reform and believe that it will be important for U.S. agencies to have the ability to respond positively if conditions for assistance are demonstrated. Broad assistance programs or cash assistance by the United States are not appropriate given the tenuous nature of the reform process, but targeted technical assistance that complies with current legal restrictions could help address the capacity constraints that have arisen from years of political repression and brain drain. Such technical assistance would have to be provided to officials and ministries who have demonstrated the willingness to reform and stabilize the economy and who can show a continued commitment to these efforts. Such assistance could also be deployed—or withdrawn—quickly, according to circumstances on the ground. Assistance to Zimbabwe is also affected by other legislation, such as the Zimbabwe Democracy and Economic Recovery Act (ZDERA) and the recent designation of Zimbabwe as noncompliant with minimum standards under the Trafficking Victims Protection Act.

As you know, the United States does not have broad economic sanctions on the country of Zimbabwe. In accordance with Executive Order (E.O.) 13469 of July 25, 2008, E.O. 13391 of November 22, 2005, and E.O. 13288 of March 6, 2003; the Treasury Department has maintained targeted economic sanctions against the Mugabe regime and has designated dozens of senior regime officials, supporters, and state-owned or -controlled companies. In cases where the behavior of listed individ-

⁶In May, the IMF's executive board approved a request to lift the suspension of technical assistance and allow targeted technical assistance in the areas of tax policy, payments systems, lender-of-last-resort operations and banking supervision, and central banking governance and accounting.

uals or institutions changes, the U.S. Government could consider easing sanctions via licensing, delisting, or other appropriate measures, if warranted.

In summary, Zimbabwe has arrived at a second crucial crossroads in its modern history. In light of Robert Mugabe's continued resistance to heed the results of democratic elections, the United States and the rest of the international community have a right to be skeptical of his actions and withhold full reengagement and development assistance. However, we should also support people and institutions in Zimbabwe that are pursuing appropriate economic policies and working to bring about a government that reflects the will of Zimbabwe's people.

Senator FEINGOLD. I thank everyone on the panel, and we will now begin with 7-minute rounds.

Assistant Secretary Carson, to some it may seem that United States policy toward Zimbabwe has been pretty static since February, when the transitional government was formed, with perhaps the exception of the new funds President Obama pledged in June that I was talking about before. How would you respond to that impression, and while we maintain sanctions, how can we convey to all parties in Zimbabwe that the United States is actively engaged in preparing for different contingencies?

Mr. CARSON. Thank you, Mr. Chairman.

I would say U.S. policy has not been static, that we have been, in fact, engaged. I think the indications of that are clear. The President himself has taken a direct role by meeting with Morgan Tsvangirai in the White House. Secretary Clinton has met with Morgan Tsvangirai at the State Department. Breaking with the previous administration's policy of not meeting with senior officials of the Zimbabwean Government, I have, in fact, tried to meet with, and talk with, senior leaders. I met with Robert Mugabe, myself, in Sirte, Libya. It was not a very easy conversation. I met with the Vice President of Zimbabwe in New York in June. That was a much better conversation and led me to believe that I might be able to have a decent diplomatic conversation with the President of Zimbabwe.

We continue to engage, as much as we possibly can, the leaders in the region. Secretary Clinton, during her trip to Africa in August, talked specifically about the situation in Zimbabwe with the South African Foreign Minister, as well as with the President of South Africa, Jacob Zuma. We remained engaged and active in providing additional, but very calibrated and carefully delivered, new assistance to Zimbabwe in the field of education and agriculture. We will remain engaged. We will push as hard as we can for the full implementation of the Global Political Agreement.

Senator FEINGOLD. And speaking of the different contingencies, has the administration developed a plan for how we and other donors could assist Zimbabwe's economic recovery, if there is a genuine democratic reform? And could such a plan and dedicated resources, if we made them public, help leverage the reform itself?

Mr. CARSON. We have talked with our key partners in Western Europe, on a number of occasions, about how we could collectively work together to help Zimbabwe's recovery once there was a political transition. We will continue to work with our closest allies on this. We have not published anything with specific numbers beside it, but we certainly have had these discussions, and will carry on these discussions, with key donor partners.

Senator FEINGOLD. What about holding out a more, sort of, public carrot approach?

Mr. CARSON. Well, we haven't put the carrot out there directly, publicly, but certainly, when I spoke to Robert Mugabe in Sirte, Libya, one of the notions was to help ensure that there would be a successful transition; that the United States would support such a democratic transition. He was not interested in that.

Senator FEINGOLD. Assistant Secretary, what is your assessment of the effectiveness of our current targeted sanctions, and to what extent is the administration looking at the possibility of removing individuals or entities from those sanctions, or adding new individuals and entities?

Mr. CARSON. I think that those sanctions should remain in place until we are certain that there is clear political movement. And we should also take a look at adding additional individuals to that list if they are perceived to be inhibiting progress toward the full implementation.

Senator FEINGOLD. Are there people under consideration in that category?

Mr. CARSON. At this point, no; but we are concerned about individuals who may be profiting from mining ventures in Zimbabwe.

Senator FEINGOLD. OK. Secretary, as you know, Human Rights Watch has documented how the police and army continue to use brutal force to control access to the diamond fields in Marange district in eastern Zimbabwe. Despite pledges from the government that it would remove its armed forces from the diamond fields, they have not left the area, and the abuses are continuing. What is the United States position on suspending Zimbabwe from the Kimberley Process? Could this make any difference? And what other steps can be taken to cut off the revenue flows that ZANU-PF gets from its control of these diamond fields?

Mr. CARSON. Let me just say that we are looking at this very closely; we take all of those allegations seriously. As you may know, Senator Feingold, we do already have a number of senior police officials on our list of individuals who are sanctioned. We will look at that list to determine whether we should add additional individuals there. We are looking at trying to remove Zimbabwe from the Kimberley Process if we cannot, in fact, get some improvement in the handling on the mineral resources there.

It is an issue of great concern to us. We do not believe that Zimbabwe's minerals should be used to finance illegal activities or activities which continue to support a government which is not totally legitimate.

Senator FEINGOLD. Thank you.

Assistant Secretary Baukol, you wrote in your testimony that targeted technical assistance could be provided to officials and ministries who have demonstrated the willingness to reform and stabilize the economy. Could you talk specifically about what this assistance would entail, as well as what assistance, if any, we are currently providing to the Minister of Finance?

Mr. BAUKOL. The targeted technical assistance I had in mind was mainly to the Ministry of Finance, which has taken a number of bold steps over the last 7 months to remove powers from the Reserve Bank of Zimbabwe. And those quasi-fiscal activities free up

prices, reduce the monopoly of the Grain Marketing Board, and other important steps.

Currently, the U.S. Treasury is not providing any direct technical assistance to the Finance Ministry. We have not gotten a formal request from the ministry yet. The ministry is getting assistance from the IMF. And I've talked to the minister, and he's very appreciative about such assistance, which is helping him do a number of things within the ministry. As you mentioned in your opening remarks, there is serious lack of capacity at a number of government institutions due to the situation of the last several years. So, he's in serious need of assistance in issues such as improving his revenue authority, making sure that his revenue units are collecting all the revenues that they can, and that they're not being diverted to other places. Also, in terms of—on the spending side, he's set up a single treasury account, which will help him manage the spending process and make sure the money goes to where it's suppose to go. But, he could use additional assistance in a number of these areas.

Senator FEINGOLD. Thank you very much.

Senator Isakson.

Senator ISAKSON. Thank you, Mr. Chairman.

Secretary Carson, I always hate to show my ignorance, but the chairman just mentioned something that I am not aware of, and I'll bet you can explain it. What's the Kimberley Process?

Mr. CARSON. The Kimberley Process is a governments, industry and civil society initiative to stem the mining and trading of rough diamonds; adherence to its certification scheme assures that countries and companies legally mine the stones and that the sale of the stones does not, in effect, support illegal activities, illegal governments, and guerrilla movements. It attempts to put a control mechanism on the flow of illegally mined minerals, such as diamonds and other extractive materials.

Senator ISAKSON. Who enforces that process?

Mr. CARSON. It's collectively enforced by governments and countries.

Senator ISAKSON. OK.

You had said in your testimony that the Mugabe government had been taking some of the profits from minerals and diamonds and taking it offshore for their own benefit. Is that correct?

Mr. CARSON. Yes, we believe that to be the case.

Senator ISAKSON. Can the Kimberley Process in any way have any affect to stop that?

Mr. CARSON. Yes, it can, and we are looking at this to try to get governments and companies not to purchase materials that have been mined from sources that are controlled by the government illegally.

Senator ISAKSON. Thank you very much.

Mr. Gast, in your printed remarks you refer to President Obama's \$73 million funding commitment to Zimbabwe, and, in that, you broke it down into various things including PEPFAR. My question is with regard to parliamentary strengthening, education, and constitution-making, rule of law, consensus-building, media, victims of torture, civil society, and local government capacity. Those topics that you mentioned are a total of \$21.3 million of the

\$73 million. Who do you—who does—who carries out that assistance? Do you contract with NGOs, or does USAID carry it out? Can you give me some idea on that?

Mr. GAST. Sure. Thank you for your question.

Yes, we do carry out some of the assistance directly, by making grants to local institutions, Zimbabwean institutions, that meet the criteria for our doing direct disbursements. For those organizations that are weak and cannot meet U.S. Government accounting standards, then what we do is use international NGOs; and, in this case, one of our principal partners is PACT, and PACT works on rebuilding the capacity of the local NGOs.

Senator ISAKSON. What is PACT? Is that an acronym?

Mr. GAST. It's an acronym. PACT stands for Private Agencies Collaborating Together.

Senator ISAKSON. OK, thank you very much.

Mr. Baukol, in your remarks you refer to—and I'll just read it, "As you know, the United States does not have broad economic sanctions on the country of Zimbabwe." And then it goes, "In accordance with executive order" such and such, "the Treasury Department has maintained targeted economic sanctions against the Mugabe regime and has designated dozens of senior regime officials, supporters, and state-owned or -controlled companies."

