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# ZIMBABWE AFTER THE ELECTIONS

## HEARING

BEFORE THE

## SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH POLICY

OF THE

## COMMITTEE ON FOREIGN RELATIONS
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Additional Material Submitted for the Record

# ZIMBABWE AFTER THE ELECTIONS

**THURSDAY, DECEMBER 6, 2018**

U.S. SENATE,
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH POLICY,
COMMITTEE ON FOREIGN RELATIONS,
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:03 a.m. in Room SD–419, Dirksen Senate Office Building, Hon. Jeff Flake, chairman of the subcommittee, presiding.

Present: Senators Flake [presiding], Young, Booker, and Coons.

## OPENING STATEMENT OF HON. JEFF FLAKE, U.S. SENATOR FROM ARIZONA

Senator FLAKE. This hearing of the Senate Foreign Relations Subcommittee on Africa and Global Health will come to order.

We had the noms hearing just a few—well, last week, the week before. We thought that would be the last one for this subcommittee, but we liked it so much we thought we would come back. So we have to do hearings from A to Z or A to Zed, and I guess this is Zed right here with Zimbabwe. So we are glad to finish off for the Congress with this hearing.

I appreciate Senator Young being here. I know he has to leave in a minute. And Senator Booker will give remarks and then leave as well. Senator Coons will be arriving. He is on the Senate floor right now.

Last July, the people of Zimbabwe voted in a presidential election where, for the first time in nearly four decades, Robert Mugabe was not on the ballot. Mugabe's ouster was 1 year ago, and that era it ushered in held the promise of peace and prosperity for the people of Zimbabwe who have suffered for far too long.

I had the honor of serving as an election observer where I bore witness to the excitement of thousands who walked for miles and waited in long lines to cast votes that mattered. I was there in a tent late at night watching them count ballots by kerosene lamp, and it was democracy in its rawest form. And it was a pleasure to be there.

But the next day the excitement turned to horror and disappointment when six people were killed by the army in the streets of Harare after demonstrations turned violent. We then watched as opposition figures like Tendai Biti, who is a sitting member of the Zimbabwe Parliament and certainly well known to this committee, were arrested on charges of inciting post-election violence. For all of us who have been rooting for change in Zimbabwe, especially the Zimbabweans themselves, these events were crushing.

Nevertheless, calm returned and the constitutional court eventually declared Emmerson Mnangagwa the winner of the election, an election result, I should add, that was consistent with reports issued by entities funded by Western governments, including our own.

Since that time, President Mnangagwa has largely been saying the right things. Some of the reforms, however, have been slow to come. Zimbabwe may be open for business, as is the slogan now, but foreign direct investment has not flowed into the country as many are still wary of the investment climate there.

Zimbabwe's economy has gone from bad to worse, leaving people with no access to cash, facing acute shortages of consumer goods and fuel, and opposition figures and their families continue to be harassed at times. And the fate of those, including Tendai Biti, who were arrested in the wake of post-election violence, remains unclear.

But there are signs of promise. The budget put forward by the government in October is very encouraging. President Mnangagwa has pledged to push parliament to repeal two controversial measures passed by the Mugabe regime that directly contradict Zimbabwe's constitution, and for the first time in decades, democratic space is being opened in Zimbabwe. And the corrupt shakedowns that Zimbabweans faced on a daily basis for years under the Mugabe era have been a thing of the past since his ouster.

The purpose of today's hearing is to get a better understanding of the course Zimbabwe is on so that in the months ahead Congress can evaluate U.S. policy options and play a constructive role.

I have long wished to see Zimbabwe prosper in a manner that its people deserve. What happened in the country since I lived there in 1983 is nothing short of a tragedy.

That is why I, along with Senator Coons, introduced the Zimbabwe Democracy and Recovery Amendment Act earlier this year, and the bill, which was signed into law this summer, reinforces the markers that the new government needs to meet in order to forge a better bilateral relationship with the United States. But it also signals that the U.S. does, in fact, want to have a constructive bilateral relationship with Zimbabwe. I hope to get a better sense today from our witnesses of whether the new government in Zimbabwe is prepared for that as well.

Let me just say in closing what a privilege it has been for me to work and be involved with Zimbabwe. As most of this committee knows, I spent time in Zimbabwe 35 years ago as a Mormon missionary, and several years ago, I was able to reconnect with friends there whom I had not seen since the early 1980s, including one of my missionary companions there, Peter Chaya, who despite a severe disability brought on by polio as a child, has managed to raise four children and contribute a great deal to his country.

I think of friends like Peter Chaya and know that they deserve much more than they have gotten. They deserve a government that represents them, one that will allow them to follow their dreams and realize the dreams of their children. And it is my hope that we in the U.S. Congress can play a constructive role in making that happen.

So to my colleagues, I say, as they say in Zimbabwe, tatenda, thank you. Thank you for indulging my interests and allowing me to be involved in a country and with a people that I love so dearly.

And with that, I will turn it over to Senator Booker for his remarks.

**STATEMENT OF HON. CORY A. BOOKER, U.S. SENATOR FROM NEW JERSEY**

Senator BOOKER. Thank you very much.

I thought the last hearing was going to be our last, so I heaped praise and gratitude on the great Senator and the great Chairman Flake. I think he scheduled this one really not about Zimbabwe, but just to hear me again say nice things about him. [Laughter.]

Senator BOOKER. But I am not going to say nice things about him. I am actually going to criticize him right now because he could probably give a master's class in being a father, a grandfather, and a great husband. But the fact that on your potentially last hearing, you would not point out your extraordinary wife is in the audience is just to me bad form. [Laughter.]

Senator FLAKE. You are stealing my thunder. [Laughter.]

Senator FLAKE. Go ahead.

Senator BOOKER. And she, like you, has been such a great leader on issues on the continent. I did travel to Zimbabwe with you, but frankly, more importantly for me, I traveled there with her and saw her mastery of these issues and how she too has been a partner of yours in trying to support and help the people of Zimbabwe. So I just want to point her out in the audience right there and to one-up you.

Senator FLAKE. I will add sitting next to her is my son Austin.

Senator BOOKER. Oh, I did not realize that. The son also rises. [Laughter.]

Senator FLAKE. Thank you.

Senator BOOKER. So I want to thank the witness for being here. I express my apologies for having to leave in a matter of seconds, but I want to thank you and all for the testimonies.

I am grateful for this hearing. Zimbabwe, again, as I said, has been a part of the Senator's life for 35 years, and he has been a tremendous leader and humanitarian in his support.

When we visited last April, I was struck by the optimism and hope expressed by so many there about the country's future. President Mugabe we know had recently stepped down from power. President Mnangagwa was saying the right things about the need for reforms. International observers were invited to observe the elections and to make sure that the people of Zimbabwe had a true democracy.

But Zimbabwe needs more than hope. It needs real reforms. And unfortunately, the election has not been a turning point that I think the people of Zimbabwe deserved and desired.

According to the joint NDI/IRI international observation mission, incremental improvements in the electoral environment during the pre-election period were insufficient to establish the kind of broad confidence among the political competitors in Zimbabwe's sharply divided populace. It found that Zimbabwe has not yet demonstrated that it has established a tolerant democratic culture that enables the conduct of elections in which parties are treated equitably and the citizens can cast their vote freely.

The immediate post-election period was seriously marred by the excessive use of force when the Zimbabwean defense forces actually opened fire and killed six individuals protesting the election commission's delayed reporting of the presidential election results. This violence was accompanied by credible reports of reprisals against opposition activists in certain parts of the country and calls for the arrest of senior opposition officials. These are not the actions of a government that has turned a new leaf.

For decades Congress has played a key role in the U.S.-Zimbabwe bilateral relationship, most notably through the Zimbabwe Democracy and Economic Recovery Act, ZDERA, which again the chairman has been a leader, author, and activist on. It passed in 2001 and amended earlier this year, thanks to, again, the chairman's efforts.

ZDERA aims to address persistent human rights violations and governance challenges by prohibiting U.S. support for multilateral and bilateral debt relief and credit for Zimbabwe's government. A key condition for lifting these prohibitions under ZDERA is a free, fair, and credible election. It is hard for me to see how these recent elections met that condition.

U.S. policy towards Zimbabwe must continue to be centered on human rights accountability, democratic values, and economic growth that benefits us all.

I look forward to hearing the thoughts and having thoughts expressed for the record on how Zimbabwe can, indeed, continue down that path. And I say this, though Senator Flake may be retiring from the Senate, I know he will never, ever, ever retire from his efforts on making Zimbabwe a free, more robust democracy, and I will continue to partner with him to this end for years to come.

Thank you very much.

Senator FLAKE. Thank you so much, Senator Booker. I appreciate you being here.

As I mentioned, Senator Coons is delivering remarks about Senator Corker on the floor, and he will join us shortly. Staff is here and obviously some will watch from their office.

But we will have two panels today. The first panel is Deputy Secretary of State for African Affairs, Matthew Harrington. I met Ambassador Harrington for the first time when this committee considered his nomination to serve as Ambassador to Lesotho back in 2013. I am pleased to see you again before the committee, Ambassador. And I really appreciate you being here. I know you had some travel planned that had to be reorganized after the funeral for President Bush, but we are grateful for you being here and giving your expertise.

The second panel will feature two witnesses from the private sector.

Todd Moss, former Deputy Assistant Secretary of State, who currently serves as Senior Fellow at the Center for Global Development, is no stranger to this committee. Todd and I spoke in my office yesterday. I was wondering how many times he had testified before this committee on this issue and others. I am pleased that you could be here, especially given my last committee chairmanship here.

We are also joined by Joseph Mutizwa, who flew here on short notice from Zimbabwe to testify today. Mr. Mutizwa is a seasoned businessman from Zimbabwe who is experienced in the private sector there and as a citizen is important for the subcommittee to hear. I met Joseph earlier this year with Senator Coons when we traveled to Zimbabwe, and we are looking for some good testimony there.

I also note that Zimbabwe's new Foreign Minister Mthuli Ncube expressed an interest to testify here today. It is not the practice of the Senate Foreign Relations Committee to hear foreign dignitaries testify, although I appreciate his desire to be here. I asked him to submit testimony for the record, which he did, and that will be part of the record.

With that, Ambassador Harrington, you are recognized.

**STATEMENT OF HON. MATTHEW HARRINGTON, DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, UNITED STATES DEPARTMENT OF STATE, WASHINGTON, D.C.**

Ambassador HARRINGTON. Thank you, Senator.

Chairman Flake, Ranking Member Booker, and distinguished members of the committee, thank you very much for the invitation to testify today. I welcome this opportunity to share the State Department's assessment of the current situation in Zimbabwe, the state of our bilateral relationship, and the U.S. position on future engagement.

Chairman Flake, let me first take a moment to thank you for your leadership of this subcommittee. We in the Bureau of African Affairs have been profoundly grateful for your commitment not only to our efforts in Zimbabwe, but also to State Department engagement across the continent of Africa. So thank you for that.

On July 30th, Zimbabwe held its first presidential election without Robert Mugabe in nearly 4 decades. The election took place after a nearly 40-year history of deeply flawed elections, serious human rights challenges, catastrophic economic mismanagement, and widespread corruption.

There were some encouraging signs in the pre-election period, including the welcoming of credible international observer groups and foreign journalists, and a more permissive campaign environment for members of the opposition. And election day itself was peaceful, but that is usually the case in Zimbabwe.

Ultimately, however, the process was marred by the army's use of deadly force against protestors on August 1st, and reports of supporters and state agents of the ruling party, ZANU–PF, assaulting and abducting members of the opposition in the weeks that followed. It is clear that Zimbabwe has a long way to go—and requires profound political and economic reforms—to sustainably change the path on which it has been for nearly 4 decades.

Since taking power last year and since his election, President Mnangagwa has consistently stated his commitment to pursuing political and economic reforms, as well as a better relationship with us. We welcome the change in rhetoric from the Mugabe years. Since the election, we have seen some promising signs, including appointment of a new, more technocratic cabinet, announcement of an economic plan acknowledging the need for significant monetary and fiscal reform, and a budget which, if implemented, would make important strides in that direction. So far, however, the pace and scale of reforms has been too gradual and not nearly ambitious enough.

A Zimbabwe that is more capable of providing for the needs of its own citizens and respecting human rights and fundamental freedoms will be a more responsible member of the international community. To reach that end, Zimbabwe will require implementation of fundamental reforms, not merely a commitment to do so. That is a message we have shared consistently with Zimbabwean interlocutors, including President Mnangagwa and senior members of his government. We want Zimbabwe to succeed and we would welcome a better relationship, but the ball is squarely in the government's court to demonstrate it is irrevocably on a different trajectory.

There are several steps the government of Zimbabwe could take that would send a strong signal to its own people and to the international community that it is serious about taking the country in a new, more positive direction.

First, it should repeal laws such as the Public Order and Security Act and the Access to Information and Protection of Privacy Act, which have long been used to suppress the human rights of people in Zimbabwe and which violate its 2013 constitution.

Second, the government should immediately end the harassment of members of the political opposition. It should drop charges against former Finance Minister and prominent opposition figure Tendai Biti and all those who have been arbitrarily detained for exercising their human rights and fundamental freedoms.

Third, the government should hold perpetrators of the August 1st violence fully accountable.

And fourth, the government should move quickly to ensure legislation is consistent with the 2013 constitution, as well as uphold its letter and spirit.

Those four actions will not by themselves transform Zimbabwe, but would constitute significant steps in the right direction.

We will continue to consult closely with Congress on our approach towards Zimbabwe. The Zimbabwe Democracy and Economic Recovery Act, recently updated by Congress, has provided a very important tool for us and clearly identified the reforms that we expect: restoration of the rule of law, a commitment to equitable, legal, and transparent land reform, and ensuring that military and national police forces are subordinate to the civilian government.

In conclusion, the United States wants a stable, peaceful, democratic Zimbabwe that is genuinely accountable to its citizens and responsive to their needs. If there is real, concrete progress along those lines, the government and people of Zimbabwe will find a committed partner in the United States.

Thank you very much, and I welcome the committee's questions.

[Ambassador Harrington's prepared statement follows:]

PREPARED STATEMENT OF MATTHEW HARRINGTON

Chairman Flake, Ranking Member Booker, and distinguished members of the committee, thank you for the invitation to testify today. I welcome this opportunity to share the State Department's assessment of the current situation in Zimbabwe, the state of our bilateral relationship, and the U.S. position on future engagement.

Chairman Flake, let me first take a moment to thank you for your leadership as the Chairman of this Subcommittee. We in the Bureau of African Affairs have been profoundly grateful for your commitment not only to our efforts in Zimbabwe, but also to State Department engagement across the continent of Africa. Assistant Secretary Tibor Nagy sends his regrets that he cannot be here to personally convey his gratitude for your strong support, but he is currently traveling in East Africa.

On July 30, Zimbabwe held its first presidential election without Robert Mugabe in nearly four decades. The election took place after a nearly 40-year history of deeply flawed elections, serious human rights challenges, catastrophic economic mismanagement, and widespread corruption.

