TESTIMONY

TO THE

UNITED STATES SENATE FOREIGN RELATIONS

SUB-COMMITTEE ON AFRICA

AND GLOBAL HEALTH POLICY

HEARING ON: *ZIMBABWE AFTER THE ELECTIONS*

Submitted

By

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ARTICULATING PERSPECTIVES OF

ZIMBABWE'S PRIVATE SECTOR

Washington DC, December 6, 2018

TESTIMONY TO THE UNITED STATES SENATE FOREIGN RELATIONS SUB-COMMITTEE ON AFRICA AND GLOBAL HEALTH POLICY

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UNITED STATES SENATE, WASHINGTON DC, 5 DECEMBER 2018

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: -

i) As the former CEO (2002-20120) of one of Zimbabwe's largest listed companies (see appendix 1 for my resume).

ii) 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.

iii) 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. (see appendix 2 for the list of some of the companies consulted for and the sectors they fall into).

iv) As Chairman of the boards of several private sector companies in Zimbabwe.

v) 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?

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: -

- 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.
- A desire for economic reforms that recognize the role of the private sector as the engine for economic growth.
- The need for an investor friendly environment that encourages and makes it easy for both foreign and domestic investors to conduct business.
- Macroeconomic policy consistency and predictability.
- A stable currency and affordable cost of money.
- Access to affordable international lines of credit to enable the recapitalization and modernisation of plant and equipment for productivity and competitiveness.
- 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 ***apolitica***l. ***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% of GDP in fiscal year 2018. The consensus target within the SADC region is for a fiscal deficit around 3% of GDP.
- ***Current account imbalance*** with imports projected to exceed exports in fiscal year 2018.
- 80-90% 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% to 46% 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% 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% three years ago to around 60% 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% 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%** 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% 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% 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% 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 macro-economic 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 President-elect 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% devaluation before stabilizing at around ***340% 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% 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% of GDP by 31 December 2018 from a projected 11.6% 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% in 2019 down from a projected 4% growth in 2018.
- An average inflation of 10% by end of 2019 down from 20.9% 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% 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-stop-investment 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% 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.

<u>QUESTION #4</u>

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.

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 Sub-Committee at this particular juncture in the history of my country.

Appendix 1

JOE MUTIZWA

Joe is the Founder and CEO of PATHWAYS AFRICA a management consulting company based in Harare –Zimbabwe and working with business organizations within Zimbabwe and Sub-Saharan Africa.

Prior to his current focus Joe spent 32 years in various positions in the Zimbabwe private sector. Joe served for ten years as CEO of Delta Corporation – then Zimbabwe`s largest listed company before taking early retirement in 2012 at age 58.

Joe is Chairman of **The Zimbabwe Stock Exchange Listed Companies Forum** (Representing the 63 companies listed on the Zimbabwe Stock Exchange).

He is also Mangwana Capital (a venture capital company) and sugar refining company Starafrica. Joe serves as a non-executive director on several other boards including the board of the Reserve Bank of Zimbabwe..

After retiring from Delta Joe went to Oxford University to pursue a Master's degree in Leadership offered jointly by Said Business School and HEC-Paris- graduating in June 2014- with distinction.

Joe has written seven books on leadership since retiring as a full-time executive. Joe has consulted for 33 organizations since retiring- with a focus on leadership development for CEOs and Senior Executive Teams.

Apart from the Master's degree mentioned above, Joe has a B.Sc. degree (with first class honours) from LSE (The London School of Economics) as well as an MBA from the University of Zimbabwe.

Joe is married with 3 adult children and 3 grandchildren.

Appendix II

ZIMBABWEAN COMPANIES WHERE JOE MUTIZWA HAS OFFERED CONSULTANCY SERVICES SINCE RETIRINGB FROM FULL TIME CORPORATE EMPLOYMENT IN 2012

1. AMH Holdings - Media
2. Art Corporation - Manufacturing
3. Bindura Nickel – Mining
4. BOC Gases (Zimbabwe) – Trading
5. CABS – Financial Services
6. CIMAS – Medical Services
7. Dairibord Holdings Limited - Manufacturing
8. Econet Wireless Zimbabwe - Telecoms
9. Edgars Group – Retail
10. First Mutual Holdings Limited – Insurance /Property
11. Freda Rebecca – Mining
12. Mimosa – Mining
13. National Building Society (NBS) – Financial Services
14. National Foods Limited – Manufacturing
15. Nedbank – Financial Services
16. NetOne Cellular - Telecoms
17. Nicoz Diamond - Insurance
18. Nissan Clover Leaf – Motor Vehicle Retail
19. NMB Bank – Financial Services
20. NSSA – Insurance & Pensions
21. Schweppes Holdings Africa Limited – Beverage Manufacturing
22. Stanbic Bank – Financial Services
23. Steward Bank – Financial Services
24. TelOne – Telecoms
25. TSL – Tobacco
26. Unilever Zimbabwe – Fast Moving Consumer Goods
27. ZB Bank – Financial Services
28. ZETDC – Power General & Distribution
29. Zimpapers Group - Media
30. Zimplats – Mining