What are those targeted—what are the Treasury's targeted sanctions, as far as the financial institutions are concerned?

Mr. BAUKOL. We have listed a number of specific Zimbabwean entities that have been supporting the Mugabe regime over the last number of years. Our sanctions prevent these designated entities from gaining any access to U.S. financial system by preventing our banks and financial institutions from dealing with any of the entities on our sanctions list.

Senator ISAKSON. So, in other words, if these guys that are taking money or minerals and diamonds, and are getting it offshore and then trying to launder it for their own benefit, you try and put sanctions against those who are the facilitators for that. Is that correct?

Mr. BAUKOL. Yes, that's the principle behind it. So, for example, one of the sanctioned individuals is the chairman of the Reserve Bank of Zimbabwe, who's one of Mugabe's main—

Senator ISAKSON. Just got reappointed, I understand.

Mr. BAUKOL. He got reappointed last year. And he's—he and his family are helping the Mugabe regime, so if they were trying to divert funds anywhere, if it came to the attention of U.S. financial institutions that it was going through U.S. financial institutions, they would need to block those transactions and not do business with these sanctioned people.

Senator ISAKSON. And do you coordinate these sanctions with the State Department?

Mr. BAUKOL. Absolutely. When we come up with the list and—of both individuals and entities, we work closely with the State Department and the rest of the U.S. Government.

Senator ISAKSON. OK.

Last, Mr. Gast, I understand there's a drought in Zimbabwe. Is that correct?

Mr. GAST. That is correct.

Senator ISAKSON. How severe is it? Is it a famine like drought or—

Mr. GAST. No; but there's—there is a drought in southern Africa, as well as east Africa, so we're concerned about that, and we're monitoring it.

We, last year, because of the economic crisis and the inability of getting any sort of input into the agriculture sector, had to feed more than 7 million persons. This year, we project the number to be around 2 million. Significant. But, with our timely inputs of agricultural seed, fertilizer, in the hands of people, the situation is much improved over last year.

Senator ISAKSON. Good. Thank you very much.

Thank you, Mr. Chairman.

Senator FEINGOLD. Senator Kaufman.

Senator KAUFMAN. Secretary Carson, what's the status of press freedom in Zimbabwe these days?

Mr. CARSON. Very, very limited. There is press censorship and press control on publications of materials there. When there is not absolute censorship, there is self-censorship because of fear of running into political complications with the government. The international media has limited access to the country. At one point, there was no international media allowed in. The government has since, in the last couple of months, said they could come in, but they still have difficulty getting visas and difficulty reporting. I would say, on a scale of 1 to 10, press freedoms are probably somewhere around 2.5.

Senator KAUFMAN. Is there hope that's going to change in the foreseeable future?

Mr. CARSON. It would be easy for that to change, if, in fact, the government of President Robert Mugabe wanted it done. There could be a removal of all restrictions on the press, and permission for the independent media to come back to Zimbabwe.

Senator KAUFMAN. But, there's no indications that's going to happen.

Mr. CARSON. There's no indication that we will see an opening of press freedom very rapidly.

Senator KAUFMAN. What's the status of the rule of law in Zimbabwe these days?

Mr. CARSON. The status of the rule of law is pretty bad. Zimbabwe, in 1990, had one of the best judicial systems in Africa. The courts were completely independent. Robert Mugabe's regime has systematically eroded judicial independence. We have seen, however, over the last couple of days, as my colleague Earl Gast has pointed out, a decision by the Zimbabwe Supreme Court, which, surprisingly, exonerated several individuals who had been tortured by Robert Mugabe and harassed by his government.

That was a rare sign of judicial independence. We hope it will continue to move forward in a positive way; but, until we see a long-term trend, this is more of an aberration than a reality.

Senator KAUFMAN. And what would you say the status of human rights are in Zimbabwe these days?

Mr. CARSON. Status of human rights, very poor. There continues to be farm invasions, violent farm invasions. There continues to be political harassment of the MDC, including political figures and

parliamentarians. There continues to be police abuse. There continue to be people held in detention. On—again, on a scale of 1 to 10, I would say, human rights are probably—respect for human rights would somewhere around 1.5 to 2.

Senator KAUFMAN. Is there real—any real indication, to kind of sum this up, that the political situation in Zimbabwe is going to change in the foreseeable future?

Mr. CARSON. As I indicated in my testimony, President Mugabe still has a very firm grip on power. He has that grip on power because he retains the control and the loyalty of the security forces—the intelligence services, the military services, and the police. He also is able to mobilize young party thugs on behalf of his government. If we see the signs of a breakup in support for Mugabe by the security services, it would be an indication both of a fracturing of the ZANU–PF structures and also a weakening of Mugabe’s leadership.

While we acknowledge the economic progress that has taken place as being very positive, we have not seen significant movement forward on the implementation of the Global Political Agreement. Far too many political obstacles remain for Morgan Tsvangirai and the MDC. We would like to see those obstacles removed.

In my conversations with Vice President Joice Mujuru in New York in June and in my conversations with President Robert Mugabe in Sirte, Libya, in July, I encouraged the ZANU–PF leadership to move forward on the full implementation of the Global Political Agreement. If indeed we saw sustained progress on the political side, then we could begin to reengage in more significant fashion on both the political and the economic side. You know, much has been done as result of Mr. Tendai Biti’s work on the economic side, but as far as I can see, there has not been a correlation that links that economic progress to political progress. We still see very little happening that gives strong encouragement that Mugabe is ready to let go.

Senator KAUFMAN. Could you just spend—my final question is the influence of China in Zimbabwe.

Mr. CARSON. I think the Chinese were, at one time, keenly interested in exploiting Zimbabwe’s vast mineral potential, especially as the Western mineral companies started to retreat. But, I think that the Chinese have become wary of Zimbabwe. They don’t want to be attached to what is, in fact, a long-term losing proposition. There have been reports of large Chinese loans to Zimbabwe. There’s really no indication that these loans have actually been extended to the government. I do note, symbolically, that the last time Hu Jintao, China’s senior leader, made a trip to Africa, he went to Zambia and not to Zimbabwe. The Chinese have been cautious in how they’ve dealt with Robert Mugabe.

Senator KAUFMAN. Thank you.

And thank you, Mr. Chairman, for another excellent hearing.

Senator FEINGOLD. Thank you, Senator Kaufman.

I’ll just use a part of a second round.

Assistant Secretary Baukol, as you said in your testimony, Zimbabwe was recently called one of the worst investment locations in the world, on a par with Afghanistan. In your view, why is it

one of the worst investment locations, and what will it ultimately take for Zimbabwe to attract foreign investment?

Mr. BAUKOL. Thank you, Senator.

I think there's a number of steps that Zimbabwe would need to take, and progress on the political agreement would be at the top of the list, I believe. In my consultations with the financial sector in Zimbabwe, with private-sector representatives in Zimbabwe, they point to uncertainties about the rule of law, about contracts, about even their, you know, funds in the financial sector, and a lot of these issues relate to the Global Political Agreement. For example, the fact that Mr. Gono is still head of the Reserve Bank of Zimbabwe leads many people to be hesitant about putting new money into new investments in Zimbabwe, because of fears that those funds might, at some point, be taken in some way or another. So, in addition to regular institution-building, which Zimbabwe needs, sort of, across the board, I would say political progress would be at the top of the list.

Senator FEINGOLD. Assistant Administrator Gast, Zimbabwe is, of course, a fertile country, and I understand why USAID would be eager to transition from providing food assistance to enhancing actual agricultural production. Beyond the loan guarantee program you described to provide inputs and support for farmers, is USAID looking to undertake any other activities in this regard? What would they entail? And will Zimbabwe be part of this administration's Global Food Security Initiative?

Mr. GAST. A very good question, Senator.

As Assistant Secretary Carson mentioned, our assistance is very carefully calibrated, and we have met—had many interagency discussions with Treasury, with State Department and NSC, on a way forward, an approach in tying our assistance with our policy. I think what we're doing now in agriculture is appropriate. If you look at the statistics, I think it's less than 10 percent of the population are in the formal economy and have jobs. And so, we see this initial effort in agriculture as a way of getting the small farmers engaged in commerce. We—if this is successful, if we're able to show that there is a need for credit—additional credit coming in, we can look at expanding the program. But, we are contemplating designs for new activities in the future, but we want to see how the initial activities that we have underway now proceed, first.

Senator FEINGOLD. And would further assistance for agriculture require further waivers? And do you see any risk to expanding our engagement in the absence of any real land tenure security?

Mr. GAST. Absolutely right. Land tenure and security is vitally important, and that ties, of course, to the GPA, the Global Political Agreement.

The waiver—I think that we have used waiver authorities appropriately on the Brooke amendment and the 620(q). And, with the exception of that one—the Credit Guarantee Program—we did not require waiver authority for agriculture. The only risk, in the future, is if we want to—if we decide it's time to engage with the ministry—and it's too soon for that, the Ministry of Agriculture—we do have the 7070(e) provision which prevents us from working directly with the government unless the Secretary of State can certify that rule of law has been reestablished in Zimbabwe.

Senator FEINGOLD. Thank you.

Senator Isakson.

Senator ISAKSON. Just one—out of curiosity, one question, Mr. Gast. You talked about agriculture and building the economy in Zimbabwe, and I am wondering if CARE is working in Zimbabwe as an NGO? Do you know?

Mr. GAST. I'm not certain that they are—they likely are in Zimbabwe.

[The written information supplied for the record by Mr. Gast follows:]

CARE is one of USAID's Office of Food for Peace partners providing emergency food assistance. It is funded through the Consortium for Southern Africa Food Emergency comprising World Vision, Catholic Relief Services, and CARE. C-SAFE is the second largest food assistance provider in Zimbabwe and works in collaboration with the World Food Programme (WFP).