There were some encouraging signs in the pre-election period, including the welcoming of credible international observer groups and foreign journalists, and a more permissive campaign environment for members of the opposition. And Election Day itself was peaceful, but that has usually been the case in Zimbabwe. Ultimately, however, the process was marred by the army's use of deadly force against protestors on August 1 and reports of supporters and state agents of the ruling party ZANU-PF assaulting and abducting members of the opposition in the weeks that followed. It is clear that Zimbabwe has a long way to go—and requires profound political and economic reforms—to sustainably change the path on which it has been for nearly four decades.

Since taking power last year and since his election, President Mnangagwa has regularly stated his commitment to pursuing political and economic reforms, as well as a better relationship with us. We welcome the change in rhetoric from the Mugabe years Since the election, we have seen some promising signs from the Government, including appointment of a new, more technocratic cabinet, announcement of an economic plan acknowledging the need for significant monetary and fiscal reform, and a budget which, if implemented, would make important strides in that direction. So far, however, the pace and scale of reforms has been too gradual and not nearly ambitious enough.

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There are several steps the Government of Zimbabwe could take that would send a strong signal to its own people and to the international community that it is serious about taking the country in a new, more positive direction. First, it should repeal laws such as the Public Order and Security Act, and the Access to Information and Protection of Privacy Act which have long been used to suppress the human rights of people in Zimbabwe and which violate Zimbabwe's 2013 constitution.

Second, the Government should immediately end the harassment of members of the political opposition. It should drop charges against former Finance Minister and prominent opposition figure Tendai Biti and all those who have been arbitrarily detained for exercising their human rights and fundamental freedoms. Third, the Government should allow the Commission of Inquiry to work transparently and independently, and hold perpetrators of the August 1 violence fully accountable. And fourth, the Government should move quickly to ensure legislation is consistent with the 2013 constitution, as well as uphold its letter and spirit.

These four actions won't by themselves transform Zimbabwe, but would constitute significant steps in the right direction.

We will continue to consult closely with Congress on our approach toward Zimbabwe. The Zimbabwe Democracy and Economic Recovery Act, recently updated by Congress, has provided a very important tool and clearly identified the reforms we expect: restoration of the rule of law, a commitment to equitable, legal and transparent land reform, and ensuring that military and national police forces are subordinate to the civilian government.

In conclusion, the United States wants a stable, peaceful, democratic Zimbabwe that is genuinely accountable to its citizens and responsive to their needs. If there is real, concrete progress along those lines, the Government and people of Zimbabwe will find a committed partner in the United States.

Thank you very much. I welcome the committee's questions.

Senator FLAKE. Thank you, Ambassador.

Can you talk a little about ZANU–PF? They are obviously the opposition to the MDC. But within ZANU–PF, does Mnangagwa have free rein or are there divisions within his own party?

Ambassador HARRINGTON. ZANU–PF is deeply factionalized I would say. One encouraging sign that we saw recently was the appointment of some new faces to the cabinet, technocratic members of the cabinet who have some experience in the private sector and in international development. And I think many of those are trying to do the right thing.

At the same time, there are a lot of the old guard who remain in influential positions. And I think one of the challenges the reformers will face is that the political elites have held onto power through deeply entrenched patronage networks and will be threatened by some of the reforms that have been proposed and will do everything they can to try to undermine those efforts.

Senator FLAKE. President Mnangagwa took over about a year ago, but he has only been the elected President for about 4 months now. Is that sufficient time to carry forward or carry through on the reforms that need to be taken?

Ambassador HARRINGTON. Senator, I guess I would answer that in two ways.

One, it took Zimbabwe a long time to dig itself into this mess, and I think it will take some time to dig itself out of the hole, number one.

But two, there some things, some steps the government could take now to send the right message that it is trying to move Zimbabwe in a different direction. And these are steps that we have shared with the government.

Number one, as I mentioned in my opening remarks, repeal of POSA and AIPPA, two very repressive pieces of legislation. It could be done now. It does not require support or assistance from the international community.

Number two, a need to stop harassing members of the political opposition. You mentioned the charges against Tendai Biti. We think those should be dropped. There was an incident a couple of weeks ago of somebody being arrested in Bulawayo simply for criticizing the president. So that sort of stuff can be stopped now and would send the right message that things are changing.

The commission of inquiry that was convened by the president to investigate the violence on August 1st has now completed its work and submitted its report to the president. It has not yet been made public. We would encourage the president to make the findings of that commission public and, if the recommendations are credible, to implement those recommendations. Ultimately we are looking for those who are responsible for what happened on August 1st and in the aftermath to be held accountable.

And the fourth step we would ask them to take is to begin to align a number of pieces of legislation with the 2013 constitution. These are steps that they could take in the short term without a whole lot of assistance from the international community and would send the right messages I think.

Senator FLAKE. Can you talk a little about the opposition, MDC? There are factions within the MDC. Mr. Chamisa does not have a seat in parliament. Tendai Biti does. What has been their response? Are they still holding protests or disputing the election results?

Ambassador HARRINGTON. The MDC has long been factionalized, as you know. The biggest part of the MDC now is the MDC Alliance led by Nelson Chamisa. The MDC Alliance and Mr. Chamisa himself have not moved beyond the election. I think they continue to challenge the legitimacy of the election. Mr. Chamisa led a protest last week in downtown Harare challenging those results.

I think clearly the election was not a level playing field. There were major issues with the election. It was better than past Zimbabwean elections, but granted, the bar is low in that respect.

What we would like to see from the opposition: one, we encourage dialogue between the MDC Alliance and government. We think that is important. We would like to see the opposition play a role in defining what the important reforms are moving forward to move Zimbabwe in a different direction and to play a role in determining how those will be implemented.

And so we would encourage the opposition to engage in that kind of dialogue and also begin to present an alternative vision for where it wants to lead the country and build public support for that.

Senator FLAKE. U.S. representatives in the international finance institutions are prohibited from voting in favor of new loans to Zimbabwe under the rules that were put in place by the U.S. Congress until rule of law, transparent land reform, all these things that we have talked about. How far do you think the Zimbabwean Government is right now from meeting these goals? What is a realistic timetable, and what should the posture of the U.S. Congress be in the meantime?

Ambassador HARRINGTON. I think, as I noted in my introductory remarks, I think the tone is different. The budget that was recently submitted in late November by the finance minister, who you mentioned in your remarks, contains some important steps that, if implemented, would begin to lead Zimbabwe in a good direction on the economic side. I think one of the things that we have stressed in our interactions at all levels of the Zimbabwean Government—those meetings often start on their side with the statement, Zimbabwe is open for business, as you indicated. And that is fine, but we have reminded our interlocutors that the political reforms are just as important and inextricably linked to the economic reforms as well.

So a lot of promises have been made. Not a whole lot of action has been implemented. And I think the steps that I laid out, some of the steps they could take to send the right messages, could be done in a matter of months.

Senator FLAKE. Well, thank you.

Senator Coons has arrived. As I have noted before, we have traveled a number of times to the region and to the country of Zimbabwe. Memorably a few years ago, we sat down for a very long dinner with Robert Mugabe that we really did not ask for, but it got done nonetheless. And later Chris led a memorable CODEL where we met with President Mnangagwa before the elections and heard some of the commitments that were being made at that time, some of which have been followed through on, some of which still need to make progress on. But I want to turn this over to Chris Coons.

Senator COONS. Thank you, Senator Flake. Thank you for being a tremendous chairman of the subcommittee and for the opportunity to travel with you and work with you.

Zimbabwe, as I am sure we all know—it was an important place that helped shape a young Jeff Flake. And he and I are just about the same age, and I spent a similar amount of time in Kenya and South Africa as he did in Zimbabwe and South Africa and Namibia. And to have the chance to work with you on these issues, to travel with you has been a great blessing.

That trip in February of 2016 that resulted in the unscheduled tea with Robert Mugabe—you know, some day, should either of us write a book, I bet you that deserves a chapter right there. It was a fascinating insight into the dynamics at the time and the challenges that our ambassador faced and that our relationship faced.

And when we got to return this past April, to meet with a whole series of Zimbabwean leaders, it was a reminder just how much potential and promise there is in Zimbabwe, just how badly the people of Zimbabwe need reforms in the economy and in the governance. We did, indeed, have encouraging conversations with President Mnangagwa and a wide range of civil society and economic leaders.

We worked hard to pass ZDERA, the Zimbabwe Democracy and Economic Recovery Amendment Act, together, updating the framework for U.S.-Zimbabwe relations. And four months after elections and after the passage of the ZDERA Amendment Act, I am looking forward to hearing more about where is our strategy, where are we going, and what is most likely to achieve the results we have worked so hard to see. And I look forward to our second panel of witnesses.

Let me start, if I might, Mr. Ambassador, by just asking about the nature of China's engagement with Zimbabwe at this point and how it has changed since Mnangagwa assumed the presidency. China played a significant role in the liberation struggle, supported a lot of the efforts of groups that were fighting against the Rhodesian state, and so they have enjoyed a long and close relationship with Zimbabwe post-independence. But I am concerned about rising indebtedness. I am concerned about security cooperation and would just be interested in your views on how China, which is active in virtually every country on the continent, is active in Zimbabwe and what direction that might take and whether there is any room for cooperation or partnership or whether there is inevitably some conflict in terms of our values in approaching Zimbabwe.

Ambassador HARRINGTON. Thank you, Senator. As you point out, this is a challenge we face across the continent. It is certainly a challenge that we face in Zimbabwe. The relationship goes way back to the liberation era. I think since President Mnangagwa's assumption of power after the departure of President Mugabe, he has visited. He has conducted a state visit to China. He is looking for investment from China as well. So that relationship is active. It is a major trade relationship.

I think one challenge Zimbabwe will face going forward—if we reach the point where we think about debt forgiveness or new lending, we are not anywhere close to that yet—I think we will have to deal with the fact that about a third of Zimbabwe's debt is owed to non-Paris Club creditors with the lack of transparency that comes with. So that will complicate the way forward economically, should we reach that stage.

Senator COONS. Well, so let us talk about that because ZDERA prohibits U.S. support for multilateral and bilateral debt relief and credit for the government pending free and fair elections, adherence to the rule of law, other economic and political reforms. And we heard directly from the president and some of his senior leaders and close allies a commitment to making progress in these areas, which I found very encouraging.

I would like nothing more than to see the reforms in Zimbabwe that would support our lifting all restraints and to see Zimbabwe back to being an open and healthy economy.

Just review—forgive my delay. I was actually speaking about Chairman Corker on the floor and his great leadership of the Foreign Relations Committee.

To what extent has the government actually made progress on meeting the conditions laid out in the ZDERA Amendment Act? And what advice, if any, would you give, to the extent that is appropriate, to President Trump on supporting arrears clearance by certifying Zimbabwe has met any of these conditions or invoking the waiver that he has access to under ZDERA?

Ambassador HARRINGTON. As I noted earlier, there has been a change in tone. There has been a change in access. Our engagements with senior government officials, including President Mnangagwa, were much easier than they were during the Mugabe years, and that is a positive. We are hearing lots of commitments on the political and economic reform front. President Mnangagwa made a number of commitments in his inaugural speech and in his state of the nation speech. And we have seen a positive budget introduced on November 22nd by the new finance minister, which identifies a number of steps on the economic side that, if implemented, would have an impact.

We are seeing some positive changes on the tone and the rhetoric side. We are not seeing a whole lot of action. And I think we have a ways to go until we would be comfortable coming to the table and making the case for any kind of debt relief or new lending.

I mentioned a bit earlier we have avoided giving the government a long laundry list of steps we want to take. I have seen that not work very well in other countries. It gets bogged down in internal discussions about what ought to go on the list, and then the government does 50 percent and say they have done 100 percent.

So the approach we have taken, in close coordination with likeminded international partners, is to say here are some steps that you can take without much assistance from the international community that would send the right message that you are serious about reform. I mentioned repeal of two repressive pieces of legislation, dropping charges against Tendai Biti. We see those as spurious charges. Holding people accountable for the August 1st violence. We are waiting to see the results of the commission of inquiry. All of those steps, if they take them, they could take them in the near term. They could take them without a lot of cost. Then I think that sends a message that we are serious, and then we can begin to talk about a different kind of engagement than we have had in the past.

Senator COONS. To what extent has there been any success in disentangling the finances of ZANU–PF from the state finances? And the question I am really getting at is, if Zimbabwe were able to clear its arrears and get new loans from the IMF, from international institutions, what confidence do you have those loans would actually go to their intended purpose and would help accelerate the development of Zimbabwe and opportunities for its people?

Ambassador HARRINGTON. At this point, not a great deal of confidence. Corruption has been a major problem in Zimbabwe. The president has indicated, among other political and economic reforms, a desire to focus on rooting out corruption. There have been steps taken to arrest or to file charges against some pretty prominent figures, but they all fall in the camp of President Mnangagwa's political opponents. We would like to see that effort broadened to include everyone who is suspected of corruption regardless of political affiliation.

Senator COONS. Thank you. Mr. Ambassador, thank you for your service in an exciting, challenging, difficult post, a great nation. One of the things that has always impressed me is the level of education and sophistication of Zimbabwe's people and political culture and robust environment for political dialogue and enormous potential. It is my hope that working together in the years ahead, we can really make a difference in advocacy.

And thank you again, Mr. Chairman, for the chance to question. I look forward to our second panel.

Senator FLAKE. Well, thank you.

I might add how proud we are have to have Ambassador Nichols there. He was thrown into it just a couple of weeks before the election, a real baptism by fire, but he has done a great job. And he keeps in regular touch with us to keep us informed about what is going on, and that is appreciated.

When I was there, I noted to President Mnangagwa that the government of Zimbabwe would be well served to have regular contact with the Ambassador before issues come up or as they come up rather than afterwards. And I believe that that is happening, and that is a good thing.

Tendai Biti has been raised a couple of times here. I can say and I hope that you will take back to the Zimbabwe Government, if they are not listening in now to this, that it would be difficult to move forward with any type of relationship with Zimbabwe and progress on some of these issues while charges are still leveled against him. He is not allowed to travel freely. His passport has been revoked, I believe. He is a friend of this committee. He has been here a number of times, and I was pleased to see that you had that among your list of things that they could do. That would be a pretty visible, outward sign that they are ready to move forward beyond the past.

So thank you. With the thanks of the committee, I appreciate again your willingness to stay here and readjust your travel plans. But I appreciate it.

And we will now move to the second panel and just recess very briefly while the second panel pulls up. [Pause.]

Senator FLAKE. Well, thank you. And having already introduced this panel, we will go ahead and turn to you, Mr. Moss. Thank you for being here.

## STATEMENT OF DR. TODD MOSS, SENIOR FELLOW, CENTER FOR GLOBAL DEVELOPMENT, WASHINGTON, D.C.

Dr. MOSS. Thank you, Chairman Flake, Ranking Member Booker, Senator Coons, other members of the subcommittee committee.

First, if you will permit me, I would just like to express my gratitude to you, Senator Flake, for your public service, for your leadership in promoting bipartisan solutions, for protecting the rule of law both abroad and here at home, for standing up for American values, and for being a consistent example of dignity and integrity. The Senate will be a less august chamber without you, sir.

After nearly 30 years of working on and in Zimbabwe, I hoped, like many, that the July elections would put the country on a positive path. I had the great fortune of visiting Zimbabwe with a delegation of other former U.S. diplomats prior to the election. I came away from that trip deeply pessimistic that the election and the promised reforms were anything more than a poorly disguised charade.

