



Targeted U.S. Support for Zimbabwe's Recovery

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

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

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

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

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

¹ For example, Benjamin Leo and Todd Moss, "Moving Mugabe's Mountain: Zimbabwe's path to arrears clearance and debt relief," Center for Global Development, Washington DC, forthcoming October 2009.

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

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

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

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

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

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

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

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

What might such a strategy entail?

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

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

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

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

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

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

1. *Designate Zimbabwe a focus country for the President's Emergency Plan for AIDS Relief (PEPFAR) and the President's Malaria Initiative (PMI).* Current HIV/AIDS spending by the U.S. in Zimbabwe is approximately \$30m per year, even though the country has among the world's highest prevalence rates. By comparison, PEPFAR obligated \$696m to Zambia for FY2004-08. For malaria, Mozambique and Zambia received \$19m and \$14m, respectively in FY08, versus \$200,000 for Zimbabwe.
2. *Include Zimbabwe in the food security initiative.* The USG provided \$112 million in FY09 to Zimbabwe for emergency assistance, with USAID's Food for Peace accounting for 85%. Assistance could be expanded and broadened to include targeted agricultural productivity aid, in line with the White House focus on restoring long-term food security in Africa. The UN estimates that nearly 3 million Zimbabweans are food insecure this year. Restarting the country's once-great agricultural base is vital to long-term revitalization.
3. *Encourage OPIC and ExIm to catalyze private capital.* The Overseas Private Investment Corporation should announce an intention to launch a Zimbabwe Enterprise Fund. OPIC has already created more than a dozen private investment funds targeting Africa and several country-specific funds, such as the \$30 million Liberia Enterprise Development Fund. The U.S. Export-Import Bank should also consider, at the earliest possible moment, re-opening a Zimbabwe window. This would provide trade credit for critical parts and supplies as the country rebuilds its power, transport, and water systems. If the administration wanted to be especially forward-leaning, it could begin negotiations with China ExIm Bank for small jointly-funded infrastructure projects. This would not only leverage our economic influence, but also send a strong political signal to Harare.
4. *Make a modest contribution to the multi-donor trust fund.* The new government's survival depends in large measure on providing cash to restore social services and build the depleted civil service. Although a major U.S. contribution to the World Bank-administered multi-donor trust fund seems unlikely and unnecessary, some participation from the U.S. would be a visible sign of American intentions and support.

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

Thank you.