In addition, CARE receives funds from USAID's Office of Foreign Disaster Assistance to provide livelihood support to disadvantaged populations.

CARE is expected to receive a grant from the USAID Mission to support similar work fairly soon. CARE is working with the savings and loans groups (ISAL) under their livelihood programs in Zimbabwe.

Senator ISAKSON. Well, the reason I mentioned, Mr. Chairman, just to amplify that building of the economy, building of local enterprise, agriculture, and things like that, when I was in Tanzania in May, I visited CARE's operation in a number of places, and they've established a program called Village Savings and Loan, where they're actually getting the money to the individuals who are then contributing it back out in the form of small microloans, and are building businesses that are value added. These businesses are really having a tremendous positive effect. I know it is in that country, and it seems like that type of thing might be, eventually, what we could, hopefully, get to Zimbabwe to help those people out.

Senator FEINGOLD. Mr. Baukol, did you have something to say about CARE's presence in Zimbabwe?

Mr. BAUKOL. Yes, when I was there in July and I toured a project that was led by Mercy Corps, but it included a number of other NGOs, including CARE, as well as Africare, OXFAM, and several others, and it was doing things along the lines that Senator Isakson described.

Senator ISAKSON. Thank you very much.

Senator FEINGOLD. Senator Kaufman.

Well, I want to thank this panel very much. This is a very important part of our signaling, through this committee and otherwise, a serious American engagement in the issues of Zimbabwe. I thank the panel.

And I'd ask the second panel to come forward.

[Pause.]

Senator FEINGOLD. Welcome, to the panel. I look forward to hearing from you.

Ambassador Steinberg, would you start it off for us, please?

STATEMENT OF HON. DONALD STEINBERG, DEPUTY PRESIDENT, INTERNATIONAL CRISIS GROUP, BRUSSELS, BELGIUM

Ambassador STEINBERG. Thank you, Mr. Chairman. I'd like to begin by congratulating you and Senator Isakson for holding this hearing.

Crisis Group believes that Zimbabwe now has the best chance in a decade to put behind it the divisions, abuses, and self-implosion that is the legacy of Robert Mugabe for the country. There is the combination of an exclusive government, a reemerging civil society, an educated population, once-proud manufacturing, agriculture, and mining sectors waiting for recovery, and the good will of countries in the region and beyond.

In this regard, we are very concerned that, despite these hopeful possibilities, a wait-and-see attitude from the international community, including the United States, especially in the political area, risks creating the ultimate self-fulfilling prophecy of a failure of this inclusive government and a return to even worse conflict and repression.

When Morgan Tsvangirai and his MDC colleagues joined the Unity Government in February, skeptics portrayed them as neophytes who would very soon suffer from Mugabe's "divide, rule, co-opt, and destroy" strategy. Nonetheless, against long odds, we saw some immediate improvements. Schools and hospitals were reopened; the Zimbabwe dollar was shelved; and food and other products returned to market places. We saw a substantial reduction in human rights abuses, although they're continuing, to some extent. The cholera epidemic was brought under control. And a bipartisan committee was put together to draft a new constitution.

We all recognized that this was all very fragile, however, and we saw exactly the same kinds of problems that Secretary Carson and others have identified: The continuing farm seizures; the arrest and repression of MDC parliamentarians; the reappointment of Gideon Gono at the Reserve Bank and Johannes Tomana as the Attorney General's Office; and the general frustration of the Global Political Agreement.

But, it's important to remember that Prime Minister Tsvangirai said publicly, and continues to say, "Don't punish us, and don't punish the people of Zimbabwe, for working with Robert Mugabe."

When he came to the United States and Europe this summer, Tsvangirai was met with lukewarm encouragement, a lot of skepticism, and, frankly, very little cash. Tellingly, no one called for a Marshall Plan for Zimbabwe. In fact, this hesitation, in our view, risks thwarting the very changes that we want to see in the country, both by weakening the hand of the MDC and the moderates in the ZANU-PF party and by reducing popular support for the reform process. If you look at the humanitarian relief situation, less than half of the requirement to feed individuals has been met. We're hearing of a possibility of a new outbreak of cholera when the rainy season hits. We are seeing strikes by teachers and health workers because of a lack of resources for the government. The government can't even buy grain from its own farmers because the Grain Marketing Board has no money. And even the vital process of constitutional reform has been stalled because the government doesn't have the money to pay for the outreach consultations that are required.

We're equally concerned that the MDC, in particular, is risking its relationship with the masses in Zimbabwe. It's losing its political and popular support because it hasn't been able to deliver on what it promised when it went into government.

Mr. Chairman, we are fully on board with the maintaining of sanctions on the hard-liners who are thwarting the reform process in Zimbabwe. Asset freezes, travel restrictions, et cetera, are essential. And we believe that, in fact, these are essential to leave in place until a new constitution has been decided, and an electoral reform process is in place.

But, at the same time, we should be highlighting, rather than hiding, the 313 million dollars' worth of assistance that the United States is giving to agriculture and education and to civil society. In addition, we should be helping to empower civil servants and members of the legislature and judiciary. We should be looking to encourage trade and foreign investment in Zimbabwe to create jobs to address a 90-percent unemployment rate and to attract back the 3 to 4 million Zimbabweans who have fled across the border to South Africa.

Mr. Chairman, to conclude, I understand that some worry that a strategy like this would prematurely reward Mugabe and his hard-liners, or in some way reduce the pressure on them to participate in the reform process. In truth, the assistance would strengthen the hands of moderates and make it more difficult for extremists to again seize power. It would create a situation where we can avoid more repression, more isolation for Zimbabwe's people, and more hardship for the region.

Let me put it simply, if you want to sideline those who are trying to sideline the democratic reform process, it's time to support the people of Zimbabwe and the Unity Government now.

Thank you.

[The prepared statement of Ambassador Steinberg follows:]

PREPARED STATEMENT OF DONALD STEINBERG, DEPUTY PRESIDENT INTERNATIONAL CRISIS GROUP, BRUSSELS, BELGIUM

Mr. Chairman. I would like to thank you and Ranking Member Senator Isakson for bringing us together today to explore policy options toward the transition in Zimbabwe, and for your continuing leadership on these issues.

As an international nongovernmental organization committed to preventing and ending deadly conflict, International Crisis Group believes that Zimbabwe now has its best chance in a decade to put behind it the divisions, abuses, and self-implosion that has been the legacy of the abusive regime of Robert Mugabe. The combination of an inclusive government, a reemerging and vibrant civil society, an educated population and workforce, a once-rich manufacturing, agricultural, and mining sector waiting for recovery; and the good will of countries in its region and beyond can open the door to a post-conflict recovery that would benefit both its long-suffering people and the broader southern African region.

But for all the hopeful possibilities inherent in this situation, a "wait-and-see" attitude from the international community, including the United States, risks creating a self-fulfilling prophecy of a return to conflict and repression.

MDC'S ENTRY INTO GOVERNMENT

When Morgan Tsvangirai led his party, the Movement for Democratic Change (MDC), into a unity government with Zimbabwe African National Union (ZANU-PF) in February 2009 under the terms of the Global Political Accord, sceptics gave the new formation little chance of success. Tsvangirai and the MDC were portrayed as neophytes who would soon become the latest victims of Mugabe's "divide, rule, co-opt and destroy" strategy. It was broadly understood that the MDC position was driven by a pragmatic assessment of their options. Mugabe and his hard-line allies and security forces held most of the cards: a monopoly on force, a willingness to repress and abuse its political opponents, and the obsequious support of South African President Thabo Mbeki, charged by the Southern African Development Community to negotiate a solution to the longstanding electoral and political crisis. The

MDC calculated that its capacity to affect change would be greater within government than outside it.

Understandably repulsed by the autocratic actions, human rights abuses, and corrupt practices of Mugabe and his coterie, foreign donors—including the United States—have held back on support to the new government in which they maintain the upper hand. The original approach of providing only narrowly defined humanitarian assistance was eventually modified to a position described as “humanitarian-plus,” and included support for not only life-saving emergency projects, but also for agricultural recovery, civil servants involved in relief exercises, and health and educational institutions. This approach was seen as balancing a desire to improve the lot of Zimbabwe’s population with continuing pressure on the actors in the new government—especially Mugabe and ZANU–PF—to meet their commitments toward a transition to democracy governance.

Against long odds, the new government started out reasonably well. Many schools and hospitals reopened. The Zimbabwe dollar, which had been turned into an international joke by multibillion percent inflation, was shelved. Civil servants were paid a small stipend and returned to work; goods started to return to empty store shelves; a cholera epidemic was brought under control; and a bipartisan parliamentary committee was formed to reform the constitution. Human rights activists reported a significant drop in government abuses.

An ambitious reconstruction program—the Short-Term Economic Recovery Programme—identified the need for about \$8.5 billion in resources, including foreign assistance and investment, and was generally well-received by foreign donors and the Bretton Woods institutions. Prime Minister Tsvangirai, Finance Minister Tendai Biti and their MDC party received much of the credit for these developments—even from the rank-and-file army—and a new sense of hope returned to Zimbabwe.

But Tsvangirai could see clearly that these changes were fragile and pleaded for foreign help to consolidate them. “Don’t make us pay for working with Mugabe,” he wrote in a powerful opinion piece in the *London Times*.

Indeed, from early on, there were ample signs of concern. Farm seizures have continued virtually unabated. While human rights abuses declined, ZANU–PF-led security forces have continued to arrest and detain activists and MDC parliamentarians. Hard-line partisans like the Reserve Bank Governor, Gideon Gono, and the Attorney General, Johannes Tomana, were unduly reappointed, top generals boycotted the new national security establishments and showed public disdain for Tsvangirai, and ZANU–PF has delayed or ignored key commitments under the Global Political Accord (GPA). The constitutional reform process has been thwarted by ZANU–PF’s insistence that the secretly authored Kariba draft serve as the basis for a new constitution.