Events since the election have, unfortunately, only reinforced that pessimism. We have heard plenty of rhetoric on democracy, national reconciliation, and economic reform. And while we can point to a few token gestures, very little, if any, meaningful change has occurred.

First, on the election, the electoral commission was very far from independent. As in the past, ZANU–PF and the security forces used intimidation and violence to sway votes. The military was openly and deeply involved in the election. The ruling party even weaponized food aid for votes. Despite having months of advance warning, almost none of the evident problems in the electoral commission were resolved. Both the EU mission and the U.S. mission, led by IRI and NDI concluded that the election did not meet the mark. The chance for a free, fair, and credible election was, unfortunately, missed.

Second, accountability for violence and past abuses. Mugabe may be gone, yet the government is still largely the same old actors. The government says the country should move on. Yet there has been no genuine attempt to deal with past atrocities. These include the Matabeleland massacres, the violence and murders after the 2008 election, and even the recent disappearance and presumed assassination of human rights activists like Itai Dzamara. Even the August 1st murder of six civilians in full view of the world has been whitewashed. The government even tried to blame the opposition for the violence when the TV cameras show soldiers shooting civilians in cold blood.

Third, the economy. Food, fuel, and even U.S. dollars are all in desperately short supply. The new budget has some reforms, at least on paper. But fixing Zimbabwe's economy is not about tweeking the budget deficit by a percentage point or two. It is not about employing more accounting gimmicks. Until the government deals with the dominance of the military in the economy, the ongoing rackets by predatory elites, and the flouting of basic rule of law, Zimbabwe's economy cannot be fixed. The roots of the economic crisis are political. The solutions must start with genuine political reform.

And we can see the government's state of denial in their passive language. The government says people died on August 1st. No. Civilians were murdered by the military in plain sight of the world. The government says we are suffering from food and fuel shortages. No. Government mismanagement and profiteering elites have destroyed the markets for food and fuel. The government says hard currency is suddenly unavailable. No. The country has no U.S. dollars because they have been lying to the population about what is really in the bank.

The shallowness of the touted reforms are embodied in the shameful treatment of Tendai Biti. I am grateful that he has been mentioned several times already. Mr. Biti is one of Zimbabwe's most important legal scholars, a patriot, and the country's most effective finance minister ever. He testified here in this very room almost exactly a year ago. But he could not join me today because the government has taken away his passport. Since July, he has escaped at least three attempted abductions, and he was illegally repatriated from Zambia. Mr. Biti and his family face constant harassment and death threats from the security forces, from mysterious groups of thugs, and from a sham court case. If the regime is this brazen against a respected opposition leader, it only hints at the persecution of wider civil society.

Finally, I want to raise an issue that I am sure will come up today, which are sanctions, which are a complete red herring. The government blames U.S. sanctions for their economic troubles rather than grappling with their own mismanagement and corruption. There are about 70 people and about 70 entities on the U.S. sanctions list. Zimbabwe's leaders cannot borrow not because of U.S. sanctions, but because they have not paid their bills and are now more than $5 billion in arrears. Blaming the U.S. is just another example of this government failing to take responsibility.

In this context, the U.S. should be extremely cautious in its reengagement. We should exercise strategic patience. Fortunately, we have a road map to guide U.S. policy. The ZDERA Amendment of 2018 sets out very clear conditions for American support. These include concrete steps toward respect for the rule of law, the opposition, human rights, and getting the military out of politics. ZDERA provides a road map to a sustainable economic recovery that does not make the U.S. and other donors complicit in preserving the status quo. Until ZDERA criteria are met, the United States should withhold support for debt relief and new loans.

Instead, we should speak out about what is really happening inside the country, and we can be far more aggressive in our support for embattled civil society and human rights defenders who are, quite literally putting their lives on the line. The least we can do is stand with them, amplify their voices, and help strengthen their resolve. They have proven worthy of our support. The Government of Zimbabwe has not.

Thank you.

[Dr. Moss's prepared statement follows:]

PREPARED STATEMENT OF DR. TODD J. MOSS

Thank you Chairman Flake, Ranking Member Booker, and other members of the subcommittee. I appreciate being invited to testify again before the Subcommittee on recent events in Zimbabwe and how the United States can more effectively promote democracy, good governance, and economic recovery in this deeply troubled country.

I would first like to express gratitude to Senator Flake for your public service and for your leadership in promoting bipartisan solutions, for protecting the rule of law both abroad and here at home, for standing up for American values, and for being an example of dignity and integrity. The Senate will be a less august chamber without you.

After nearly thirty years of working on and in Zimbabwe, I was hopeful, after the long nightmare of misrule by Robert Mugabe, that the July 2018 election was an opportunity to put the country on a positive track. I had the good fortune of visiting Zimbabwe with a delegation of former U.S. diplomats prior to the election to assess conditions. I came away from that trip deeply pessimistic about the prospects for a free, fair, and credible election, unconvinced that economic reforms were real, and skeptical of the intentions of Emmerson Mnangagwa and the ruling ZANU-PF. It all appeared little more than a poorly-disguised charade.

Events since the election have only reinforced that pessimism. We have heard lots of rhetoric on democracy, national reconciliation, and economic reform. We can point to a few token gestures of change. But below the surface, very little, if any, meaningful structural change has occurred. ZANU-PF, the party which has ruled the country for the past 38 years, continues to behave like a military junta in denial about the serious challenges it faces.

First, the election. It was clear to independent domestic and international observers months prior to the election that the Zimbabwe Electoral Commission (ZEC) was far from independent and wholly incapable of delivering a fair poll that would reflect the will of the people. ZANU-PF and their allies in the security services were using intimidation and violence to sway votes. The military was openly and deeply involved in the election; polling showed that nearly half the electorate believed the military would refuse to accept an opposition victory. The ruling party even weaponized food aid for electoral purposes. Despite having months to rectify multiple flaws—including an accurate and transparent vote register that doomed the 2013 election—almost none of the evident problems were resolved. This lack of good faith fundamentally undermined the credibility of the election. Both the EU mission and the U.S. mission led by IRI and NDI found major shortcomings. IRI/NDI concluded that "incremental improvements. were insufficient to demonstrate the broad confidence in the process needed to convince the populace that citizens are actually free to make political choices through a ballot that is secret and a process that respects the will of the people." The American mission concluded that the election "did not meet the mark." The chance for a free, fair, and credible election was missed.

Second, accountability for violence and abuses. Mugabe may be gone, but otherwise the Government is largely the same actors from the past. The Government repeatedly claims the country should move on and let "bygones be bygones," yet there has been no genuine attempt to deal with past atrocities. These include the Matabeleland massacres in the 1980s known as Gukurahundi, the violence and murders after the 2008 election, and the more recent disappearance and presumed assassination of human rights activists like Itai Dzamara and others. Even the August 1 murder of six civilians in full view of the international press and international election observers has been whitewashed. The Government has, incredibly, even tried to blame the opposition for causing the violence when the TV cameras show soldiers shooting civilians in cold blood. This is not a government facing its mistakes or changing its behavior.

Third, the economy. Food, fuel, and even U.S. dollars are all in desperately short supply. The new finance minister is a respected professor and his new budget has some notable reforms, at least on paper. But none of the structural problems in the economy are being tackled. Zimbabwe's economy cannot be rescued by tweaking fiscal policy at the margins. Fixing Zimbabwe's economy is not a technical exercise about moving the budget deficit by a percentage point or two or by deploying more accounting gimmicks. The roots of the economic crisis are political. The solutions also must start with political reform.

For these reasons, the United States should be extremely cautious in its re-engagement with the Government of Zimbabwe. It is far too early for the United States or other international creditors to give the Government any benefit of the doubt on economic reform or to provide debt relief or new loans. Until the Government deals with the dominance of the military in the economy, the ongoing rackets of predatory elites, and the flouting of basic rule of law, Zimbabwe's economy cannot be fixed. Absent meaningful reform, any aid from the United States or others is throwing good money after bad.

We can see the Government's state of denial in their passive language. The Government says people died on August 1. No, civilians were murdered by the military, in plain sight of the world. The Government says we are suffering from food and fuel shortages. No, government mismanagement and profiteering elites have destroyed the markets for food and fuel. The Government says that hard currency is unavailable. No, the country has no U.S. dollars because they have been lying to the population about what's really in the bank.

The shallowness of touted reforms are embodied in the shameful treatment of Tendai Biti. Mr. Biti is one of Zimbabwe's most important legal scholars, a patriot, and the most effective finance minister the country has ever had. He testified here in this very room almost exactly one year ago today. Mr. Biti could not join me today because the Government has taken away his passport. Since July's election, he has escaped three attempted abductions, he was forcibly and illegally repatriated from Zambia, in direct violation of international law and a Zambian High Court ruling. Now, Mr. Biti and his family face constant harassment and death threats from the security forces, from mysterious groups of thugs, and from a sham court case. If the regime is this brazen in its actions against a known and respected opposition leader with close ties to the U.S. and other donor governments, it only hints at the persecution and suffering of less visible civil society activists.

In this context, the United States must exercise strategic patience. Through patience and speaking truth to power, the U.S. can continue to provide leadership on democracy and human rights.

Fortunately, we have a roadmap to guide U.S. policy. The original bipartisan Zimbabwe Democracy and Economic Recovery Act of 2001 (ZDERA) has long been the foundation of U.S. policy and remains relevant as U.S. objectives and conditions on the grounds have not significantly changed since its original passage. The Zimbabwe Democracy and Economic Recovery Amendment of 2018, introduced by the leadership of this Subcommittee and signed by the President, updates the law and sets out very clear conditions for U.S. support. These include concrete, tangible steps toward respect for the rule of law, the opposition, human rights, and the removal of the military from politics. ZDERA provides a roadmap to sustainable economic recovery that does not make the U.S. or other donors complicit in preserving the status quo.

A final word on why sanctions are a red herring. The Government constantly complains that economic difficulties are the result of U.S. sanctions rather than their own mismanagement and corruption. It is true that since 2003, the United States has imposed a modest program of targeted bilateral sanctions on those who have undermined democracy. There are currently 141 specific people and entities on the list, which is available on the U.S. treasury website. This includes the President, Vice President, and four members of the cabinet. There are no trade sanctions against the country. There are no bans against financial transactions with any Zimbabwean not on the list of 141. The reason the Government cannot borrow from international financial institutions is not because of U.S. sanctions but because the Government has not paid its bills since 2001 and is now more than $5 billion in arrears to international creditors (about $2 billion to the IMF and World Bank and roughly $3 billion to the U.S. and other Paris Club creditors). Blaming the U.S. is just another example of a government failing to take responsibility for its own actions.

Sadly, the Government of Zimbabwe did not use the opportunity of the 2018 election to get the country back on a democratic path. Until the Government of Zimbabwe has met the ZDERA criteria and unequivocally shown that it is on an irreversible path to true reform, the United States should withhold support for debt relief and new loans. At the same time, we should speak out about what is happening inside the country and implore our allies and friends to do the same. The United States can also be far more aggressive in our support for Zimbabwe's beleaguered civil society and human rights defenders who, quite literally, are putting their lives on the line. The least we can do is to stand with them, amplify their voices, and help strengthen their resolve. They have proven worthy of our support. The Government of Zimbabwe has not.

Senator FLAKE. Thank you, Mr. Moss.

Mr. Mutizwa, thanks again for traveling all this distance and for rearranging your schedule because we rearranged ours. Thank you.

## STATEMENT OF JOSEPH MUTIZWA, MANAGING CONSULTANT, JSM STRATEGIC PATHWAYS, HARARE, ZIMBABWE

Mr. MUTIZWA. Chairman Flake, members of the committee, I thank you very much for inviting me to make this presentation today. I was most privileged to have the opportunity meet Senator Flake and Senator Coons and members of the committee in Zimbabwe.

I am here as a representative of the Zimbabwe private sector, which for long has been an absent partner in this process. We have not had the opportunity to have our voices heard in this committee. I am here not as a politician. I am not a politician. I am a businessman. I lead the 63 members of the Zimbabwe Stock Exchange Listed Companies Forum, which are the bulk of the private sector in Zimbabwe.

Mr. Chairman, fellow members of the committee, I have already deposited my written submission, which is quite substantial. Not being familiar with the proceedings here, I will summarize my remarks over and above the submission I have already made.

I would like first to paint the picture in Zimbabwe as we see it from the private sector point of view.

First of all and very critical to us, Zimbabwe has embarked on a difficult and very painful road of transformation. For the first time in 38 years, Zimbabweans can express themselves freely. It was unheard of to experience the kind of freedom of expression that we see in Zimbabwe today during the time of Robert Mugabe.

But what we observe, Mr. Chairman, is that there is a crisis of expectations. People, having been in bondage for 38 years, now want everything today. There is a palpable sense that in fact solutions must be proffered now, today, or yesterday, if possible. We submit, Mr. Chairman, that from a private sector point of view, we know how difficult it is to change things and to transform Zimbabwe.

Now, for the first time in 4 decades, we are seeing that fundamental issues confronting the economy are being confronted, and there are many fundamental issues that are distortions in this economy, fiscal indiscipline, current account imbalance, and sustainable domestic and international debt, corruption, infrastructure decay, unemployment, deepening poverty, and lack of economic competitiveness across the economy, and many more other challenges. These are well known. These are not denied. They are a reality.

The fact of the matter, though, is that they are being tackled today. Our observation is that the president, with his new administration, has taken a number of very bold measures to correct things.

First of all, he has put in place a new team, a new cabinet, a trimmed one, a cabinet dominated by technocrats, including the minister of finance, the minister of transport, the minister of industry, and indeed the minister of roads. These people have been in office for 3 months. We submit that it is too early to judge them. We want to give them more time to, in fact, deliver.

Mr. Chairman, members of the committee, we also note that there has been a very unambiguous stance taken by the president of Zimbabwe to rejoin the international community of nations and to remove Zimbabwe as a pariah state. That is very clear and very unambiguous. We note, Mr. Chairman, a shift of leadership in Zimbabwe from a narrative of politics and hate speech that dominated the Mugabe era to a narrative of economic engagement and economic progress. We noted an articulation of a vision, Vision 2030, with very clear timelines and targets to get Zimbabwe to become an upper middle class economy by 2030.

Subsequent to that articulation of a vision, Mr. Chairman, the minister of finance has articulated a transitional stabilization plan, the TSP, which gives very clear guidelines as to how Zimbabwe will emerge in the next 2 years from where it is today to the desired destination.

And subsequent to that on the 22nd of November, the minister of finance has put together a budget that has been dubbed Austerity for Prosperity, which is also showing very aggressive targets in terms of fiscal balance and current account balance.

Mr. Chairman, we have observed from the private sector a desire by government to aggressively reform state enterprises, which have for long been a burden on the fiscals in Zimbabwe.

And we have seen an aggressive time table for aligning Zimbabwe's laws to the 2013 constitution of Zimbabwe. Today, Mr. Chairman, it has got 299 statutes on its books. Of the 299 statutes, 206 have already been aligned to the constitution, and there is a remaining 49 statutes that remain to be aligned to the constitution. Among those 49 are the two controversial pieces of legislation, AIPPA and, of course, the legislation to do with the restriction of freedoms in Zimbabwe. I am advised very authoritatively that both legislations will in fact be appearing before parliament for review and possibly for repeal in the latter part of the life of this parliament.

