One Hundred and Second Sovereign Debt News Update: Governance Reforms Risk Posing a Challenge for Zimbabwe's Arrears Clearance and Debt Resolution Process

By:

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As noted in the Sixty Eighth Sovereign Debt News Update, Zimbabwe's creditors conditioned Zimbabwe's debt resolution plan by calling for reforms as a pre-requisite. Through a three-part strategy, the Government of Zimbabwe is expected to address economic reforms, governance reforms, and respect for property rights including the payment of USD3.5 billion for white farmer compensation. Following the August 2023 elections, which announced President Emmerson Mnangagwa's re-election after a troubled and contested vote, it warrants that attention be given to the governance reforms.

At the beginning of the Arrears Clearance, Debt Relief and Restructuring (ACDRR) process in February 2023, Dr. Akinwumi, who was appointed as the Champion of this initiative, remarked that Zimbabwe would have to work on "… *freedom of speech, human rights protection, implementation of laws in line with the constitution and implementation of the Motlanthe report*." The High-Level Facilitator of Zimbabwe's arrears clearance and debt resolution strategy, former President of Mozambique His Excellency President Joaquim Chissano, was therefore in Zimbabwe from the 16th to the 27th of August to observe the election period. While Chissano did not have a full observer team deployed countrywide, he worked closely with other observer missions already in Harare such as the European Union (EU), the Africa Union (AU), and the Southern Africa Development Community (SADC) teams to get finer details of how the country would handle the elections. This coordination was necessary to help him to come up with a clear position on whether the country was serious about joining other progressive countries or not. Thus, in the spirit of ensuring that Zimbabwe held peaceful, free, and fair elections as a precursor to debt resolution, Chissano attended both the Emmerson Mnangagwa-led Zimbabwe African National Union- Patriotic Front (ZANU PF) star rally (the ruling party), and the Nelson Chamisa-led Citizens Coalition for Change (CCC) cross-over rally (which is the main opposition party).

Before the August elections, the Minister of Finance, Economic Development And Investment Promotion, Professor Mthuli Ncube, released a statement wherein he gave an update on the arrears clearance and debt resolution process. In the statement, the Finance Minister identified "the conduct of free, fair and peaceful elections in August 2023" as low-hanging fruits in terms of concrete policy actions by the Government. However, according to several election observer mission reports, the recently concluded general elections were marred with irregularities, stifling of civic space, arbitrary arrests, and intimidation.

Zimbabwean veteran journalist Hopewell Chin'ono has noted the potential risk of the Zimbabwean debt clearance process collapsing due to the withdrawal of the European Union (EU) from the Zimbabwe Debt arrears clearance and debt restructuring process. Attributing this to the continuous attacks against the EU by Zimbabwe's state media, Chin'ono explained that "*the collapse will mean that Zimbabwe might end up defaulting on all its loans and will not be able to*

borrow new funds and the economy will further crumble". The strained relationship between Zimbabwe and the EU began after the August 23, 2023, harmonized elections, when ZANU PF launched unwarranted attacks on the EU for criticizing the election process as chaotic. According to the EU ambassador to Zimbabwe Jobst Von Kirchmann, the European Union election observer mission (EOM) team is set to present a final report on the Zimbabwe 2023 general elections in month of November 2023.

Almost 20 years after leaving the Commonwealth, Zimbabwe has since 2018 been trying to rejoin the organisation. However, the Commonwealth also criticized the Zimbabwean polls, thereby scuttling readmittance chances. In a letter responding to President Emmerson Mnangagwa's request for an update, Commonwealth Secretary General Patricia Scotland said there are numerous concerns about Zimbabwe's re-admission in line with recent human rights violations. The letter, which fell short of rejecting Zimbabwe's re-admission, highlighted numerous red flags during the elections including the Zimbabwe Electoral Commission's (ZEC) lack of transparency and logistical problems. According to the letter, "*the key principles for any country joining or rejoining the commonwealth are Adherence to Commonwealth Values: The applying country must adhere to the values of the Commonwealth, which include strict observance to democracy, human rights, and the rule of law, as outlined in the Harare Declaration and reaffirmed in the Charter of the Commonwealth.*"

The SADC Election Observer Mission (SEOM) Final Report on Zimbabwe's elections released on the 10th of October 2023 also confirms that Zimbabwean elections were flawed. The final report maintains that the polls fell short of regional and international standards. Commenting on the final report, Zimbabwe's Justice, Legal and Parliamentary Affairs Minister, Ziyambi Ziyambi, accused the SADC and European Union missions of deviating from their mandates by critiquing local laws passed by the Zimbabwean Parliament. Ziyambi Ziyambi, who also hails from the ruling party ZANU PF, stated that the report would be tabled for consideration at the next SADC summit in Harare next year, thereby ignoring the urgency of the matter. However, under the auspices of its current chairperson, Angolan President João Lourenço, SADC has called for an extraordinary summit of heads of state and government on Zimbabwe on the 25th of October 2023 to discuss the disputed elections.

Meanwhile, on the sidelines of the recently concluded IMF & World Bank Spring Meetings in Morocco, the Minister of Finance reportedly engaged local and foreign media where he announced that he would engage with stakeholders who are supporting the country's Debt Clearance Strategy. Focusing more on the economic reforms, the Finance Minister also reportedly shared that the Zimbabwean government is set to enter a new economic reform deal with the IMF. According to Mthuli Ncube, the government is working towards signing off on a new Staff Monitored Programme with the intention of having the signing off by the time of the World Bank Group (WBG) and the International Monetary Fund (IMF) Spring Meetings in April 2024.

It is imperative to note that while these efforts on the economic reforms front are being advanced, the absolute disdain for governance reforms, which remain critical to the debt resolution process, is cause for concern. It would seem that for the international community, it is the activation of the governance reforms that will ignite the economic re-engagement being sought by the Zimbabwean government. It remains to be seen how the stakeholders to Zimbabwe’s Arrears Clearance, Debt Relief and Restructuring (ACDRR) Strategy will proceed in light of the recently concluded elections.

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