Some old regime elements, especially hard-line generals and other Mugabe loyalists, are actively thwarting the new government, motivated by fear of a loss of power and its financial benefits; possible prosecution for their crimes; hatred of Tsvangirai and the MDC; and a belief that that they are the guardians of the country’s liberation. These forces continue to work flat out to undermine the inclusive government by stalling processes that should lead to the fulfilment of the GPA and refusing to implement government decisions. True to form, Mugabe is giving them backing, calling into grave question his commitment to make the inclusive government work.

THE RISKS OF INTERNATIONAL DISENGAGEMENT

During his visit to the United States and Europe this summer, Tsvangirai was met with luke-warm encouragement, much skepticism, and very little cash. In addition to the revulsion over supporting a government including Mugabe, Zimbabwe’s timing was awful. It was seeking massive foreign aid and private investment at a time when donors were cutting aid budgets and foreign investors were seeking safe havens in the stormy global economy. Tellingly, no one has called for a “Marshall Plan for Zimbabwe.”

In fact, this stance risks thwarting the very changes the international community is seeking, both by weakening the hand of the MDC and moderates in ZANU–PF, and by undercutting popular support for the reform process. The humanitarian situation remains dire, with reluctant donors pledging less than half of the \$718 million required to ward off disease and hunger. The United Nations and nongovernmental organizations have warned of a potential new cholera outbreak ahead of the rainy season. Moreover, doctors and teachers have gone on strike to demand better pay. The government is unable to buy grain from farmers because the Grain Marketing Board has no money. The constitutional reform process is stalled in part over the failure of the government to finance outreach and consultation programs.

Already, there are disturbing warnings that the MDC is losing contact with its popular base, including in the context of the constitutional reform process. Civil society activists are increasingly complaining that this process is being driven by political elites for their own purposes. Similar arguments are emerging with regard to efforts to develop mechanisms to hold the perpetrators of human rights abuses accountable for their actions. Within the MDC itself, some question the wisdom of remaining in the unity government.

Further, despite succession battles within ZANU–PF between the rival factions of the hard-line Defense Minister Emmerson Mnangagwa and the more moderate Gen. Solomon Mujuru and his wife, Vice President Joice Mujuru, the forces committed to Mugabe seem to be firmly in control.

MAINTAIN TARGETED SANCTIONS; ENHANCE TARGETED ASSISTANCE

Mr. Chairman, the United States must stand firmly against those who are thwarting the democratic transformation in Zimbabwe. Tough targeted sanctions—including trade and travel bans and assets freezes—against such individuals and the companies they control under the International Emergency Economic Powers Act, the National Emergencies Act, and section 301 of title 3 of the United States Code should remain in place to secure the commitment of the recalcitrant parties to their commitments under the GPA.

But at the same time, targeted reconstruction and development assistance—channeled through fully transparent, credible and accountable mechanisms and institutions—is essential now. Such mechanisms do exist: The International Monetary Fund, for example, has ensured responsible use of the one-time expansion of special drawing rights to Zimbabwe equivalent to a \$500 million loan for the purpose of building and repairing schools, hospitals, roads, railways and communication networks. The United States, other donors, and international financial institutions should:

- Expand assistance to support revival of the education, agriculture, water, health and water sanitation, including support for the soon-to-be-announced Government Works Program. Particular attention should be given to programs to assist women, including reproductive health care and girls' education.
- Help empower a functioning civil service and legislature, and support reform of politicized government institutions, including the judiciary.
- Strengthen civil society—groups of women, academics, journalists, lawyers, farmers, and others—fractured and polarized in recent years by Mugabe's divide-and-rule tactics.
- Adopt innovative programs to encourage new trade and foreign investment in Zimbabwe to address the country's massive unemployment rate and promote the return of 4 million Zimbabwean migrants who are increasingly the target of xenophobic attacks in South Africa and elsewhere in the region.

AMERICA'S INTERESTS IN ZIMBABWE'S RECOVERY

Mr. Chairman. At a time when crises in Afghanistan, Burma, Congo, Iran, Iraq, North Korea, Pakistan, Somalia, Sri Lanka, and Sudan fill the in-boxes of American policymakers, it would be easy to move the slow-simmering crisis to the back burner. Neither the MDC nor ZANU–PF consorts with global terrorists, and collapse of the unity government will not lead to jihadi training camps in rural areas. Zimbabwe is neither a supplier nor a major trafficker in illegal drugs, arms, or persons. Its refugees are not flooding into the United States. Zimbabwe has no oil, and most of its minerals face free-falling global demand. No exotic diseases threaten pandemic: it suffers from “just” cholera, malaria, and HIV/AIDS. The country straddles no sea-lanes and has no pirates.

But there are strong motivations for broad American engagement. Just because the global effects of Zimbabwe's implosion have so far been modest, this could change rapidly. Transnational threats incubate in unexpected ways in the hothouse of instability and weak governance. What if the H1N1 virus had emerged in Harare and swept through a country where the health infrastructure had been ravaged?

Zimbabwe's recovery is of major regional importance. If Zimbabwe is a smallish country of 12 million people, the southern African region—with a market of 200 million, growing oil production, peacekeepers throughout Africa, and a location along key shipping lanes—is by contrast of great strategic, commercial and political importance to the United States. A prosperous Zimbabwe could be an engine of growth for the region, providing key links to regional communications, transport and electricity grids. Zimbabwe has long been considered a potential breadbasket for the region, based on what used to be efficient agriculture, albeit needing serious and responsible land reform.

By contrast, instability in Zimbabwe is profoundly destabilizing to its neighbors. An estimated 4 million Zimbabweans fleeing economic hardship and political abuses have flooded across borders, overwhelming the social services and the good will of South Africa, Botswana, and other neighbors. Botswana, Africa's shining star of stability and human rights, has built an electrified fence and resorted to detention and expulsions to keep desperate Zimbabweans out.

This regional importance has been one reason why the SADC has been advocating greater international support for the unity government. South Africa itself has put up about \$75 million to support the process of democratic transformation. During his visit to Harare in late August and a subsequent meeting with Secretary of State Clinton, South African President Jacob Zuma gave welcome indications that he will press a tougher stance vis-a-vis Mugabe on outstanding GPA obligations, respect for rule of law, and cessation of repressive actions by the security forces under his control.

But regrettably, the international community cannot rely solely on Zimbabwe's neighbors to promote this process. As shown again in their September 7-8 meeting in Kinshasa, many SADC leaders continue to kowtow to Mugabe. Following a presentation in which he told these leaders that the unity government is doing well, SADC unproductively called for the lifting of targeted international sanctions on Zimbabwe and cancelled an extraordinary summit on Zimbabwe to review the weak implementation of the GPA.

Working with regional actors, the broader international community and, of course, the Zimbabwean people themselves, the United States has a unique opportunity to promote democratic transformation and socioeconomic recovery in Zimbabwe.

I know that some worry that such a strategy would prematurely reward Mugabe and his hard-line supporters, or somehow reduce the pressure on them to cooperate with the reform process.

In truth, a policy of engagement and targeted assistance through credible and transparent channels would strengthen the hands of moderates and make it more difficult for the extremists to again seize power, which would result in even greater repression and isolation for Zimbabwe's people and greater instability throughout South African and beyond. Put simply: We believe that if you want to sideline Mugabe and his hard-liners, you should support the people of Zimbabwe by embracing the unity government now.

Senator FEINGOLD. Thank you very much, sir.
Dr. Moss.

STATEMENT OF TODD MOSS, VICE PRESIDENT FOR CORPORATE AFFAIRS AND SENIOR FELLOW, CENTER FOR GLOBAL DEVELOPMENT, WASHINGTON, DC

Dr. MOSS. The situation in Zimbabwe is not unlike a forced marriage between a violent criminal and a courageous spouse who is trying to restore order and sanity to a shattered household. The challenge for the United States is to help support the credible parts of the coalition without emboldening the criminal parts. Fortunately, I think that we do have policy options to achieve that very goal.

Thank you, Chairman Feingold, Ranking Member Isakson, other members of the committee. Appreciate the opportunity to appear before you today to suggest ways the United States can respond forcefully and strategically to the challenges in Zimbabwe.

While on leave from the Center for Global Development, I proudly served in the State Department of the previous administration, but did not work directly on our policy toward Zimbabwe. I have, however, been actively involved with the country for two decades, and now lead the Center's work on Zimbabwe, which also does include some informal assistance to the Ministry of Finance on the technical aspects of arrears clearance.

I believe we should be clear. Morgan Tsvangirai won the March 2008 elections and rightfully should be President. Instead, we have

a highly imperfect interim Unity Government; the cabal, responsible for destroying Zimbabwe's economy, for unleashing violence, and denying the will of the voters, are still in positions of power; the coalition government is thus extremely fragile. However, we must recognize that the situation on the ground is far better than it was a year ago. Mr. Tsvangirai is Prime Minister. There are credible and capable people from his party in charge of key ministries; most notably, finance, power, and health. Policy changes implemented by the Minister of Finance represent a clear break with the past. I believe the United States should support this positive progress, while still remaining clear-eyed about the risks ahead.

A passive wait-and-see approach is a sure recipe for failure. The Unity Government can only survive if it shows forward momentum. Nor is it an option for the United States to throw its full weight blindly behind an uncertain coalition government. The only practical option for the United States is to find creative ways of supporting democratic forces, technocratic reforms, and economic recovery, while keeping resources out of the hands of the old guard and maintaining pressure on the instigators of violence.

What might such a strategy entail? First, the United States must maintain targeted sanctions until it is clear that those people on the list are no longer actively working to undermine democracy and U.S. interests in the region. Second, we should continue to be forceful with Zimbabwe's neighbors to live up to their commitments, both to enforce the terms of the coalition deal and to provide adequate support. The diplomatic and financial efforts, so far, from South Africa are far from sufficient for a country that claims regional leadership. Third, the United States must find ways to provide ring-fenced support for activities and select ministries involved in restarting critical public services. Expectations are extremely high among the Zimbabwean population for positive, tangible change.