Mr. Chairman, I would like to share with this house the challenges that face Zimbabwe post elections in Zimbabwe, political polarization, the current volatility, persistent shortages of foreign currency, the inflationary pressures that are underway currently, and of course, issues pertaining to land reform.

We note that our government has taken some fairly bold measures with regard to land reform. First of all, bringing in a sustainable land tenure system through the introduction of the 99-year lease program which will see land being transferable and which will see security of tenure among the land-owning classes. Contrary to Mugabe's previous practices, farmers of all color and creed have been allowed to come back into Zimbabwe to form joint ventures with existing landowners so that they can put land to progressive use. We have seen, in fact, a number of white farmers coming back into Zimbabwe as a result of that consequential reform.

Mr. Chairman, a large part of the reform that we have seen recently is also the revision of indigenization laws. This has taken the private sector in Zimbabwe by surprise because they were bold, they were unexpected, and they were substantial. Today as we speak, the law requiring any investor to cede 55 percent of their equity to locals has been removed. And what we have now is a situation where investors can come into any sector of the economy except for two, platinum and diamonds, and have a majority shareholding in those sectors.

Mr. Chairman, I would like to conclude my remarks by making a number of comments.

The first is that Zimbabwe is on the cusp of major economic transformation. We believe that the president shows resolve, shows courage, shows determination, in fact, to push those reforms forward. We do not believe that at any time since Zimbabwe's independence we have had a leader of that fortitude and resolve. He is fully aware, in fact, that the road ahead is going to be very painful, but I think we believe that he is probably the person that can push those reforms to fruition in the period ahead. We are aware, Mr. Chairman, that there is no quick turnaround. The transition will probably take anything between 12 to 18 months and that transition will be a very, very painful one, indeed.

Mr. Chairman, there are challenges, hurdles that we think the current administration is facing as it embarks on this road of transformation.

The number one hurdle is, of course, the sanctions. The sanctions are real. We hear talk that they are targeted sanctions, but the net impact of the sanctions on the economy of Zimbabwe is large. We are aware, of course, of the country risk, which is associated with a negative image that is painted as a result of sanctions. The risk premium in Zimbabwe today is anything between 20 and 25 percent. We are aware of the trade restrictions. Zimbabwe is not able to access AGOA, for example, which many African countries are accessing at the moment to their benefit while Zimbabwe is being left behind. We are aware of economic sanctions where Zimbabwe is not able to access lines of credit, support from the IMF and the World Bank. And these are very serious hindrances for the ability of Zimbabwe to move forward with the transformation program that we have.

Mr. Chairman, we in the private sector have taken a view, and our view is that we have got to work with the government in power. We are not politicians. We give constructive criticism. We constantly engage with the president. Only 2 weeks ago we met with the president. And I stood up to offer criticism to the president openly, and that is unprecedented. It is the first time that has happened. The president has opened his doors to us to offer ideas, to work with him and his team. There is only one country we have, and that country is Zimbabwe.

At the age of 21, I was a political prisoner myself in Rhodesia. I know what it means to have a bad political situation.

In 2008, after the elections, when I was the CEO of the largest company in Zimbabwe, I took the initiative myself to bring the government and opposition together to begin the negotiations on a government of national unity. We committed, Mr. Chairman. We wanted Zimbabwe to succeed. That is why I am here today. Thank you.

[Mr. Mutizwa's prepared statement is located at the end of this hearing transcript.]

Senator FLAKE. Thank you both. Thank you.

Mr. Mutizwa, it is nice to have the perspective of the Zimbabwean business community here. That is something that I think we have lacked. If the Zimbabwean people who are going to enjoy a standard of living that they deserve, it is going to depend on the business community flourishing. And that is why we want to play a constructive role and ensure the reforms that have been outlined are actually carried out.

One thing. Many believe that it is going to be difficult, Mr. Moss, to move forward if there is not some kind of reconciliation between the parties. What would you advise Mr. Mutizwa and others in the MDC to do? What should their posture be at this point with regard to the government? And what should be our posture?

Dr. MOSS. I think the U.S. posture is that we need to listen to Zimbabweans and what kind of process they want to have going forward. There is a significant portion of the population that still remembers what happened in Matabeleland in the early 1980s. It is not up to the U.S. or the Europeans or, quite frankly, the government in Harare to tell the Matabele when it is time to move on. We should listen to civil society groups in that part of the country about what their expectations are and what kind of process they want to see going forward. There is a national reconciliation process on the books. It is a total joke. It has not done anything. That is not seen as credible.

In terms of what the MDC should do, look, this is a party that has gone through several rounds of trauma. It has had at least three elections stolen out from underneath it. It has lost its founding leader, Morgan Tsvangirai, and it has been thoroughly and repeatedly penetrated by the security forces—by the intelligence services. So it is a party that is still trying to operate within a very, very narrow space, and I think that they are understandably very wary of getting into any kind of power sharing agreement again because of their experience with the GNU between 2009 and 2013 where they were given some kind of paper authorities, but all of the real control was maintained by ZANU–PF. I do not think that they will make that mistake again.

The process going forward. I do not know what the ideal process is, but clearly bringing some of the expertise—if you look at the capabilities within the MDC, if you look at people that understand how the health care system works, education, finance, there is a lot of knowledge and capability there that should be brought into some kind of dialogue and particularly the diaspora. We could come up with a long list of things that the Zimbabweans should do and what would get Zimbabwe going. We could probably guess at most of those things, but until the diaspora starts moving back into Zimbabwe, putting its money back into Zimbabwe, investing back home, that is a sign that there is no confidence regardless of the rhetoric we are hearing out of Harare.

Senator FLAKE. Mr. Mutizwa, can you talk about the challenges with regard to the currency faced by businesses operating in Zimbabwe, and what is the prospect of some reforms there in the short term?

Mr. MUTIZWA. Mr. Chairman, I think the short answer is that everybody would like to see a big bang kind of approach to reforms because of the time it has taken for Zimbabwe to come out from the deep hole it has dug itself into. It will not be possible to have a big bang kind of approach.

We fully appreciate the fact that you have to take a series of measured steps to bring back economic stability, and those series of steps would indicate a path like the following. First, to establish a fiscal balance, which the minister of finance is trying to do now. That will take a while, but our observation is that in fact that is taking effect already. The printing of money is slowly stopping. The issuance of treasury bills willy-nilly has stopped. The resort to the overdraft facilities that is a bank of Zimbabwe has been curtailed, and the targets that have been set in budget indicate discipline coming back.

On the business of that discipline being established, I would expect that our government would aggressively go out to build confidence that would allow Zimbabwe to engage in currency reforms. There has been a lot of debate in Zimbabwe. A lot of people have said let us have currency reforms done now. Let us have a liberalization of the exchange rate. Let us have banishment of auctioning of allocation of foreign currency so that a free system comes into place. We do not think that can be done overnight. In fact, if was done overnight, there could be very serious unintended consequences that could, in fact, put the economy in a much more perilous position than it currently is.

So my own conviction and the conviction of the bulk of the members of the private sector is to move very gradually, very slowly, very purposefully towards reform because a big bang approach would cause more chaos precisely because of what we have heard already, Mr. Chairman, that there is very fragile confidence in Zimbabwe at the moment, and because of that fragility, it is dangerous, in fact, to take precipitous action which is not well thought out.

Senator FLAKE. Thank you.

Senator Coons?

Senator COONS. Thank you, Chairman.

Well, Mr. Mutizwa, I respect and recognize you are here not as a representative of the government, but of the private sector. And I will share with the chairman the view that that is a perspective we welcome.

But in response to the question about sort of how slowly or how diligently those actions might be taken, there is political reform and there is economic reform. And given the very deep hole that Zimbabwe is going to dig itself out of in terms of being a pariah state, both of them have to move.

I was encouraged to hear you say you recently met with the president and that there is some intention to move on aligning with the constitution. But I will just say that I believe in our meeting with Mnangagwa, we were told that the Public Order and Security Act and the Access to Information and Protection of Privacy Act would be very soon moving to parliament for repeal or reform in order to ensure that they align with constitutional priorities.

Is it not the case if the president wanted that done, it could be done quite expeditiously, not 6 months, not a year and a half or 2 years? It is possible for parliament to move swiftly to align statutes that are significantly misaligned with the constitution. Is that correct?

Mr. MUTIZWA. Senator Coons, if I can respond to your observation. I think the Parliament of Zimbabwe has been in place now post-elections for slightly less than 3 months. Within that period, it has tackled a number of deals. And my view, my own observation is that perhaps the 3 months is too short. I expect that there should be some movement. We want that done so that in fact Zimbabwe can move forward. It is in the interest of the private sector, in fact.

Senator COONS. I was encouraged, Mr. Mutizwa, by what you had to say about the indigenization statute.

Dr. Moss, is it your sense that there is deliberate movement in parliament to make the sort of economic system and political system reforms? Or as you mentioned in your fairly stirring or pointed remarks, I should say, you suggested strategic patience because you have seen no substantive action to align with compelling rhetoric.

Dr. MOSS. Thank you for that.

Look, there have been a couple of steps. Indigenization has been partially rescinded. It does not apply to the major parts of the mining sector. Why would that be? That is because the military is involved in those sectors. If you look at land, yes, on paper there are going to be 99-year leases. When I last checked, none had been issued. I do not think that if you were a bank, that you would be issuing loans against those given the history and confidence that you would have in being able to use land as collateral.

And I think when you step back, you can look at a couple of paper reforms, but when you say why is it not moving, there is usually a very important political reason. There is either a powerful ally of the president, who is being protected by that, or there is something fundamentally wrong. And I would point to agriculture as a good example of that.

Agriculture has, for 100 years, along with mining, been the foundation of the economy. The Agriculture Minister is a former general who believes in command agriculture. He is one of four cabinet members on the U.S. sanctions list. He is not there arbitrarily, as you know. The sanctions list is from very detailed information. That does not speak well about a revival of agriculture, even if they can entice a couple of former farmers to come back to the country.

Senator COONS. So my impression on the political side is that real accountability for the murder of six civilians by troops immediately following the election would be a significant step. If the government were to take that significant action, what would it look like. Do you think the president is in any way serious about holding perpetrators accountable for that action? And I understand doctors in Zimbabwe have alleged state agents are pressuring medical officers to falsify diagnoses in order to cover up violence by security services. What is your assessment of the credibility of the commission of inquiry led by former President Motlanthe of South Africa?

Dr. MOSS. So we do not know what is in the report. It has not been released. It is supposed to be released. We will see what happens there.

I would say the conduct of the commission has not been encouraging. I would say that the likelihood—we do not know what will happen, but the likelihood that the real people responsible for that being held accountable is next to zero. It is possible that some low level actors will be sort of hung out to dry.

But I think what is important about this is this only the tip of the iceberg. The August 1st killings are just the most prominent, and it is because the correspondent for the "Financial Times" was standing right there. And the violence after the election was far worse in the east in Manicaland where we saw—it was like 2008 all over again where troops and un-uniformed groups were invading the homes of opposition supporters. They were attacking electoral workers. And that was all out of the sight of cameras.

And so I do not know how the commission will come out. It does not look very good, but it does not bode well for overall reconciliation and accountability.

Senator COONS. Last, if I might. Mr. Mutizwa, what have you seen in terms of any changes in capital flows, and what are the reforms that you think are most critical for the government to take in order to stabilize and strengthen the economy? You have recently had the chance to express that opinion directly to the president. What were the things that you said, Mr. President, you have to make progress on these in order for the economy to stabilize again?

Mr. MUTIZWA. Thank you, Senator.

I think that in addressing your observations, I would point out a few things.

We have seen very dramatic changes in agriculture. For example, when we look at the output in agriculture this year compared to last year, if I single out tobacco, for example, there has been a 34 percent increase in tobacco output from 188 million kilograms to 252 million kilograms in 2018, the highest ever tobacco crop produced in the history of Zimbabwe and Rhodesia. The last-ever such peak was in 2000 when 252 million kg's of tobacco were produced. Dramatic. And that is due to the actions of the new minister of agriculture who has banished lawlessness on the farms and encouraged production.

Cotton production has increased 95 percent in 2018 compared to 2017. It is a dramatic increase again in agriculture production.

But coming back specifically to your question, Senator, what we have urged the president to do is to move as quickly as possible to ensure that Zimbabwe's competitiveness is restored by taking very determined and bold actions on the ease of doing business, setting up a one-stop investment center, making sure that the regulatory environment is conducive to foreign investors coming into the economy.

We are unhappy about the progress. We think it is slow. We are pushing very hard to ensure that there is much more rapid progress there. We would like to see, for example, the president appointing a very high level international panel of advisors to keep him on track with the expectations of the international business community. He has given us a categorical assurance that he will do so shortly. He is also assembling a domestic panel of advisors from local businesses. I expect that that could be announced anytime soon.

But by far, the most important reforms that we are calling for is fiscal stability. And the recent budget and the recent transitional stabilization plan are indicative of very strong determination to take that action. We will keep the president on notice. We will pressurize him. We will talk to him. We will urge him to ensure that those things in fact do happen.

Thank you, Senator.

Senator FLAKE. Thank you. There was an article that just came out today. Mnangagwa says, ready to seize idle land owned by top allies. Some of the land, when it was redistributed, accumulated with some of the top officials, with some owning, the article notes, up to 20 farms despite a one person or one family/one farm policy, including Mr. Mugabe owning several himself.

Do you see that as a serious effort, Dr. Moss? And how far do we need to go there? I mean, this is obviously land reform in Zimbabwe in southern Africa, all over Africa is extremely important. Is the government taking the right moves here?

Dr. MOSS. The short answer is we will have to wait and see.

I think that the mantra, "we are open for business"—what it has not meant is what we think of as being open for business in United States, which is that we are going to have an open rules-based economy. What that has meant so far is that political elites and the military are open to do deals with outside investors. If that is what is going to happen with land, with mining, with industry, then I do not see anything other than a very transactional economy that a very small cabal of people around the president controls the vast majority of the economy. If that is what we are looking for, it is not going to be the kind of economy that is going to be doing business with Americans.

Senator FLAKE. Mr. Mutizwa, I want to ask a kind of variant of that.

It is easy for us to sit here in Washington or elsewhere in the world and say here is what Zimbabwe needs, here are the reforms that need to take place for people to have a better standard of living, to feel that they are representative of their government. Are the things that we say here aligned with what Zimbabweans need? And what are the most urgent needs in your view? You noted some of the reforms that you want to move.

But I just want to see, is there a schism between what the world wants or what we or policymakers in Washington want, the State Department or others and what you feel Zimbabwe needs? I think we could stipulate that we have not been pleased with what Zimbabwe has gone through for the past 37 years, nor have Zimbabweans. And that was reflected in the change in government that we saw. But give us a perspective as someone who was born and raised in Zimbabwe and does business there. Is there a difference between what we want and expect and what Zimbabweans do?

Mr. MUTIZWA. Thank you, Senator, for that question.

There is a great deal of puzzlement in Zimbabwe particularly among the ordinary people and the private sector as to how it can be that the world sees sanctions as being targeted and having no impact on the economy when we in the private sector know that sanctions actually have a very fundamental impact on our businesses, that we cannot access affordable lines of credit, that the country perception is very negative, that there are a lot of institutions who are risking out of Zimbabwe, correspondent banks, terminating relationships with Zimbabwean banks. So we see the impact of sanctions as being much wider and not just affecting the few people or few institutions that are specifically cited in the sanctions. So that is the first disconnect that we see.

I think the second large disconnect is that there is a perception here that the Zimbabwean private sector is moribund, is non-existent, it is not there. It is just the politicians calling the shots all the time, whereas, in fact, what is keeping Zimbabwe afloat is the private sector, and that over the last 2 decades, we in the private sector have gone out of our way to do everything we can, under very difficult circumstances, to keep our companies afloat and to keep the few people who are in employment employed. And that recognition is not there. It is as though we are manipulated by the government all the time. And it puzzles us that the world thinks like that, that in fact, they are not men of good will, of honor, kind of honest and honorable and want to get their businesses to thrive, whereas, in fact, that is what we do every day, Senator. That is what all the business people in Zimbabwe do. And so this characterization I sometimes hear about a few people calling the shots, a few people and their cronies doing these deals, it puzzles us and we find it quite unsettling actually in a way. So there is a big disconnect I think between the characterization that I am hearing here and the truth on the ground.

Senator FLAKE. Thank you for that. I have to say I spent time there in the early 1980s and did not return for a long time. When I did, after all that we knew about what was going on and heard about from afar, when I arrived there and saw still things functioning as well as they were was a testament to what you are talking about, the resourcefulness of the Zimbabwean people to work around the issues that they dealt with on a daily basis and a government that was not responsive to their needs or concerns. That rings true what you were talking about, and so I appreciate that greatly.

You mentioned that you believe the business community will be more active and more vocal about what is needed in Zimbabwe and what the impact of actions that we take here have on the business community and the ability of Zimbabwe to grow and prosper. And I think that that would be welcomed.

Senator Coons, do you have any——

Senator COONS. I will make some concluding remarks, if I might, Mr. Chairman.

My gut hunch is that, to some extent, the difference in your testimony is a difference in perspective. There is, indeed, a significantly more open society and economy than there was under Mugabe, but it is significantly short of what a free, fair, and open society looks like where rule of law dominates, where elections happen regularly, the opposition is free to speak, where a press is truly unhindered. And if there is a gap here, it is a gap between—and this was your phrase. There is a crisis of expectations. Those who have worked diligently many years to try and keep moving what there is of a functioning modern economy I think deserve respect for their efforts.

Given the opening, one of my concerns is that the civil society space that now exists be widened, not narrowed. If you read a transcript of our meeting with President Mnangagwa, if you read transcripts of his speeches, if you read the editorial he wrote in the "New York Times," he is saying all the right things. Our challenge is the doing.

I would agree with you that sanctions have an impact, but I would agree with Dr. Moss that there a whole series of things that the government can and should do to move towards an economy that is genuinely the sort that investors would be attracted to not on the basis of access relationships, but on the basis of open tenders and fair competitions. There is very hard work to be done.

I would welcome the kinds of changes in Zimbabwe that would support the removal of sanctions. I would be thrilled to see that. I think that is in everyone's interest. But a few good speeches and actual change in parliament, in the economy, in governance—there is a big gap there.

And I recognize that it has been 6 months since the elections, roughly. There is almost certainly an intense energy in the country of expectation, when will things get better, when will the economy move, when will I find your recitation of crop reports at least encouraging. My concern is that there is much more fundamental work to do and that remains undone.

So let me simply say to you, Mr. Chairman, between us, we have chaired this subcommittee 8 years, and you have been terrific to work with. I have really enjoyed our work on Zimbabwe, our travel there. We have been to 12 countries together this year around the world. I will deeply miss the opportunity to work closely and regularly with you on U.S.-Africa relations, a country that touched your heart deeply when you were a young man. You have had the opportunity now to engage in actively and effectively as a Senator, and that is just one of many, I think, chapters in the story and legacy of your service here in the Senate. But I want to thank you for that opportunity.

And I hope you will continue to goad and push me in the next Congress to make sure that I remain engaged in the very hard work of trying to help support and sustain a multi-party democracy, free and fair elections, and open society, and a transition towards a market economy. This is very hard work, very difficult work.

But if I thought that by the United States simply waiving everything, those results would happen immediately, I would do so. I do not. I believe the opposite. I believe only by sustaining pressure, only by continuing to say we want you to succeed, Mr. President and nation, but it is only going to happen with changes and not dictate a specific, narrow menu but say here is the general framework. It is the things that the president himself laid out in his editorial now some 9 months ago I think.

I look forward to our continued dialogue and work together. I expect we will stay in regular touch, and I look forward to finding ways that we can continue to work together on making sure that the United States remains not just a nation of interests, but a nation of values and where our foreign policy is rooted in putting our values first.

Thank you, Mr. Chairman.

Thank you to our witnesses.

Senator FLAKE. Thank you, Senator Coons, for everything.

And thank you, Dr. Moss, for your long commitment to a better Zimbabwe. You have appeared before this committee many times and have always brought a perspective that is needed.

And, Mr. Mutizwa, thank you for adding a new perspective that we have missed here and that we should hear in the future. And I hope you will continue to speak loudly. Thank you for the good work you have done and for the sacrifice you made to be here.

I want to just say before I stop, I thank my staff, in particular Colleen Donnelly, for encouraging us to know we have a couple of weeks, we can still have another hearing. [Laughter.]

Senator FLAKE. I did not think it would be possible, but she made it possible by working with people like Sophia Lalani, Brian Voight, Jake Gutman on the Booker staff and also Tom Mancinelli, Allie Davis on your capable staff. And this is very much a bipartisan subcommittee. We work that way and enjoy it, and I appreciate all those who have done such good work and for allowing me to be chairman here. So thank you all.

The hearing record will remain open until the close of business tomorrow.

With the thanks of this subcommittee, this hearing stands adjourned.

[Whereupon, at 11:24 a.m., the hearing was adjourned.]

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# Additional Material Submitted for the Record

PREPARED STATEMENT OF JOSEPH MUTIZWA

ARTICULATING PERSPECTIVES OF ZIMBABWE'S PRIVATE SECTOR

**Preamble**

This opportunity to address the Senate Foreign Relations Subcommittee on Africa and Global Health Policy to offer the perspectives of the private sector in Zimbabwe on the situation prevailing in Zimbabwe in the post-election period is greatly appreciated. This dialogue is long overdue. On behalf of the private sector in Zimbabwe, I would like to thank Senator Jeff Flake and members of his Committee for this rare opportunity accorded to us.

As this invitation came at short notice some of my colleagues from the private sector in Zimbabwe were unable to travel to Washington to participate in today's proceedings. In the short time available to me I was able to solicit the contributions of some-not all -business sector leaders in the private sector in Zimbabwe. The outcome of this consultation is, I believe, a balanced assessment of the state of the macro challenges facing Zimbabwe today as outlined in this written submission.

Zimbabwe is a nation that has experienced economic volatility for the greater part of its post-independence history from 1980 to today. I can say, without hesitation, that the people of Zimbabwe are extra-ordinarily resilient. Over the last two decades they have experienced all manner of deprivations such as; political polarization and violence, record beating hyperinflation, infrastructure decay, staggering unemployment levels and economic decline accompanied by deepening poverty. In recent times we have even been visited by medieval diseases such as cholera.

Despite all these challenges the people of Zimbabwe have largely remained peaceful, hardworking, God fearing and honest. Our work ethic as a nation is second to none on the African continent. Our literacy rates remain among the best in Sub-Saharan Africa. Zimbabwe business leaders occupy positions of high responsibility in iconic corporations across Africa and beyond.

I make this submission in my following capacities:

1. As the former CEO (2002-20120) of one of Zimbabwe's largest listed companies.
2. As the current Chairman of the Zimbabwe Stock Exchange Listed Companies Forum (ZSE Forum)—representing all the 63 companies listed on the Zimbabwe Stock Exchange.
3. As a Leadership Consultant working with more than 30 private sector companies since my retirement as CEO of Delta Beverages in 2012. This consultancy role gives me unparalleled access to Chief Executive Officers, their boards and executive committees. This puts me in a position to have an in-depth appreciation of private sector perspectives across Zimbabwe.
4. As Chairman of the boards of several private sector companies in Zimbabwe.
5. As an independent non-executive director on the Board of the Reserve Bank of Zimbabwe. In this capacity i also chair the important Bank Stability Committee which is charged with supervision of the banking sector in Zimbabwe. I am, therefore, fully cognisant of the challenges facing the private banking sector in Zimbabwe.

The ushering in of the new political dispensation following the resignation of President Robert Mugabe in November 2017 has had a seismic impact on the nation of Zimbabwe. The private sector is a significant stakeholder in the process of building a new Zimbabwe in the post Mugabe era.

This submission will address four key issues which Senator Flake has requested me to focus on. These are:

1. What is the current state of Zimbabwe's economy and its impact on Zimbabwean people? n .mbn ,mvxx
2. What is the private sector's evaluation of the impact of the July 30, 2018 elections on Zimbabwe's economy?
3. How does the private sector evaluate of the progress made to date on economic and political reforms by the Government of President Emmerson Mnangagwa?
4. What alternatives does Zimbabwe have should the USA fail to take action to support Zimbabwe's economy?

I will tackle each question in turn.

In preparing this submission for the Sub-committee on Africa and Global Health Policy I am guided by a number of considerations that the private sector in Zimbabwe embrace. These are:

1. The over-riding desire for stability in terms of both the economic and political environments. A stable operating environment is conducive to business growth. The converse is true.
2. A desire for economic reforms that recognize the role of the private sector as the engine for economic growth.
3. The need for an investor friendly environment that encourages and makes it easy for both foreign and domestic investors to conduct business.
4. Macroeconomic policy consistency and predictability.
5. A stable currency and affordable cost of money.
6. Access to affordable international lines of credit to enable the recapitalization and modernisation of plant and equipment for productivity and competitiveness.
7. A regulatory framework that is facilitative of business and that improves the ease of doing business and makes Zimbabwe a desirable investment destination.

In concluding this preamble, I wish to state that the private sector in Zimbabwe endeavours to be apolitical. We work with any government in office regardless of its political leanings.

We offer support to ensure success of desirable policies and programs but we also offer constructive criticism to Government where we believe that policies or measures are not in the best interests of the economy.

This submission is guided by the above considerations.

QUESTION 1

*What is the state of Zimbabwe's economy and what is the impact it is having on citizens?*

**1 Current state of the economy from a business perspective**

*1.1 The Challenges*

Zimbabwe's economy is currently in distress exhibiting stress in the following areas;

Fiscal distress with the budget deficit projected at 11.6 percent of GDP in fiscal year 2018. The consensus target within the SADC region is for a fiscal deficit around 3 percent of GDP.

Current account imbalance with imports projected to exceed exports in fiscal year 2018.

80-90 percent of the economy is informal—reflecting high levels of unemployment in the formal sector.

Large public debt burden standing at US$18bn and split 54 percent to 46 percent between domestic and international debt respectively.

Currency volatility reflected in multi-tier pricing distortions in the market with significant loss of value of the local currency over the last two months.

Rising annual inflation climbing to 20.9 percent as at October 2018—the highest in the SADC region.

Infrastructure constraints affecting road, rail, power, water and sanitation among other needs.

Very high country risk discouraging Foreign Direct Investment. The country risk premium currently stands at over 20-25%. Only US$470m FDI inflows in 2018.

Deteriorating standards of living for ordinary citizens as savings and earnings have lost value while costs are escalating.

*1.2 The Positive Developments in the economy*

i. Rise in Manufacturing Sector capacity utilization

Expansionary fiscal measures by government have stimulated recovery in capacity utilization in the manufacturing sector from a low of around 34 percent three years ago to around 60 percent before the October 1,2018 policy pronouncements caused a major foreign currency crisis.

The adverse impact of this rise in capacity utilization has been the ″overheating″ of the economy as demand for production inputs and consumer products has outstripped the economy's capacity to generate foreign currency earnings to service the increasing appetite for foreign currency.

The above situation reflects the fact that Zimbabwe's productive sector is highly import dependant—thus contributing to the Current Account Deficit.

ii. Recovery in Agriculture Production

There has been significant recovery in Agricultural production as evidenced by the following:

A 34 percent increase in tobacco production from 188.6 million kilograms in 2017 to 252.5 million kilograms in 2018 (the highest output in the history of the tobacco industry in Zimbabwe-exceeding the previous peak of 238 million kilograms reached in 2000).

A 95 percent increase in cotton output from 73 086 tonnes in 2017 to 142 761 tonnes in 2018.

Zimbabwe has achieved food security through the government's intervention in agriculture during the 2017/18 agricultural season. 1.2 million tonnes of maize are now in the country's strategic grain reserve putting Zimbabwe in a secure position even if the current rainy season is adversely by El Nino.

iii. Mining Sector Output Growth

Gold output has increased substantially and could end the year at 34 tonnes or 42 percent up on the 24 tones achieved in 2017.

Platinum output is set to expand on the back of a new mine commissioned by Zimplats—the country's largest platinum producer.

Diamond output is set to reach three million carats in 2018 up 67 percent from the 1.8 million carats achieved in 2017.

iv. Reform of Indigenization Laws

A major step forward implemented by the new government has been the repeal of the indigenization laws which required all businesses to have a 51 percent equity interest in the hands of indigenous Zimbabweans. This made Zimbabwe unattractive to foreign investors. This requirement has now been removed save for the platinum and diamond mining sectors.

v. Closure to Land Tenure

Significant progress has been made on the contentious issue of land tenure with bankable and transferrable 99 year leases close to finalization.

Another major change has been the decision by the government discontinue the Mugabe era prohibition of leasing arrangements between white farmers who desire to lease and farm productively on farms allocated to black farmers. Joint ventures and leasing arrangements are now in place allowing a significant number of white farmers to return to farm in Zimbabwe.

*1.3 Impact of Macroeconomic Developments on the Populace*

Since 2016 there has been a significant erosion in the welfare of citizens. This erosion has been transmitted through higher cost of living, erosion of value of savings and deterioration in service provision. There has been a real fear that the country was heading towards the volatility experienced in the hyperinflation period of 2007-2008. Foreign currency shortages have had a severe adverse impact on the availability of essential goods and services in particular, essential medical drugs, fuel and machinery spares and raw materials.

The cumulative impact of all these developments has been to erode the quality of life of most, it not all Zimbabweans.

Since October 2018, there has been a deterioration in macroeconomic stability as parallel market rates of exchange skyrocketed leading to speculative price increases that saw prices of basic food items as well as the cost of transport and rentals soaring out of the reach of ordinary citizens whose disposable incomes have been severely reduced by inflation and increased taxation.

The current level of trust by most citizens in public institutions is still very low given past experiences with hyperinflation ( 2007-2008) when savings were wiped out. As a consequence of this experience confidence is very fragile in Zimbabwe leading to panic and over-reactions when there is any hint of possible loss of currency value.