I'll focus the remainder of my time on this last dilemma, how the United States can help economic revitalization without unintentionally giving comfort to negative forces, how we can help one part of the coalition without emboldening the other.

An easy first step is for the U.S. Treasury to support efforts already underway at the multilateral development banks to assist the Ministry of Finance. We can even encourage the World Bank and the African Development Bank to seek and find special pre-arranged clearance money for Zimbabwe. These institutions are thinking hard about how to be constructive, but they're also looking for clear signals from key shareholders, like the United States.

U.S. bilateral efforts must encourage forward progress, while ensuring that any assistance is fully accountable. For the sake of speed and flexibility, I believe we should build on existing U.S. pipelines and expertise in health, agriculture, and private investment. And I'll briefly suggest four specific examples.

One, we should designate Zimbabwe a focus country for the President's AIDS and malaria initiatives.

Two, noting that nearly 3 million Zimbabweans will be food-insecure this year, we should make sure that Zimbabwe is included in the White House African Food Security Initiative.

Third, the administration should direct the Overseas Private Investment Corporation and the U.S. Export-Import Bank to find creative ways of catalyzing private capital. For example, OPIC could announce an intention to launch a Zimbabwe Enterprise Fund, as it has done in places like Liberia.

Fourth, we should make—the United States should make a modest contribution to the World Bank-administered Multi-Donor Trust Fund. A major U.S. contribution is neither likely, nor necessary, but some participation would be a visible sign of American intentions and support.

By using these existing mechanisms and some creativity, the United States could mobilize significant resources, perhaps, from these four examples, as much as \$500 million, to contribute toward Zimbabwe's recovery and reconstruction, and, at the same time, support the political process of restoring Zimbabwe to the community of democracies.

Thank you.

[The prepared statement of Dr. Moss follows:]

PREPARED STATEMENT OF TODD J. MOSS, VICE PRESIDENT AND SENIOR FELLOW,
CENTER FOR GLOBAL DEVELOPMENT, WASHINGTON, DC

Thank you Chairman Feingold, Ranking Member Isakson, and other members of the subcommittee. I appreciate the opportunity to appear before you today to suggest ways the United States can respond forcefully and strategically to the economic and political challenges in Zimbabwe.

I proudly served in the State Department of the previous administration, but, in the interest of full disclosure, did not work directly on our policy toward Zimbabwe. Nevertheless, I have been actively involved with the country for two decades and now lead the Center for Global Development's work on Zimbabwe.¹

Zimbabwe has experienced an economic and political trauma not unlike a major conflict.² My colleague, Michael Clemens, and I estimate that Zimbabweans have over the past decade fallen back to an average income level not seen since the 1950s.³

The tragedy of Zimbabwe, of course, is that this economic collapse is entirely man-made. Since September 2008 the country has been administered by an interim unity government that was forced on Robert Mugabe by regional leaders following the flawed March 2008 elections and a brutal campaign of violence against the Movement for Democratic Change and its supporters. We should be clear: Even in an environment of intense intimidation and repression, Morgan Tsvangirai won those elections.

The current arrangement is highly imperfect, not least because the men responsible for destroying the economy, unleashing the violence, and denying the will of the voters are still in positions of power. The Mr. Mugabe is still surrounded by men who have every reason to try to cling to power and grab what they can. The coalition government is thus highly fragile and has made halting progress.

However, it is critical to recognize that the situation on the ground is far better than it was a year ago. Mr. Tsvangirai is Prime Minister and there are credible and capable people from his party in charge of key ministries, most notably finance, power, and health.

Policy changes implemented by the Minister of Finance represent a clear break with the past and have stabilized the macroeconomic climate. Inflation is under control and the poisonous influence of the central bank has been marginalized. The country may register positive economic growth for the first time since 1998. But an upturn is far from certain and far from robust.

¹For example, Benjamin Leo and Todd Moss, "Moving Mugabe's Mountain: Zimbabwe's Path to Arrears Clearance and Debt Relief," Center for Global Development, Washington, DC, forthcoming October 2009.

²Todd Moss and Stewart Patrick, "After Mugabe: Post-Conflict Lessons for Zimbabwe," *Africa Policy Journal*, Harvard University, April 2006.

³Michael Clemens and Todd Moss, "Costs and Causes of Zimbabwe's Crisis," Center for Global Development, Washington, DC, July 2005.

I believe the United States should support this positive progress, while still remaining clear-eyed about the risks ahead. The challenge for U.S. policy is to continue to support recovery and the restoration of democracy while still maintaining pressure on the negative elements.

A passive wait-and-see approach is a recipe for failure. The unity government can only survive if it shows forward momentum and, given the depths of the country's plunge, assistance from the international community is essential.

Nor is it an option for the United States to throw its full weight blindly behind the coalition government. Given the real uncertainties ahead, a big push seems neither prudent nor strategic.

The only practical option for the United States is to find creative ways of supporting democratic forces, technocratic reforms, and economic recovery while keeping resources out of the hands of the old guard and maintaining pressure on the instigators of violence.

What might such a strategy entail?

First, the United States should maintain targeted sanctions until it is clear that those people on the list are no longer working to actively undermine U.S. interests in the region.

Second, we should continue to be forceful with SADC to live up to its commitments, both in terms of enforcing the coalition deal and providing adequate support. The contributions so far from SADC members, especially South Africa, have not been sufficient to the task. We should prevail upon new SADC chair Joseph Kabila of Congo to keep Zimbabwe on the SADC agenda.

Third, the United States should find ways to provide ring-fenced support for activities and select ministries involved in restarting critical public services. Expectations are high among the Zimbabwean population for positive, tangible change. Lack of visible progress will undercut the reformist position of the Prime Minister and his party.

The United States can make significant contributions in all three of these areas. I will focus the remainder of my testimony on this last piece: how the United States can help economic revitalization without unintentionally giving comfort to negative forces.

An easy first step is for the U.S. Treasury to support efforts underway at the multilateral development banks to assist the Finance Ministry. We can even encourage the World Bank and the African Development Bank to seek prearranged clearance money for Zimbabwe. These institutions are thinking hard about how to be constructive but also looking for signals from key shareholders.

U.S. bilateral efforts must simultaneously encourage forward progress while ensuring that any assistance is fully accountable. For the sake of speed and flexibility, options should be prioritized that build on existing U.S. pipelines and expertise in health, agriculture, and private investment. For example:

1. *Designate Zimbabwe a focus country for the President's Emergency Plan for AIDS Relief (PEPFAR) and the President's Malaria Initiative (PMI).* Current HIV/AIDS spending by the United States in Zimbabwe is approximately \$30m per year, even though the country has among the world's highest prevalence rates. By comparison, PEPFAR obligated \$696m to Zambia for FY 2004-08. For malaria, Mozambique and Zambia received \$19m and \$14m, respectively in FY08, versus \$200,000 for Zimbabwe.

2. *Include Zimbabwe in the food security initiative.* The USG provided \$112 million in FY09 to Zimbabwe for emergency assistance, with USAID's Food for Peace accounting for 85 percent. Assistance could be expanded and broadened to include targeted agricultural productivity aid, in line with the White House focus on restoring long-term food security in Africa. The U.N. estimates that nearly 3 million Zimbabweans are food insecure this year. Restarting the country's once-great agricultural base is vital to long-term revitalization.

3. *Encourage OPIC and ExIm to catalyze private capital.* The Overseas Private Investment Corporation should announce an intention to launch a Zimbabwe Enterprise Fund. OPIC has already created more than a dozen private investment funds targeting Africa and several country-specific funds, such as the \$30 million Liberia Enterprise Development Fund. The U.S. Export-Import Bank should also consider, at the earliest possible moment, reopening a Zimbabwe window. This would provide trade credit for critical parts and supplies as the country rebuilds its power, transport, and water systems. If the administration wanted to be especially forward-leaning, it could begin negotiations with China ExIm Bank for small jointly funded infrastructure projects. This would not only leverage our economic influence, but also send a strong political signal to Harare.

4. *Make a modest contribution to the multidonor trust fund.* The new government's survival depends in large measure on providing cash to restore social services and

build the depleted civil service. Although a major U.S. contribution to the World Bank-administered multidonor trust fund seems unlikely and unnecessary, some participation from the United States would be a visible sign of American intentions and support.

By using these existing mechanisms and a little aggressive creativity, the United States could mobilize significant resources to contribute toward Zimbabwe's recovery and reconstruction—and at the same time support the political process of restoring Zimbabwe to the community of democracies.

Senator FEINGOLD. Thank you very much, Dr. Moss.
Ms. Lindborg.

**STATEMENT OF NANCY LINDBORG, PRESIDENT, MERCY
CORPS, WASHINGTON, DC**

Ms. LINDBORG. Thank you. Thank you, Chairman Feingold, Ranking Member Senator Isakson, and other committee members. Thanks for holding this hearing today. It's an important topic at an important time.

And, as my copanelists have all strongly underscored, the principal dilemma is, How do you engage? How do you address the critical humanitarian challenges as the bottom has fallen out of what used to be a well-run country over this last decade? And how do you do so without compromising, given the tenuous political situation?

Mercy Corps works in about 40 countries around the world, most of them conflict-affected, very transitional, difficult environments. Each is different, but one of the lessons that we've drawn from each of those environments is that there is often a lot of room to work at the community level, and up to and including local municipalities, that enables you to help encourage positive progress, energize a population that's eager for positive change, and at the same time address not just the immediate impacts of humanitarian crisis, but some of the systematic underpinnings that will cause them to occur over and over again, such as the cholera crisis that ravaged Zimbabwe last year and has every indication that it could return this coming year because of the massive failures of the water sanitation and public education systems.

We've been operational in Zimbabwe since 2002. We see, with the advent of the Unity Government, several signs of positive hope that we think further justify the importance of moving past strict humanitarian support and into recovery and early reconstruction at the ground up.