QUESTION 2

**How did the July elections impact Zimbabwe‘s economy?**

*1. Overview*

In the run up to the elections there was a surge of optimism across Zimbabwe generated by a number of developments among which were the following:

Ushering in of a new national leadership after the resignation of President Robert Mugabe—in power for 37 years.

A very peaceful and relatively open election campaign period.

Expressions of support for Zimbabwe from broad sectors of the international community.

*2. Post-Election Violence*

The optimism that swept across Zimbabwe was shattered by the discord around the announcement of election results and the post-election violence on August 1, 2018. Confidence was severely undermined and country risk escalated. The expected FDI inflows did not materialize as expected although there are significant numbers of potential foreign investors visiting Zimbabwe to make inquiries. A few key investors have now made commitments.

*3. Post-Election Political Polarization*

The legal challenges against the election results at the Constitutional Court and the refusal ty the main opposition to accept the legitimacy of Presidentelect Emmerson Mnangagwa has resulted in deep political polarization which has severely dented business confidence for both foreign and domestic investors. While the polarization is a reality it is also a fact that the ruling party emerged from the election with a two thirds majority in Parliament thus giving it a strong mandate to carry out the required legislative reforms particularly those needed to align existing laws to the 2013 constitution.

*4. Impact on Value of Local Currency*

In the period following the resignation of President Mugabe and the July 2018 elections the depreciation of the local Zimbabwe currency (the RTGS or "Real Time Gross Settlement" balance and the "Bond Note") was around 30-40%. The local currency has significantly lost value in the post-election period—at one point in October 2018 reaching a low of around 500 percent devaluation before stabilizing at around 340 percent devaluation in the parallel (or unofficial) market. This is despite an official position putting the local currency at parity with the United States Dollar.

*5. Deepening Foreign Currency Situation*

The post-election period has seen a deepening of the foreign currency shortage as United States Dollars continue to disappear from the formal markets. The consequence of these shortages have had severe adverse impact on the availability of imported raw materials, fuel and medical drugs. The most severe impact has been felt in the area of medical care as hospitals and pharmacies have run out of imported medical drugs thus putting the lives of many ordinary Zimbabweans at risk

*6. Tightening Liquidity and Cash Shortages*

Zimbabwe has been experiencing cash shortages in the banking sector since the introduction of a local currency (bond notes) in November 2016. These cash shortages remain in place four months after the July 2018 elections.

*7. Significant Increase in Tourist Arrivals*

Following the July 2018 elections there has been a surge in the number of tourist arrivals in Zimbabwe. Tour operators and resort hotels are reporting increases of around 25-30 percent compared to the same period last year. Hotel operators in the Victoria Falls resort area are reporting occupancy levels last seen in the 1997-98 period for the forthcoming festive season with average occupancies around 65%.

*8. New Mining Investments*

Some long term investors have come on board including two Australian mining companies who have projects in oil and gas exploration in Northern Zimbabwe and a Lithium mining operation near Harare, respectively. A Chinese investor is considering setting up a major steel plant in the Midlands area while another company is planning opening a major platinum mine.

*9. Financial Commitments by UK Financial Institutions*

Of note has been the financial commitment made by The CDC (The UK Government's Commonwealth Development Corporation) to make lines of credit available to the private sector in Zimbabwe. Although of limited amount given Zimbabwe's significant requirements for financial support, this commitment is symbolic as it represents the first such financial commitment by the CDC in almost two decades.

*10. Delegations from EU Governments in the Post-Election Period*

The post-election period has also witnessed the visit to Zimbabwe by high powered delegations (combining political and business leaders) from China, Germany and Belgium among others.

QUESTION 3

**Is President Emmerson Mnangagwa making any Reform efforts, and if so, what progress is being made? What are some for the hurdles to making economic reforms?**

*1. Overview*

My considered view is that there is a crisis of expectations in Zimbabwe.

The ordinary person expected a very quick turnaround of the economy following the July 2018 elections. These expectations are misplaced. Zimbabwe has been in the grip of misrule for 37 years and the damage done to the economy to the country's reputation and its institutions will take many years, if not, decades to repair.

It is from this perspective that I evaluate what President Mnangagwa has achieved since the July 2018 elections.

*2. Evaluation of Progress*

*2.1. What has been achieved to date?*

i. Cabinet Composition

There was wide support for President Mnangagwa's decision to let go long-serving party loyalists and bring in fresh talent into a significantly trimmed cabinet. Key new appointments were made in the ministries of Finance, Industry, Mines and Transport-all now headed by technocrats. The private sector in Zimbabwe welcomed these appointments.

This cabinet has only been in office since September 2018. It is too early to objectively evaluate their performance after just three months in office.

ii. Opening up of Political Space

The Political Space has been opened up significantly. Zimbabweans now express themselves much more openly than during the Mugabe era. Press freedoms are in place for the print media while the state electronic media is still to be reformed and liberalized.

Political demonstrations are allowed and the recent demonstration by the main opposition on November 29, 2018 is a case in point.

The move to open to the public and to broadcast live on national television the proceedings of the Constitutional Court electoral challenge hearings as well as the public hearings held by the Commission on the post-election violence of August 1, 2018 are both major milestones in establishing transparency in Zimbabwe.

iii. Anti-corruption drive

Several prosecutions of high level people are currently underway. While there is perceptions in some quarters that there is political bias in the selection of those to be targeted—the prosecutions indicate a toughening of the President's stance against corruption.

Legislation has recently been passed to toughen measures against money laundering and illicit transactions on the parallel markets.

iv. Change of leadership narratives from focus on politics to focus on the economy

The current government has moved sharply to refocus on economic matters. The mantra "Zimbabwe is Open for Business" is now the mantra of government. However, the private sector wants to see more action than rhetoric on the ground and continues to press government for accelerated reforms especially in the areas of fiscal reforms and ease of doing business.

v. Articulation of a National Vision and Economic Road Map for Zimbabwe.

The President has articulated Vision 2030 whose goal is to turn Zimbabwe into an Upper Middle Class Economy by 2030 with a per capita GDP exceeding US$3 500 per annum. Zimbabwe is currently a lower middle class economy.

President Mnangagwa's Government in October, 2018, launched the Transitional Stabilization Plan (TSP) which provides a road map to economic recovery for the next three years. Subsequent to the launch of the TSP the government put together a National Budget under the theme "Austerity for Prosperity". This budget—announced on November 22, 2018 puts the attainment of fiscal balance as the centre-price of the recovery plan. The key goals are well-articulated and include:

Reducing the fiscal deficit to 5 percent of GDP by 31 December 2018 from a projected 11.6 percent by 31 December 2018. The intention is to achieve this through cuts in Government expenditure, drastically curtailing issuance of Treasury Bills and desisting from resorting to Central Bank Overdraft Facilities.

Expanding revenues through taxation measures. Two very significant taxation measures have already been implemented.

Reducing the current account deficit by compressing imports and collecting import duties on luxuries in hard currencies.

Shifting expenditure from consumption to capital or productive spending.

A GDP growth target of 3.1 percent in 2019 down from a projected 4 percent growth in 2018.

An average inflation of 10 percent by end of 2019 down from 20.9 percent in October 2018.

An aggressive timetable for reforming state owned enterprises has been announced.

Implementation of Debt Resolution Program with international lenders before the end of 2019.

The Government has embraced the proposal for an IMF Staff Monitored Program ( SMP) which is about to commence.

vi. Aligning Zimbabwe's Laws to the 2013 Constitution

The perception of most observers is that Zimbabwe is moving too slowly on the road to aligning its statutes to the new constitution.

My investigations revealed that of Zimbabwe's 299 pieces of legislation 255 of these needed to be aligned to the constitution. To date, I am told, 206 of these statutes have been aligned to the new constitution with only 49 outstanding. Among the outstanding ones are the two controversial pieces of legislation namely, POSA (Public Order and Security Act) and AIPPA (Access to Information and Protection of Privacy Act) which are widely regarded as being curtailing civil liberties.

On enquiring what the way forward is with these statutes I learnt that the reform of these statutes is on the agenda of the current Zimbabwean Parliament.

*2.2 Where has progress been less than expected from a business perspective?*

i. Reduction in Government Bureaucracy

While the size of the cabinet was reduced, it is the private sector's view that much more needed to be done to reduce head-count at the top—at both ministerial and civil service levels.

Although the President, Cabinet and senior civil servants and executives of state enterprises will take a 5 percent pay cut from January 2019, the public wants to see more sacrifices borne by top government leaders than is currently the case. This is necessary so as to make the hardships endured by the ordinary citizen more bearable.

ii. Implementation of measures to improve Country Competitiveness.

Very high operating costs driven by currency distortions, high cost of utilities and generally high cost of doing business still prevail.

Although the Government has established a one-stopinvestment authority (ZIDA—Zimbabwe Development Agency), its operationalization is still unclear to the private sector.

Policy co-ordination across Government agencies requires optimization so as to minimize frustration for prospective investors due to regulatory bottlenecks.

iii. The Sequencing of Policy Measures has been less than optimal.

The implementation of taxation measures ahead of government expenditure cuts was very badly received by an already overtaxed population that wanted to see the benefits of the privileged elites in the public sector reduced first before new taxes were imposed.

The private sector understands the need for Government to create fiscal space through taxation if it is to curtail printing of money. However the sequencing of the measures could have been handled better.

iv. Anti-corruption Drive needs to be more vigorous

The private sector views both private sector and public sector corruption as cancers that need to vigorously attacked otherwise they will frustrate economic reform efforts.

v. Currency Reforms

There is a significant section of the private sector that wants to see currency reforms done immediately so as to remove the current pricing distortions as well as the system of allocating foreign currency which is prone to abuse.

Another view, however, is that currency reforms cannot be undertaken without two major issues being tackled first. These two issues are; the need for fiscal discipline on the part of government, and the need to have in place a Foreign Currency Stabilization Fund to stabilize any domestic currency which may be introduced as part of the currency reforms.

2.3 What are some of the hurdles to making economic reforms?

There are two major categories of hurdles that face the Government of Zimbabwe as it embarks upon economic reforms. The first category is that of Economic Sanctions imposed on Zimbabwe by the USA (ZIDERA Act of 2001 as amended in 2018); Canada and the European Union. The second category is to do with the potential adverse consequences of Economic Reforms. Let me address each in turn.

2.3.1 The Impact of Economic Sanctions on the Post-Election Economic Reform Agenda in Zimbabwe Sanctions continue to retard economic recovery in Zimbabwe in a number of important ways.

i. Trade Sanctions

In Zimbabwe, trade sanctions impact negatively on economic growth through denying the country access to foreign lines of credit, which ordinarily finance external trade and access to markets, particularly the USA market, through exclusion from AGOA. Furthermore, the country's export competitiveness is adversely affected by negative perceptions of the country resulting in high country risk profile translating into higher country risk premiums.

Due to the above the private sector in Zimbabwe finds it very difficult to access affordable external financing to retool and modernize plant and equipment and access technology.

ii. Financial Sanctions

The Zimbabwe Democracy and Economic Recovery Act (ZIDERA) has proved to be a great obstacle for Zimbabwe to access foreign finance. USA financial institutions are not at liberty to provide well-structured financial support against Zimbabwe's minerals (gold, platinum, cobalt, lithium, etc.,) due to OFAC compliance rules. The same it for banks in Europe due to compliance, reputation and association risks.

As a result of the impact of ZIDERA on the financial sector, the Zimbabwe banks have lost more than 100 corresponding banking relationships over the past 10 years.

The strong view of the private sector in Zimbabwe is that the imposition of sanctions on Zimbabwe by the US and the EU have branded Zimbabwe and its entire financial linkages with the rest of the world as representing high risk thereby making the country a compelling target for de-risking interventions by leading correspondent banks in the USA and Europe.

iii. Economic Sanctions

Due to a combination of sanctions and its own bad track record of debt servicing Zimbabwe is unable to access balance of payments support and credit and technical support from most of the major multi-lateral Financial Institutions (MFIs).

The private sector's view is that the country's failure to access long term concessionary funding from developmental institutions such as the World Bank and the African Development Bank (AfDB)—among others, has created an unsustainably large deficit in infrastructure development in Zimbabwe—in particular the rail, road and water related infrastructure. The dilapidated state of all these constitutes a real tax on business by hard-wiring inefficiencies into the entire economy.

Businesses in Agriculture, Manufacturing, Mining, Tourism, Financial Services and others all desire to see sanctions removed so that country risk is reduced and access to affordable long-term credit is restored while access to global markets is opened up.

The private sector's strong view is that sanctions—although they are supposed to be targeted at certain individuals and entities—have the unintended effect of pulling down the entire economy of Zimbabwe and the welfare of all its citizens. Sanctions do constitute a real stumbling block to the efforts of the current Government to get the country's economy moving forward again.

2.3.2 The Unintended Potential Consequences of Economic Reforms

In embarking upon Economic reforms that are driven by a desire to restore fiscal and current account balance, and to liberalize the economy through currency and regulatory reforms, the government is caught between a rock and hard place.

While tough economic reforms are unavoidable and long overdue, their impact will cause significant pain on the intended beneficiaries—the citizens—at least in the short to medium term.

Four potential unintended risks stand out:

Recession Risk

Will the Government's reversal of expansionary fiscal policies (printing money to support agriculture, for example) tip the country into a contraction phase? If so, for how long?

Will increased taxes (2 percent on financial transactions and increased fuel duties) suck out too much from people's disposable incomes precipitating a form of recession?

Inflation Risk

If market forces are allowed to prevail in the allocation of the scarce foreign currency will there by a deep devaluation causing local prices to run and pushing the country into an inflationary spiral?

To some extent this has already happened as informal markets took a position on the currency. Should the Government mobilize a stabilization fund to support a local currency first before introduction currency reforms. Where does this stabilization fund come from given the current international isolation of the country and the existing sanctions?

Will the reforms cause socio-political instability?

There is no doubt that in the short term (12-18 months) the reforms will cause a great deal of hardships among Zimbabwean citizens—particularly the vulnerable. Will this cause civil strife in the form of riots and escalating political tensions.

Will the reforms lead to increased company failures?

As the reforms begin to bite there is every possibility that some companies may fail as disposable incomes drop, as liquidity tightens and as interest rates rise.

All the above pose a significant hurdle to the policy makers in President Mnangagwa's administration.

The observation of the private sector is that because of the above risks, the proper sequencing and pacing of the reform programme becomes crucial.

A "big bang" approach to economic reforms may have dire unintended consequences given the fragility of the economy. In the absence of significant international financial support, a gradual and nuanced reform process may be more appropriate.

QUESTION 4

**What alternatives does Zimbabwe have should the USA fail to take action to support Zimbabwe's economy?**

*Overview*

It is our view that Zimbabweans are now desperately impatient for real economic advancement. Unless the populace sees progress the pressure on the politicians will be relentless. This can lead to desperate actions on the part of Zimbabwe should the USA and EU fail to respond to Zimbabwe's request for urgent economic support and removal of sanctions.

*4.1 Options Available to Zimbabwe*

As private sector observers we note that the Government of Zimbabwe is not without options—if it fails to secure USA and EU financial support. We make no comment on the advisedness or otherwise of these options—but simply to state that these options do exist.

i. Embrace China's BRI initiative for Africa.