The first is that, since the dollarization of the economy, lives have changed in a stark way at the human level, at the family level. The ability to go out and buy bread at a cost that hasn't triple by 100,000 percent by the end of the day has simply changed how people live their days, created a substantial amount of optimism that's directly pegged to the advent of the Unity Government. The staggering hyperinflation has subsided, and people are able to get on with their lives with increased dignity.

Restrictions on the movements and operations of international NGOs have been lifted. Where we were once virtually shut down for almost 6 months last year, we're now able to operate with little or no political impediments.

We have project partnerships now, that were previously unheard of, at the municipal and local level, where we are able to work, with them with technical assistance, on community-driven, commu-

nity-identified projects that have immediate, long-lasting effect on the quality of life for the citizens.

This is a sense of optimism that I think is important to support. There is both the opportunity—indeed, the imperative—to do so. The imperative is also because of the risk of the humanitarian relapse. As you’ve heard and as you know, Zimbabwe has been the important recipient of humanitarian assistance. It has been a Band-Aid. The cholera will reoccur if the water sanitation systems aren’t addressed. The food insecurity will continue to run rampant if we aren’t able to get at the ways for people to increase both at the community and a more systemic level, their food production. And the education system requires immediate and serious attention and investment to get that back up and running.

Therefore, I strongly urge that the United States begin shifting assistance policies toward recovery and reconstruction to a broader and more focused engagement, in a targeted way that ensures accountability, partnerships with those who are eager and able to work, in partnership with the communities and with international assistance actors, to ensure that the projects are indeed for the benefit of the communities and that the responsibility is for increased services to the population.

I would echo the three primary areas for this assistance being support at the community level, rebuilding the social fabric; helping families restore their livelihoods, support private-sector recovery to revitalize the economy, particularly in agriculture; and critical areas of health and education, because that’s where it will matter most.

These recommendations are incremental and feasible steps that we can take. Absolutely, we should continue to press the government on performance benchmarks, but not let those shortcomings preclude all efforts to support recovery.

It’s a targeted, incremental assistance strategy of early recovery and reconstruction, with much to gain.

Thank you.

[The prepared statement of Ms. Lindborg follows:]

PREPARED STATEMENT OF NANCY LINDBORG, PRESIDENT, MERCY CORPS,
WASHINGTON, DC

I would like to express my appreciation to Senator Feingold, Chair of the subcommittee, and to the ranking member, Senator Isakson, for the opportunity to offer testimony today on the situation in Zimbabwe. I thank the subcommittee for holding this hearing to review what is a critically important U.S. policy challenge in Africa. Zimbabwe has been on a difficult path in recent years, but the events of the past 6 months give some reasons for hope—and therefore it is a very appropriate moment for this body to review the U.S. Government’s policies toward the country.

I am here today in my capacity as the President of Mercy Corps, a major international humanitarian and development nonprofit organization that currently works in 40 conflict affected and transitional countries, helping to rebuild safe, productive and just societies. Mercy Corps works in some of the world’s most challenging transitional environments, including Afghanistan, Pakistan, Iraq, Sudan, the Democratic Republic of Congo, Sri Lanka, and Colombia. Our work is supported by a wide range of public, private, and international donors, including a strong partnership with USAID. Mercy Corps has been operational in Zimbabwe since 2002, working hand in hand with local communities in 6 of the country’s 10 provinces. We respond to the relief and development needs of more than 100,000 of Zimbabwe’s most vulnerable people. Our programs are working to create support systems for orphans and other vulnerable children, enhance food security, increase access to safe water, sani-

tation and community health information, and coordinate a humanitarian response to vulnerable displaced populations.

The humanitarian efforts of the U.N. and NGOs have been critical in saving lives during the difficult period since 2005, when the Government's "Operation Restore Order" forcibly cleared out urban slums and displaced 700,000 people. However, we now have an urgent opportunity to move beyond the series of Band-Aids we have been collectively applying and begin supporting recovery and reconstruction in Zimbabwe. The international community has been understandably reluctant to invest in recovery given the tenuous political situation. However, we see an important opportunity to support and reinforce a positive path for Zimbabwe and, most urgently, address the continuing humanitarian crises at a more systemic level. With my testimony today, I will discuss why international support for recovery is so critical at this stage and offer some recommendations on next steps for international recovery and reconstruction assistance.

As many of you know, Zimbabwe has been gripped in a spiraling collapse for the last decade. However, since the advent of the Unity Government in February of this year, there have been growing glimmers of hope. During my trip this summer to Zimbabwe, I saw firsthand the availability of goods in the stores and increased optimism in the communities I visited. Most importantly, we have seen the following indicators that progress is happening and should be supported:

- The economic situation has improved drastically following the adoption of the U.S. dollar as the country's working currency. After suffering through unimaginable hyperinflation since early 2007, with prices doubling on almost a daily basis,¹ the dollarization of the economy in January 2009 has restored a level of basic functionality within the economy. As a result, trade with neighboring states is returning, stores have rebuilt their stocks, and widespread shortages of basic goods are a thing of the past. This has laid an important piece of the foundation for Zimbabwe's economic recovery.
- Restrictions on the movement and activities of NGOs, which were put in place following last year's electoral controversy have been greatly eased. These restrictions were suspended in August 2008, and since then international aid agencies have been able to move freely through much of the country. We are not now facing political interference with our activities.
- Within some of our projects, we now have partnerships with local government officials, something that would have been unthinkable a few years ago. The Unity Government has taken a more open and collaborative approach to NGOs, and this has built on the easing of restrictions the government initiated a year ago.
- Finally, in our experience, Zimbabweans are feeling a sense of cautious optimism about their country for the first time in years. After a decade of watching the creeping collapse of their country, they are finally seeing signs of progress, and some reasons for hope.

Despite these signs of progress, the potential for further humanitarian crises could threaten what has so far been achieved. The fear of a renewed cholera outbreak during this year's rainy season² and forecasts of a significant food gap this winter³ are stark reminders of the country's fragile state and persistent humanitarian challenges. The cholera outbreak which began last fall and persisted until July 2009 vividly illustrates how Zimbabwe's emergencies flow from infrastructural collapse. Approximately 100,000 people fell sick and over 4,000 died from a disease that is a virulent result of poor infrastructure and weak social services. Cholera typically spreads via the contamination of drinking water with human waste. The wide impact of this epidemic reveals the massive collapse of the country's safe water and sanitation infrastructure, as well as the poor state of public health education. Risky water, if boiled, becomes safe to drink, yet this message was clearly not understood by much of the population. Upon catching cholera, mortality can be reliably averted through basic medical treatment and ingestion of simple rehydration solutions. The fact that thousands still died shows how comprehensively the health care system has collapsed.

Extend this scenario of collapse across Zimbabwe's other social and economic sectors and one begins to understand the level and scope of recovery challenges that the country now faces:

¹ John Hanke, Economics Professor at Johns Hopkins—<http://www.cato.org/zimbabwe>.

² Zimbabwean health expert Itayi Rusike has said cholera is "endemic"—that is, a persistent problem—in the country. <http://reliefweb.int/rw/rwb.nsf/db900sid/SNAA-7VA4Z4?OpenDocument&rc=1&cc=zwe>.

³ Famine Early Warning System Network (FEWS-NET) report, August 2009 <http://reliefweb.int/rw/rwb.nsf/db900sid/MYAI-7VG3QS?OpenDocument&rc=1&cc=zwe>.

- The health system, once among the very best in Africa, remains in shambles. While the cholera epidemic has mercifully abated, it could easily reappear and the system continues to face other challenges, most recently a staff strike over inadequate and sometimes unpaid wages.
- The education system, which once gave Zimbabwe some of the highest literary rates in Africa, has greatly deteriorated. Teacher wages are now being paid, but remain low relative to the expenses that teachers face. Transport costs alone can consume up to a quarter of teachers' salaries. Facilities are crumbling for a lack of basic maintenance; the poor water and sanitation infrastructure at many schools continues to contribute to cholera risks. Basic school supplies are so scarce that some students this year are going to class without any books.
- The agricultural sector is falling far short of its potential productivity and continues to face serious obstacles. Annual agricultural production in the country declined by 30 percent from 2006 to 2008.⁴ Smallholder farmers are among the hardest hit, as declining yields, diminished purchasing power, and livelihood vulnerability will cause an estimated 2.8 million households to experience food insecurity within the coming year.⁵ The fruits of the economy's collapse are evident in the more than 1 million Zimbabweans who have migrated to South Africa in search of work. The basic economic infrastructure supporting the agriculture sector, such as input suppliers, processors, and market and transport linkages, has greatly deteriorated. Without this infrastructure in place, the sector will struggle to recover, and we will continue to see Zimbabwean economic migrants flooding into South Africa in search of work.

The humanitarian challenges that Zimbabwe faces are, ultimately, systemic problems and must be addressed through investments in recovery and reconstruction.

The international community is understandably reluctant to invest resources in recovery and reconstruction without further progress in the political sphere. However, we believe that a strategic approach to recovery assistance would both address some of the systemic causes of humanitarian needs, as well as support positive progress. Conversely, withholding recovery resources may simply undermine confidence in the Unity Government and provide convenient excuses if conditions fail to improve.

I therefore strongly urge the USG to begin shifting assistance policies toward recovery and reconstruction, both to address the systemic drivers of the humanitarian crises and to reinforce the potential for positive political and social change. Recovery efforts can be most effective if they engage municipal authorities, community leadership, and civil society in joint efforts to address basic recovery needs in ways that were not previously feasible. With the changing environment, NGOs can work in partnership with willing local officials of any party to provide key inputs, rehabilitate infrastructure, and address key training and capacity-building needs.