China has placed on the table a potential US$60bn investment package for investment across Africa as part of its Belt and Road Initiative (BRI). Many African countries are scrambling to get a share of these resources. Shunned by the USA and The EU it would be reasonable to assume that Zimbabwe will consider making a strong attempt to access this large pool of investment funds even if this entails mortgaging substantial share of its natural resources to achieve this.

ii. Develop Closer stronger economic ties with Russia

There have already been a number of Russian delegations to Zimbabwe in the recent past—which is indicative of a desire by Russia to forge economic ties with Zimbabwe.

iii. Closer Economic ties with Eastern European Countries such as Belarus.

Our observation is that should the USA and the EU fail to support Zimbabwe these fledging relations will become stronger.

iv. Embrace investors of questionable credentials.

When a government is pushed into a corner there is every reason to believe that it will take any action necessary to enable it to respond to the popular demands of its citizens if the traditional or normal avenues fail to yield results.

v. Revert to ruinous populist policies of the Mugabe era

It is not inconceivable that if the present government fails to secure Support from the international financial institutions despite its commitment to reform it may, in frustration, revert to populism catastrophic consequences for a country with so much promise.

Our view as the private sector is that Zimbabwe's government desires to strengthen its relationship with its traditional business partners which include the USA and EU. Zimbabwe has already applied to re-join the Commonwealth—a strong indicator that it wants to improve relations with the UK-led grouping and with the West in general. Sanctions present a formidable obstacle blocking the way to the resumption of these partnerships. w

*Conclusion*

Zimbabwe is at cross roads. The Government of President Mnangagwa looks determined to make some tough economic and political reforms. To us in the private sector the President comes across as being sincere in his quest for taking Zimbabwe forward. He appears to have sufficient conviction and resolve to rebuild Zimbabwe and turn it into a successful and proud nation occupying its rightful place among the community of nations. His government recognizes that for Zimbabwe to be welcomed among the community of nations it must acknowledge and settle its debts. It must also put its house in order through better governance and economic management. The government of President Mnangagwa appears to be committed to both.

The President is aware of the huge expectations that the people have. He recognizes that along the way there will be unavoidable pain for the people of Zimbabwe—over and above the traumas they have endured over the past two decades.

As Zimbabwe's private sector we are fully supportive of the reform programs embarked upon by our Government. We want to see more action and less rhetoric and better co-ordination and sequencing. We will give our Government support in the form of advice and constructive criticism as well as through playing our part in raising production and exports, conserving foreign currency through import substitution and improving competitiveness through cost efficiencies and value addition.

It is the view of most in the private sector in Zimbabwe that the United States government can find in Zimbabwe a worthy and strategic partner. The road to that possibility starts here in the Senate Foreign Relations Sub-Committee on Africa and Global Health Policy.

It is my strong and unambiguous submission, Mr Chairman, that the private sector in Zimbabwe urges the United States of America to urgently repeal Zimbabwe Democracy and Economic Recovery Act ( ZIDERA) of 2001 ( As amended in 2018) .

Zimbabwe is going to be a pivotal nation in the Southern Africa sub-region -a country in whom the United States may find a worthy and strong partner.

I Thank You, Mr. Chairman, for the opportunity to address this Senate subcommittee at this particular juncture in the history of my country.

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## Statement Submitted by The Honorable Professor Mthuli Ncube, Minister of Finance and Economic Development

### INTRODUCTION

On 22 November 2018, I presented the 2019 National Budget to Parliament under the theme: "Austerity for Prosperity". The Budget constituted the first economic and financial framework for implementing the Transitional Stabilisation Programme (TSP}, which is also an initial stepping stone towards realising Vision 2030.

And indeed, that ambitious Vision is duly the theme of this Conference: "Towards an Upper Middle Income Economy by 2030".

To give perspective to this Conference theme, allow me to briefly walk delegates on the State of our Economy, before highlighting the thrust of the TSP and the 2019 National Budget.

In the 2019 National Budget, I indicated that during the first half of 2018, the economy exhibited signs of strong recovery, riding on improved confidence from a peaceful pre-election environment and prospects for increased investment.

### GDP GROWTH

In 2018, key growth drivers were agriculture and mining, complemented by the services sectors.

With regards to agriculture, tobacco and cotton yields out-performed the 2017 levels and 2018 Budget targets, to support overall sector growth of 12.4 percent. Similarly, in mining, gold output surpassed last year's production levels, to give mining growth estimate of 13 percent.

Tourism and other service sectors (with average growth of 5 percent) also added positive contribution to the 2018 growth momentum, all pointing to a growth expectation of about 6.3 percent in 2018 during the first half of the year.

Regrettably during the last half of the year, there were noticeable challenges, which posed some risks to economic activity, and these are associated with foreign currency supply challenges, fiscal imbalances, financial sector vulnerabilities, infrastructure deficiencies and capacity under utilisation, among others.

Nonetheless, the economy remains resilient and is expected to record a solid growth of 4 percent in 2018.

### PUBLIC FINANCES

Positive economic performance, gave scope to better revenue collections for the nine months of the year, which amounted to US$3.8 billion, against a target of US$3.4 billion. By year end, solid collections of US$5.3 billion are anticipated.

However, while revenues exceeded Budget targets, total expenditures for January to September 2018, overshoot to reach US$6.5 billion against a target of US$4.1 billion. Taking into account the expenditure developments to September, outturn to year end is estimated at US$8.2 billion, against a budget of US$5.3 billion, implying an expenditure overrun of US$2.8 billion (11.7 percent of GDP).

Such a high deficit is clearly unsustainable against acceptable international levels of around 3 percent of GDP. The high budget deficit has been feeding into the rapid build-up in domestic debt stock which stood at US$9.6 billion as at end of September 2018 as well as other macro vulnerabilities.

The bulk of domestic debt is also in Treasury bills, issued for recapitalisation of public enterprises, settling Government obligations and RBZ debt assumption.

### GDP REBASING

Zimbabwe has undertaken a Rebasing of Gross Domestic Product in line with international norms, which require replacing of the old base year, taking cognisance of changes in structure of the economy. This exercise is undertaken following sector surveys by ZIMSTAT.

These surveys reflected significant changes in the number of establishments in specific sectors and the whole economy (5419 to 38137). And also important is that the surveys captured the GDP contribution by the informal sector, which has grown bigger in Zimbabwe.

The whole exercise culminated in adoption of a new base year 2012 from the previous 2009 base year. Subsequent changes of GDP numbers in line with the new base year indicate that GDP at current prices for 2016 has moved upwards from US$16.6 billion to US$20.5 billion, while at constant prices it grew by 29.2 percent from US$14.2 billion to US$18.3 billion.

The rebasing exercise also revealed some vital information on our public finances. In essence, there is notable fall in revenue to GDP ratio, reflecting that revenue generating capacity of the Zimbabwean economy is yet to be harnessed and that the current tax system has scope for expansion.

In addition, the higher revenue to GDP ratio before rebasing implies that a higher tax burden is being shouldered by a few taxpayers while tax evasion, particularly in the informal economy remain quite high.

### TRADE

With regards to trade, exports during the first half and part of the third quarter were on the rise, underpinned by growth in gold, platinum, chrome and tobacco exports, on the back of favorable prices and increased production.

*Exports*

Exports of goods and services for the first three quarters of the year amounted to US$3.79 billion, against US$3.44 billion recorded during the same period in 2017.

The growth in exports, however, suffered a knock in the third quarter of 2018 due to challenges related to foreign currency shortages, particularly for key exporters. This compromised the ability of exporting firms to cover their costs of key consumables, hence reduced production.

*Imports*

On the other hand, the pressure emanating from rising internal growth during the first nine months of the year, propelled the demand for imports of goods and services.

A total of US$5.87 billion in merdiandise imports were recorded during the first nine months of the year, against US$4.86 billion of the same period last year.

These imports were mainly dominated by fuels, electricity, fertilizer, chemicals, soya, medicines and few other consumables.

The higher growth of imports relative to exports implies a widening trade balance of US$2.1 billion during the first three quarters of the year, compared to US$1. 4 billion.

The deteriorating trade balance, higher primary income payments relative to receipts and slowdown in transfers, particularly remittances, gave rise to a widening current account balance.

This second part of Zimbabwe's twin deficits has also a role in igniting the macro instability including inflationary pressures during the fourth quarter of the year through rising parallel exchange premiums.

As a result, annual inflation, which averaged 2.9 percent during the first half of 2018 shot to 20.8 percent in October 2018, reflecting the dangers of living with the twin fiscal and current account deficits.

THE TRANSITIONAL STABILISATION PROGRAMME

In view of the above challenges and our quest for transforming the country into Upper Middle Income status, Government has launched a short term stabilisation strategy—the Transitional Stabilisation Programme {Oct 2018–Dec 2020}, which is already under implementation and to be followed by two strategic successor plans—Five-Year National Development Plans: NDP 2021–2025 and NDP 2026–2030.

The Transitional Stabilisation Pro gramme s immediate task is centered on macro and fiscal stabilisation and laying a solid foundation for attaining the overall goal of a strong, sustainable and shared growth.

Such growth, will be anchored on good governance and promotion of democratic principles, equitable access to means and outcomes of production, as well as modem infrastructure that supports day to day socio-economic activities.

Sustainable and shared growth will also prioritise efficient delivery of public services and restoration of Zimbabwe's rightful place in the global economy.

Implementing the Transitional Stabilisation Programme by powering the respective strategic and transformative drivers for change and development is initially through the 2019 Budget.

THE TRANSFORMATIVE DRIVERS OF CHANGE

*Macro-Fiscal Stabilisation*

The primary objective of the TSP and hence the 2019 Budget is to stabilise the economy by targeting the fiscal and current account twin deficits, which have become major sources of overall economic vulnerabilities including inflation, sharp rise in indebtedness, accumulation of arrears and foreign currency shortages.

The strategy for reducing the budget deficit entails managing expenditures while stimulating economic activity in order to broaden the revenue base for any future expenditures required for development.

In addition, during the macro stabilisation phase, efforts will be directed at mobilising and optimising revenues without compromising the viability at source.

On the other hand, managing the current account deficit, as already indicated in the Budget, will require measures on managing our import bill while stimulating exports and other forex inflows.

*Treasury Bill Issuances*

High fiscal deficits became entrenched largely due to expenditures committed outside the Budget framework and financed primarily through Treasury Bill issuances and RBZ over draft.

Going forward, with immediate effect, all Treasury bill issuances will be strictly through the Auction system and for financing expenditures under the Budget framework and for short term cash-flow mismatches.

The overdraft facility with the RBZ is now limited to 5 percent of previous years' revenues and for the sole purpose of smoothening cash flows.

The Public Finance Management Act is, therefore, being amended to penalise any Treasury Bill issuances outside the Budget framework.

*Expenditure Containment*

The Budget emphasizes on living within means by instilling fiscal discipline and rationalising expenditures in order to create additional financial capacity for funding developmental expenditures and enhancing delivery of public services.

Consequently, a number of measures on containing expenditures are already under implementation, targeting the wage bill and other operational expenditures.

In support of expenditure containment measures, the Budget is also introducing measures on improving expenditure controls, f1Scal transparency, and reporting.

*Tripartite Negotiating Forum (TNF)*

Social dialogue has proved to be a key platform for addressing various social and economic challenges between the three social partners, namely, Government, Labour and Business.

The TNF, therefore provides scope for negotiating a social contract that also reduces pressure on the wage bill with the objective of enhancing the economic development process of the country and at the same time promote consensus building for the national good.

*Penalties under the Public Finance Management Act*

Compliance with provisions of the statutes that govern public finance management is central to fiscal discipline and the achievement of Government development and service delivery objectives.

The PFM Act empowers the Treasury to exercise genera l direction and control over public resources, and further provides for financial misconduct in cases of willful and/or negligent failure to perform duty and exercise powers in compliance with provisions of the Act.

Treasury will, in the context of amending the Public Finance Management Act, propose measures that enhance the enforcement of approved penalties, for cases of non-compliance with requirements of the Act, to achieve improved accountability in the management of public resources.

*Multi-Currency System*

In the 2019 Budget , I reiterated that the country is still using the multi-currency system, which was put in place by Government in 2009. From this multi-currency basket, the US Dollar is our reference currency, also applying to the 2019 National Budget.

Government commits to preserving the value of money balances on the current rate of exchange of 1 to 1, in order to protect people's savings and balance sheets. This value preservation arrangement is hinged on consistent implementation of prudent fiscal and monetary policies, as well as disciplined market conduct by all economic agents as espoused in the Transitional Stabilisation Programme.

Going forward, the objective is to build foreign reserves and credit lines, as part of the strategy for the value preservation objective.

In the same vein, as macro-fiscal consolidation progresses, Government will establish a strong inclusive framework, through an interim Foreign Currency Allocation Committee, with broader representation as was the case in the past.

This will, however, be in the context of gradualy exiting from exchange controls to market based mechanisms that promote efficiency in foreign currenc.y allocation.

*Reengagement for External Debt Resolution*

Reengagement with co-operating partners and International Financial Institutions to discuss and map the way forward on the country's Arrears Clearance Road Map continues. The last meetings were held in October 2018, in Bali, Indonesia.

In summary, the co-operating partners are in support of the Transitional Stabilisation Programme, as it captures adequately the policy reforms that Government is implementing, in order to tum around the country's economic fortunes.

However, the international community emphasised the need to consistently implement the measures as outlined in the TSP and therefore, implementation of reforms under the Transitional Stabilisation Programme holds the key for advancing the arrears clearance strategy and unlocking of new financing.

## PRODUCTIVE SECTORS

The 2019 Budget recognises the current constraints of limited fiscal space against high demands, and therefore, initially focuses on quick-win flagship projects and programmes across key sectors of the economy, with a view of stimulating inclusive growth with jobs.

Consequently, the 2019 Budget prioritises agriculture, infrastructure rehabilitation and development which ordinarily supports our productive sectors besides other social-economic activities.

## PUBLIC SERVICES DELIVERY

In the same vein, the Budget prioritises healthcare, education, water and sanitation as delivery of these services remain utmost important and yet still fall short, that way imposing hardships on parts of the population.

Details on these sectors will be dealt with by the respective Ministers.

## INFRASTRUCTURE DEVELOPMENT

Infrastructure development is prioritised under the 2019 Budget and the Transitional Stabilisation Programme as a key ingredient for attracting investment, reducing the cost of doing business and facilitating business operations.

Treasury in consultation with line Ministries and other Departments has drawn an Infrastructure Development Plan. The 2019 priority projects have been selected through further engagements with line Ministries, Public Entities and stakeholders.

A number of the identified projects will be accorded high priority, with their execution being tracked by Cabinet under the 100 Day Programme cycle. This will ensure adequate resources are directed towards effective projects delivery, including access to critical construction inputs.

The list also includes projects that address emerging infrastructure gaps, which have put the lives of the public at risk, particularly in the water and sanitation, housing and energy sectors.

*Infrastructure Spending and Finance*

A total of US$2.6 billion will be invested in infrastructure during 2019, of which US$1.1 billion will be mobilised through the Budget and US$1.5 billion as off budget financing.

Already, Government has facilitated mobilisation of off-budget loan funding through public entities, which will result in US$969 million being disbursed during 2019 for ongoing works at Hwange 7 and 8 Thermal Power Station {US$350 million), Harare-Masvingo-Beitbridge Road Upgrading Project (US$250 million), NRZ recapitalisation (US$216 million) and R.G. Mugabe International Airport (US$78.2 million).

Furthermore, Statutory and public entities own resources will contribute US$390 million, whilst Development Partners are expected to invest US$99.4 million, mostly targeted at projects in energy, water and sanitation, transport and irrigation sectors.

INCLUSIVE AND PRIVATE SECTOR LED GROWTH

Government deems all sectors of the economy, as having potential and abundant capacity to contribute to economic growth and jobs creation. Critical for triggering this opportunity is harnessing and organising the requisite financial and human capital resources for this purpose.

An aggressive investment drive is fundamental under the thrust - Zimbabwe is Open for Business. This necessitates enhanced efforts on reforming the business and investment environment, under the Ease of Doing Business Reforms.

The short comings identified under the Ease of Doing Business Reform Agenda are being prioritised with specific actions being nstituted under 100 Day Rapid Results Plans.

Other investment initiatives include the formation of the Zimbabwe Investment and Development Agency (ZIDA)}, through amalgamation of the Joint Venture Unit in the Ministry of Finance and Economic Development; Zimbabwe Special Economic Zones Authority; and the Zimbabwe Investment Authority.

As of 31 October, 2018, a total of fifty two (52) investment proposals with an aggregate value of US$57 billion had been received for appraisal.

Already, eleven (11) of them have already been approved by Government, setting the stage for preparations towards commencing operations. The approved projects have a combined value of US$5.3 billion. The bulk of the projects are work in progress and are at various stages of processing.

*Venture Capital funding*

Further to this, Government is also establishing an enabling environment to attract investments through venture capital.

Venture capital firms match financing to entrepreneurs with potentially viable good projects, thereby contributing to the success of investee companies. Consequently, upcoming firms grow and create jobs, increase overall innovation, productivity and growth at macroeconomic level is realised.

It is envisaged that such investments will complement Government efforts in turning around the economy.

*Tax Incentive for Jobs*

The Budget also made proposals for a taxation regime targeting job creation, especially incentivising investors, corporates and entrepreneurs. Consultations with the private sector, are ongoing with a view of identifying strategies for promoting job creation in the economy.

*SMEs Support, Youth and Women Empowerment*

As with previous Budgets, the TSP and the 2019 Budget continue to capitalise empowerment banks as well as the respective empowerment funds in the Ministries of SMEs, Women and Youth.

This is in recognition of the immense potential of the above players in economic transformation agenda.

DEVOLUTION

Devolution is a key tenet for equitable, shared and sustainable growth. As such the 2019 National Budget committed 5 percent of Central Government revenue collections for distribution to Provincial and Local tiers, in line with the Constitutional provision under Chapter 14 on devolution. This constitutes US$310 million to be distributed upon the promulgation of an enabling Act of Parliament in 2019.

An interim inter-governmental fiscal transfer Framework, which allocates the resources, cognisant of socio-economic disparities across provinces and local authorities is being developed.

Such a framework takes account of provincial population size, poverty levels and infrastructure deficit in the areas of health and education, and economic disparities within and between provinces, among other relevant considerations.

CONCLUSION

*Austerity for Prosperity*

Ordinarily measures on cutting on expenditures, mobilising more resources through taxes entail foregoing certain benefits in the short term.

Therefore, as we implement the macro-economic stabilisation measures to our fiscus and current account adjustment, inevitable hardships will be unavoidable.

However, the objective is to build the base for a prosperous economy in line with our Vision 2030. And precisely, this Budget under the theme "Austerity for Prosperity" promises a better future by doing the right things now.

And, attaining a better future is within reach, despite some of the hardships of the past. Currently, the economy remains resilient, with performance exceeding expectations. Government policy initiatives will see solid growth in 2019, that way sustaining revenue and exports performance above targets.

The re-engagement efforts are also raising investors' interest with more than US$15 billion worth of projects being negotiated.

Therefore, as the Budget focuses on addressing macro-fiscal challenges, the economy should start genuine stabilisation for sustainable growth.

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RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO MATTHEW HARRINGTON BY SENATOR CORY A. BOOKER

*Indicators of Reform*

> The conduct of the recent election demonstrates that Zimbabwe has not yet established a tolerant, democratic culture that enables the conduct of elections in which parties are treated equitably and citizens can cast their vote freely. In your testimony you mentioned a few of the concrete steps that Zimbabwe could take to demonstrate progress on reforms. I agree that those are important indicators that will hopefully be addressed in the short term.

*Question 1.* What specific indicators for the longer term are you tracking that would demonstrate progress?

Answer. The Zimbabwe Democracy and Economic Recovery Act, as amended, frames our longstanding posture toward Zimbabwe, and provides the major indicators we use to assess progress. These include: 1) the restoration of the rule of law, 2) a commitment to equitable, legal and transparent land reform, 3) an election "widely accepted as free and fair by independent international monitors," or a sufficiently improved pre-election environment "consistent with accepted international standards for security and freedom of movement and association," and 4) military and national police forces that are subordinate to the civilian government.

*Prosecuting Perpetrators of Violence*

> I was alarmed by the violence that took place against demonstrators—leaving six dead—following the July 30th election. Unfortunately, this fits a pattern that we've seen over many years. A presidentially-appointed commission of inquiry is probing the killings. Its terms of reference have been criticized on legal bases, issues they may not address, and an apparent implicit presumption that a military response was justified.

*Question 2.* Could you evaluate the process that the commission of inquiry has followed? Have you found the process credible?

Answer. The establishment of a Commission of Inquiry (COI) into post-election violence has been a welcome step. We hope the Commission will be transparent in its determination of what happened and that the Government of Zimbabwe will hold those responsible accountable for their acts. We have been closely following the process, and have been calling for this both directly to the government of Zimbabwe as well as publicly.

While we do not want to pre-judge the results, we note serious concerns raised by members of Zimbabwean civil society about the terms of reference of the COI, which focus on the acts of protestors rather than those who shot at them or those who may have ordered shooting at unarmed civilians. In fact, much of the testimony presented to the COI focused on the nature of the protest preceding the shootings rather than the circumstances of the killings themselves. The COI report was sent to President Mnangagwa on Friday, November 30. We have urged the Government of Zimbabwe to release the report to the public. We will await the COI results to assess the process and will encourage the Government of Zimbabwe to implement any appropriate recommendations.

*Election Commission*

> One of the key recommendations of the IRI/NDI observer delegation was to implement reforms to ensure the Zimbabwe Election Commission (ZEC) is widely perceived to be an independent election management body capable of administering credible elections.

*Question 3.* What are steps that the ZEC needs to take to regain its credibility? To what degree is this a question of technical assistance or political will? To what degree should the United States assist the ZEC with undertaking these efforts?

Answer. There are many changes to Zimbabwe's elections laws that we would recommend for the Government of Zimbabwe to make progress towards a freer and fairer elections process in the future. The Zimbabwe Election Commission (ZEC) should adopt processes that are more transparent, and the government should amend the Electoral Amendment Act to improve the political independence of the ZEC. Other recommendations include: adopting transparent procedures for the tabulation, transmission, and announcement of results; expanding the right to vote to include diaspora members who are Zimbabwean citizens; ensuring equal opportunities for contesting political parties and candidates to use media for advertising or other appearances; enforcing rules for nonpartisanship for traditional leaders and government officials; making clear the process for resolution of electoral disputes; and easing restrictions on voter education.

Should the Government of Zimbabwe demonstrate a genuine will to reform, including by implementing political and economic reforms, it could make sense for the United States to provide technical assistance to the ZEC.

*Zimbabwe Strategy*

> We've heard that there is a State Department Zimbabwe strategy in the works as part of a broader NSC-led policy discussion on Zimbabwe.

*Question 4.* When will that strategy be released? What will be some of the top lines from that strategy?

Answer. The President approved a new Africa strategy, which National Security Advisor Bolton announced December 13. With that essential component in place, we are reviewing our Zimbabwe strategy across the interagency in an NSC-led process. Our goal is to encourage a more democratic, prosperous, healthy, and self-reliant Zimbabwe, and the Zimbabwe Democracy and Economic Recovery Act, as amended, frames our longstanding posture toward Zimbabwe.

Additionally, the U.S. Embassy in Harare is in the process of updating its Integrated Country Strategy (ICS) for Zimbabwe. The ICS is a four-year strategic plan that articulates whole-of-government priorities in a given country and incorporates higher-level planning priorities. The Chief of Mission leads the ICS through a coordinated and collaborative planning effort among Department of State and other U.S. government agencies with programming in the country. The updated ICS for Zimbabwe should be finalized in early 2019 and will be available on the Department of State website.

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO HON. MATTHEW HARRINGTON BY SENATOR CHRISTOPHER A. COONS

More than 346 miles of land in Zimbabwe, along the border with Mozambique, remain contaminated by landmines. These explosives have killed or injured more than 1,550 people since the end of the war, and impact 75,000 people across 87 communities on the Zimbabwe side of the border. Clearing the remaining mines saves lives, improves rural food security, promotes security and stability, and facilitates economic development in border regions. In recent years, the State Department has cut funding for humanitarian demining in Zimbabwe from $3 million in Fiscal Year 2015 to a proposed $1 million in Fiscal Year 2019:

*Question 1.* Is the State Department committed to helping achieve a mine-impact free Zimbabwe, and will the State Department provide additional funding to the U.S. humanitarian demining program in Zimbabwe?

Answer. The U.S. Government remains committed to helping achieve a mine-impact free Zimbabwe. Zimbabwe's need for arable land is so great that people attempt to farm mined land, resulting in deaths of people and livestock. Demining is complementary to other development activities as it opens new areas for agriculture and tourism.

Since 2013, the State Department has provided more than $10 million in funding to partner organizations committed to demining in Zimbabwe. This assistance has resulted in more than 23,000 mines destroyed. We remain committed to supporting this valuable humanitarian work.

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RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO JOSEPH MUTIZWA BY SENATOR CORY A. BOOKER

*Sanctions and the Elections*

In your written testimony you said that sanctions do constitute a real stumbling block to the efforts of the current Government to get the country's economy moving forward again. You also said that President Mnangagwa appears to have sufficient conviction and resolve to rebuild Zimbabwe and turn it into a successful and proud nation occupying its rightful place among the community of nations. Yet, the first real test of Mnangagwa's resolve was the recent elections, which failed to be the real turning point that so many had hoped. The government had a choice in terms of the conduct of those elections and it chose not to make the reforms that would increase credibility.

*Question 1.* Considering the conduct of the election, what should give us confidence that President Mnangagwa will now make the dramatic reforms necessary to promote free expression, rule of law, human rights, and accountability for past wrongs?

- Considering the conduct of the recent election, is there any reason that we should relax sanctions before fundamental reforms actually take place?

Answer. The 2018 elections were accompanied by the following substantial changes which in my view did not receive sufficient recognition by the observer missions:

- The campaign was completely free for the first time since Independence in 1980. There were no overt attempts to stop the Parties campaigning in all areas of the country;
- The use of State organs such as the Army, was not visible and this also marked a significant improvement on previous elections.
- State media were much more balanced although we could not claim they were not biased in favor of the ruling Party;
- The Election Commission was much more independent and professional on this occasion and the international media were reasonably satisfied with the final tally. This is in sharp contrast to earlier elections;
- Opposition Parties did not challenge the results of the election of 2000 local government Councilors who occupy the lowest level of the elections. MDC only took a quarter of all these seats;
- Very few of the elections for Members of Parliament were challenged and Zanu PF did end up with a substantial majority of these seats; and
- Emmerson Mnangagwa defeated Nelson Chamisa by 300 000 votes although the majority over 50 per cent was a tiny 0,6 per cent. Had the President lost this

initial poll he would almost certainly have lost the run off. This extremely narrow victory gives reasonable grounds to assume that he was genuine in trying to deliver a democratic vote.

*Obstacles to Reform*

The United States and others in the international community have identified reforms that need to be taken for Zimbabwe to relax sanctions. The Mnangagwa government has appeared cognizant of such views and the central role that the international community is likely to play in ensuring future access to finance and investment. Nevertheless, it has arguably achieved only limited progress in fostering the deep reforms to which it committed after Mugabe's resignation.

*Question 2.* Although some human rights, democracy, and governance reforms take time, others can be done relatively easily by the executive. What do you believe is holding the reform process back?

- Are there more effective ways that the international community can encourage action on those reforms?

Answer. I do not think that the United States is giving the new Government of Zimbabwe sufficient credit for what has already been achieved, even though the President faces substantial resistance from elements of the old regime. I would list the following as very significant in this context and even in terms of the ZIDERA conditions:

- The appointment of new, non-political leadership throughout the armed forces and in the security services;
- There are reports that both the Police and the intelligence services are being completely restructured and retrained to return them to something more professional and less political;
- Many Permanent Secretaries have been replaced with less politically aligned individuals and in an attempt to make the Civil Service more professional;
- The Government has started to take action against corruption and the replacement of the Prosecutor General is expected to accelerate this process;
- The Government has accepted that the rights of the former farming community have been violated and compensation will be paid when the resources are available. This process has been moved into the Ministry of Finance where it is receiving attention;
- On the economic front the reengagement with the IMF has started and the needs of the economy are well understood. Significant economic reforms are underway and I would highlight the following:
    - The fiscal deficit has been dealt with and the Treasury is now operating at a surplus on a monthly basis;
    - Companies and individuals have been given foreign currency accounts to protect hard currency balances from the inevitable devaluation of the de facto local currencies in use;
    - Import restrictions which violated regional and international trade rules have been removed; and
    - We are expecting the adoption of more open market driven policies accompanied by strong monetary policy and control and a managed float of the local currency.

The following political reforms have been already implemented and should be given more recognition by the United States:

- Indigenization laws which were racially discriminatory have been virtually abolished;
- The Public Order and Security Act (POSA) has been suspended pending removal from the statute book after being used, first by the Smith Regime and latterly by the Mugabe Regime to suppress political freedoms in many areas of national life - freedom of speech, association and movement were all compromised by this Act which is specifically listed in ZIDERA;
- Recently the Act controlling and suppressing the media industry AIPPA, has also been slotted for suspension or modification with the intention of allowing State media more freedom and independence and to protect the private media. Already media controls have been relaxed and the international media in all forms is allowed free access and freedom of activity in country; and
- The President has clearly committed himself to the amendment of all local legislation to bring it into line with the new Constitution adopted in 2013.

Finally, I would argue that Zimbabwe has suffered enough under the catastrophic Government of Mr. Mugabe during which time up to 3 million Zimbabweans have fled as economic and political refugees and the quality and length of life has declined dramatically. Although the 2018 elections were by no means perfect, they were probably on a par with similar events in Kenya, Tanzania and South Africa.

Given that the new Government needs support from all who want to see Zimbabwe get back on its feet and to achieve its full potential as a regional economic power house and center of stability, it is time to start providing the Government with support and encouragement rather than trying the punish the new leadership for the mistakes of the past.

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