One example is our current work in Mutare, Zimbabwe's third-largest city. Mercy Corps is supporting the rehabilitation of the entire water purification system of Mutare, and is doing so in close collaboration with the local municipal authorities. We manage all the procurement and control the funds, but the municipality provides the technical staff and personpower required to revitalize the water system. With this model of collaboration, the accountability and management of donor funds are ensured while the government takes responsibility for providing increased services to its population. This sort of joint NGO local government-community collaboration is a good model for engaging the local government in the restoration of services, while maintaining accountability and project integrity. Whether in MDC or Zanu-PF areas, this kind of approach has the potential to provide positive incentives for constructive government behavior.

What Zimbabwe most needs are programs that will enable recovery in key economic and social service sectors. Particularly notable have been the loss of community-level resiliency, the implosion of the country's economy, and the degradation of key social services. We see the greatest areas of immediate need and near-term potential as:

1. Increase recovery and transitional support at the community level

There are many community-level initiatives that can begin reknitting the social fabric and restoring livelihoods. After the crippling effects of the last decade, these efforts are essential to enable families to support themselves with dignity and hope, to address the needs of the country's 1.5 million⁶ orphans and foster further confidence in the road ahead. Such efforts go beyond the scope of humanitarian relief

⁴ WFP/FAO Study, June 2009.

⁵ Ibid.

⁶ <http://news.bbc.co.uk/2/hi/africa/8092896.stm>.

by enabling communities to take charge of their own recovery. Livelihoods are a critical component here—the restoration of livelihoods will have a positive effect on household-level food security and mitigate vulnerability to hunger and disease, including efforts to restart and expand smallholder agricultural production. Meanwhile, the country’s longstanding financial crisis means that small- and medium-sized entrepreneurs, who play a critical role in the functioning of rural economies, lack reliable access to credit and so cannot finance the rebuilding of their businesses. The country’s microfinance institutions have yet to recover from the hyperinflation and need infusions of lending capital in order to resume operations. NGOs have been working to set up savings-and-lending cooperatives for more than 5,500 households, have constructed over 500 market stalls to support small entrepreneurs, and helped to establish more than 1,800 household gardens—but much greater investments are needed.

Community-level reconstruction support is also needed in the areas of water and sanitation services. A huge proportion of the population continues to lack access to safe drinking water and hygienic latrine facilities. Rectifying these problems is a critical step in protecting against future cholera outbreaks. Mercy Corps is working in partnership with community leaders and local officials to build and rehabilitate wells in more than 100 villages, constructing hundreds of sanitary latrines, and training thousands of community members on good community hygiene practices. These are good first steps—but it is time to begin a larger scale shift of community infrastructure resources toward recovery rather than emergency response, and begin thinking on multiyear timeframes rather than 6-to-12 month relief cycles.

2. Support private sector recovery to revitalize the economy

Efforts to restore livelihoods and productivity at the community level must be complemented by the rebuilding of Zimbabwe’s commercial agriculture sector, especially to avert future food crises. This recovery is greatly impeded by the deterioration of the economic infrastructure that formerly supported the sector. The agriculture “value chain” of economic actors and functions that brings goods from individual farmers to processing to market to sale is in extreme disrepair. Vital private-sector networks of agricultural input suppliers, product vendors, warehousemen, and traders have largely broken down. Assistance in rebuilding these value chains will be a vital component of efforts to restore agriculture production and revitalize the sector.

The nonagriculture sectors of the economy also need extensive support if they are to recover. The manufacturing sector is operating well below capacity and the private sector in general faces a longstanding lack of access to credit. While the dollarization of the economy and the corresponding end to hyperinflation has improved the economic environment, there is a persistent lack of available credit to finance recovery of businesses.

3. Target critical areas of health and education, in partnership with responsible, accountable government actors when possible

The health and education sectors have fallen from among the best in Africa to collapsed sectors that provide little to no services. Both sectors are underfunded and face persistent threats of staff strikes over inadequate and irregular salary payments. Rebuilding these systems will be a long-term effort, but efforts should start now to extricate Zimbabwe from its current cycle of humanitarian crises. Mercy Corps’ experience in Mutare demonstrates that it is possible for NGOs to work in constructive partnership with local government structures to initiate service recovery activities. This model should be rapidly extended to the health and education sectors, so donor resources begin to support service recovery efforts wherever local government actors and communities are willing to engage constructively and accountably in such programs.

CONCLUSION

These recommendations represent the first incremental and feasible steps on Zimbabwe’s long road to recovery. Working at community and local municipal levels, significant progress can be made in further building the capacity of key actors, rehabilitating shattered systems, and supporting positive progress. NGOs, local civil society organizations, and U.N. actors can all play a role in this process, serving as channels for smart, targeted recovery assistance that can support and reinforce ongoing Government reform efforts and avert additional humanitarian crises. Donors should continue to press the government on performance benchmarks, but should not let government shortcomings preclude all efforts to support recovery. On balance, investments in Zimbabwe’s recovery are a risk worth taking. If the United States begins to incrementally ramp up recovery support, there will be multiple

opportunities along the way to review the government's engagement with the recovery program and determine whether such efforts are making progress. There is relatively little to lose—but potentially much to gain.

Senator FEINGOLD. Thank you very much.

Thank all of you.

And we'll do 7-minute rounds again for this panel.

Ambassador Steinberg, some argue that—as you've already alluded to—that engaging too much right now could give the wrong impression, give Mugabe and company breathing space. How do you respond to that, and how specifically do you see the balance between strengthening the hand of reformers in the government and then, on the other hand, keeping the pressure on Mugabe and his allies?

Ambassador STEINBERG. We talk a lot about keeping the pressure on Robert Mugabe, but I don't see what the pressure has gotten us. I don't see the bottom line for a policy that says, "Hold back on assistance to the people, hold back on assistance to the reformers, and simply maintain the existing sanctions that we've had," that, frankly, have only a modest impact on the individuals involved. The real collapse, in their economic standing, has nothing to do with the sanctions that have been put in place; it has to do with the fact that the economy has imploded. And, in fact, we're in a classic situation where sanctions on the country, to some extent, even enhance the power of the individuals in office to use their sinecures for their own benefit. The fact that Gideon Gono was printing money endlessly, all night long, and giving it to key securocrats and generals and other ZANU-PF hard-liners, simply reinforced his power. So, I just don't understand a philosophy that says, "Hold back, stick to the old policy," and somehow hope that Robert Mugabe will finally see the error of his ways and step back from power.

If you heard his interview with Christiane Amanpour 3 or 4 days ago, Mr. Mugabe is a man who has no touch with reality. Indeed, it is a pretty remarkable development that Morgan Tsvangirai has been able to achieve what he has within this government. There is a reason that he's a frontrunner to get the Nobel Peace Prize this year. And if you watched the Amanpour interview, you know it's because anybody who can deal with Robert Mugabe, deserves it. So, my suggestion, again, is engage in a very targeted way.

The other point that I wanted to stress is that you provide assistance to Zimbabwe in a fully accountable way. The IMF has just announced a \$400 million loan for Zimbabwe. It's the same loan that they're giving to every country to help them react more effectively to the global economic crisis. But they've said, "We're not going to give it through the Reserve Bank, we're going to give it through the Minister of Finance, Tendai Biti. We're going to have very strict standards in place that ensure accountability, and we're confident that that money is going to be well used." I think the United States can do the same.

Senator FEINGOLD. Ambassador, Zimbabwe's neighbors, with the one exception of Botswana, have not been willing to stand up to Mugabe and press him to implement his part of the agreement. Do you see any hope for any of the regional players to play a more constructive role? And particularly in light of your work as a diplomat

in southern Africa, how do you think the United States should go about engaging with the different regional players on Zimbabwe?

Ambassador STEINBERG. We've been incredibly disappointed with the SADC countries, given their strong interest in seeing development and recovery. Zimbabwe is a small country by global standards—12 million people—but, the entire region of southern Africa is of vital importance to us. It's a region that has 200 million people, a region that's expanding its oil interests, a region that is providing a broad number of peacekeepers globally, a region that we're depending upon to guard important sea-lanes. And it is a key part of this regional network to get Zimbabwe back on track. In that regard, the kowtowing that has gone on by the regional leaders to Robert Mugabe, especially during the days when Thabo Mbeki was running the process, was very disturbing. And at the recent summit in Kinshasa, Robert Mugabe walked in and said, "Everything's going great, so cancel that meeting that you were going to have to talk about the problems here. And, oh, by the way, why don't you ask the international community to lift the sanctions on me." In reality, that's exactly what they did, and that was extremely disappointing to us.

One positive development we see is the arrival on the scene of South African President Jacob Zuma. He has shown a much more evenhanded approach toward the situation. He recently traveled to Harare and delivered some pretty tough private messages, although he remains very respectful, publicly, to Robert Mugabe and the hard-line ZANU-PF elements. And he came back to South Africa and reinforced in speeches to Parliament and civil society, the stakes at play for South Africa in Zimbabwe, including the repatriation of 3 to 4 million Zimbabweans who are in the country, who, unfortunately, are facing an increased xenophobic sense, including fatal attacks in townships, which are undercutting Zuma's approach.

Senator FEINGOLD. I thank you.

Ambassador STEINBERG. And so, the conversations that Hillary Clinton had with Jacob Zuma recently, where she was reinforcing his resolve, were very important.

Senator FEINGOLD. Thank you very much.

Dr. Moss, in your written testimony, you write that the U.S. Treasury should support efforts underway at the multilateral development banks to assist the Finance Ministry. What do those efforts entail? How could the United States support them? And do you see any risk that money provided by the banks to Zimbabwe could end up in ZANU-PF hands?

Dr. MOSS. Morgan Tsvangirai has met with the management of the World Bank—for example, he'll be seeing President Kaberuka, of the African Development Bank, in Istanbul this week—and he's been asking them for their help. Now, of course, the bank is constrained because of arrears that the government owes to these institutions, so they do not get their normal allocation, as a regular country would get. But, these banks all have special facilities for dealing with difficult situations. In the African Development Bank case, it's called the Fragile States Facility. The World Bank has a similar facility. And these are flexible pots of money that these banks can use in situations where the situation is evolving; they

can be opportunistic and responsive. It's not huge amounts of money, but it's money that can be used very strategically to try to encourage better outcomes and to get countries back on a normal path.

That's precisely where Zimbabwe is now, and I think that the— the management of both the African Development Bank and the World Bank are thinking about how they can be constructive, but they're also mindful that their board, which includes the United States, is sending mixed signals on how creative and aggressive to be. And I think that the U.S. Treasury, through some subtle signals, could indicate that they would like the banks to try to be creative. I think the World Bank and African Development Bank are fully aware of the problems. They're not trying to work with the Central Bank Governor. They're not trying to work with some of the ministries still controlled by ZANU-PF. They're specifically trying to work with the reformist elements within government, and I think that's a trend we should try to encourage.

Senator FEINGOLD. Thank you.

Senator Isakson.

Senator ISAKSON. Mr. Steinberg, would you define current United States policy toward Zimbabwe as wait and see?

Ambassador STEINBERG. No; I think it's a little more than that, and I'm a little surprised that we portray it as such. That sends a signal to the Zimbabwean public that they're not getting as much support as they could. I would be stunned if the average Zimbabwean knows what was told in the first panel, that the United States is providing \$313 million this year to support Zimbabwe. Our attitude is tantamount to shooting ourselves in the foot. One diplomat said to me that the policy is "engage-and-see," and maybe that's more appropriate, but I'd much rather be sending the message that we recognize that something exciting is going on in Zimbabwe and we have our eyes fully open to the challenges. I meet frequently with civil society actors from Zimbabwe, with the head of the Human Rights Commission, with labor union leaders, and they all say there is a new sense of hope, there's a new sense of freedom, there's a new sense of possibility. And it's all going to go down the tubes if Morgan Tsvangirai and the MDC leave the government, and hard-line military leaders take over. It would be tantamount to a military coup, and it would occur if the MDC left. Then we're back at square one. In fact, we're back before square one.

Senator ISAKSON. And I take it from listening to all of you—you didn't say it this way—but tangible support of the MDC by the United States would be a positive element within reaching the Global Political Agreement eventually, is that correct?

Ambassador STEINBERG. No, Mr. Senator. Direct support to the MDC, if that's what you're suggesting, would be a mistake. We cannot, in effect, pick sides in this process. Robert Mugabe would use that as the biggest sign that the United States real policy is regime change, and he would use that to build up his security forces to, essentially, arrest senior officials. He's trumped up charges against Roy Bennett, for example, the Deputy Agriculture Minister-to-be, basically accusing him of launching a coup against the Government of Zimbabwe. So, I think we have to avoid that.

What we can do, however, is to support a process where—we know that the MDC is going to get most of the credit of this process. I said before, the best way to sideline Mugabe is to reinforce this government.

Senator ISAKSON. Well, I think both you, Dr. Moss and Ms. Lindborg, all suggested a—I think Ms. Lindborg called it a “modest contribution” to the multinational fund. Is that correct? And you said that, I think, Mr.—how much is a “modest contribution”?

Dr. MOSS. Well, without getting into the—there’s a portion that’s supposed to just do analysis. The United States, I believe, has made a small—I think it’s about \$200,000—you could check with the Treasury officials—small contribution to the analytic part that will do some research about what the donor community should do in the future. But, I think that the Multi-Donor Trust Fund is being set up in a way that could channel resources to select ministries involved in restarting public services, principally in health and education, as a way—if we look—the part of the dollarization is that civil servants now have to be paid in U.S. dollars, there’s very limited dollars coming into the country. Tendai Biti is looking for financing mechanisms to allow the civil service to be rebuilt and to get the schools and clinics running again. The donor community is trying to work—trying to find ways that they could do this, where the ZANU–PF elements couldn’t get their hands on the money, and the Multi-Donor Trust Fund is one of those possibilities.

And, I think, that the United States doesn’t very often behave in a way, or provide assistance in a way, that would—we don’t often do these large Multi-Donor Trust Funds; the Europeans are much more—it’s much more common approach. But, I believe, that even a modest token amount—I wouldn’t want to put a figure on it, but north of a million dollars—would help to allow us to have say at the table in talking about how the funds were used and protected, and also, it would be an important signal that the United States was playing with our allies in helping to restore those services.

Senator ISAKSON. Well, the reason I was looking for you to quantify that—and I understand why you don’t want to put a number on it—but, in listening or reading to all of you, our—it appears we’re not in a wait-and-see mode, but we’re in a not-enough mode, in terms of supporting the credible parts of the coalition in that country. I know Ms. Lindborg mentioned that we only put \$30 million in PEPFAR, and, compared to other countries, a lot more is necessary considering how bad the situation in Zimbabwe is. Is that not correct?

Ms. LINDBORG. The overall—I would put the overall humanitarian assistance needs, especially to move it into early recovery and reconstruction. And there is the need and the opportunity to increase it and to work with other international donors.

Senator ISAKSON. And Mr. Steinberg mentioned food security, and that we are doing about half of what really needs to be done. Is that correct?

Ambassador STEINBERG. The consolidated appeal from the United Nations is in the neighborhood of some \$300 million. The total need in these areas is about \$720 million, and we’re about halfway there on each.

Senator ISAKSON. OK.

So—

Dr. MOSS. If—

Senator ISAKSON. Yes, Mr. Moss.

Dr. MOSS [continuing]. If I might add, it's not just that—you know, we are providing assistance in—especially in food assistance and the health care sector—it's not just that we need more; it's that it needs to be that the United States is responding to changing events on the ground in Zimbabwe. And I think that it's fine to say there's a low-level equilibrium. Even in the worst of times, the American people do not abandon people that are starving and dying of AIDS. That's a stance we should stick with. But, when things start to change, and we want to encourage progress, I think we need to respond strategically, and while it's not a full wait-and-see, I think the response from the United States has not been sufficient to help to try to build momentum for further progress in Zimbabwe.

Senator ISAKSON. And having met Morgan Tsvangirai when he was here, it appears to me that his willingness to accept the prime ministership, rather than cause confrontation over a flawed election, that he is probably the best chance to really bring about fundamental change in Zimbabwe. I guess that's why he'd get the Peace Prize if—

[Laughter.]

Senator ISAKSON. Dr. Steinberg.

Ambassador STEINBERG. Yes, we speak with Mr. Tsvangirai very frequently, and I think we have to remember the pressure that he is under from his own supporters. They're saying, "What have we gotten out of this process?"

Senator ISAKSON. Right.

Ambassador STEINBERG. "You have a nice position as Prime Minister, other ministers have nice jobs, but what are we getting out of it?" And he's got to be able to demonstrate that to his population.

The other point that I made in my testimony orally, and is more developed in my written testimony, is a division that's starting to occur very similar to what is going on in Kenya right now—where the inclusive government is losing credibility with the population. I'm very concerned that it's going to be a situation where it's them, the politicians, against us. One of the key processes that's underway right now is the constitutional reform process, where Robert Mugabe is trying to force a draft, called the "Kariba Draft," to be the basis of constitutional reform. It is a very bad document. It would enhance power of the executive, basically turning the legislature and the judiciary into the handmaiden of the executive. It provides powers for a 21-day state of emergency, with no restrictions upon it, that the President can simply declare. Our concern is that, unless we strengthen the hand of the MDC, they may be forced to actually accept this. And, if that's the case, we will see this divide occurring between women's organizations, labor unions, human rights groups, and the political class.

Senator ISAKSON. Well, I want to thank all the panelists.

I want to thank the chairman for calling this hearing today. I want to apologize for having to slip out, but I just got a call.

Thank you very much for your testimony and for being here today.

Senator FEINGOLD. Thank you, Senator Isakson, for your very strong participation.

And back to Dr. Moss, if Mugabe and other hard-liners in the government continue to obstruct progress, or if the transitional government were to collapse, what punitive policy options do you think the United States should consider that haven't previously been pursued?

Dr. MOSS. Well, I think if we have the scenario where we're back to where we were right after the elections, where there was an organized campaign of violence against the MDC in a ward-by-ward weeding out and attack on folks, if we start to see a major security crackdown, then I think that the United States will have to take a much more forceful stance with regard to the region. I think recent attempts to try to get the U.N. Security Council involved in Zimbabwe, which were blocked by China, I think that could—that would be something that the United States would have to pursue. And I think, in a sense, calling the South African's out—this has been their process; they've asked us to abide by it, to respect them as the regional hegemon, and to get behind it. For the most part, we've done that. And if they don't live up to their responsibilities, I think we need to assert international rights in that arena.

Senator FEINGOLD. Thank you, Doctor.

Ms. Lindborg, you say that it is time to begin a shift of resources toward recovery, rather than emergency response. What are the practical implications of such a shift, in terms of USAID's work and planning? And do you see any risk of making that shift before there is greater progress with the political transition?

Ms. LINDBORG. Practically, what it means is that you would expand out of just directly responding to humanitarian need and provision of assistance, such as food or temporary measures to beat cholera, and moving to addressing some of the systemic causes of these emergencies.

One—and one example is in the third-largest city of Zimbabwe, Mutare. We're working very closely with the municipal officials, who came in with the recent elections, to install a new water system so—with a filtration—so that this will get at the spread of cholera that occurs; and, at the same time, a broad public education campaign. So, it's moving past just treating the cholera, to treating the causes of the cholera at a more systemic level.

Similarly, on the food and economic sectors, there are many things that one can do that move out of the emergency box and into the kind of investments that lay the foundation for deeper recovery and, ultimately, to connect in with the kind of development that one would hope Zimbabwe can move to soon.

I think there is little risk and there is much to gain, particularly in terms of supporting the kind of optimism that my copanelists have alluded to, and the expectations that some of the early signs of progress have wrought within many of the Zimbabwean population.

Senator FEINGOLD. Well, this was a very thought provoking and helpful panel. I thank you. And I thank all the witnesses that came before us today.

And that concludes the hearing.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

