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INTRODUCTION

- 1 Given the nature and the far reaching adverse effects of sanctions against Zimbabwe, the subject matter can never be repeated long enough, for as long as the sanctions remain in place.
- 2 The manner in which some sections of the world community want to swing global opinion against Zimbabwe does not reflect even an iota of concern for the welfare and well-being of the general population of Zimbabwe.
- 3 This reality becomes apparent when one analyses the true nature of these sanctions and the attendant effects on the economy and the generality of the Zimbabwean people.
- 4 Far from the claim that sanctions in Zimbabwe are ring fenced and targeted, on a few individuals, the reality on the ground is that the tight grip of the declared and undeclared sanctions is being felt throughout the entire economy. This is to be found in legal statutes, such as the Zimbabwe Democracy and Economic Recovery Bill, enacted by the US Government.
- 5 When one reflects at the vision and purpose for which Multilateral Financial Institutions (MFIs), such as the International Monetary Fund (IMF) and the World Bank were conceived back in 1945, It becomes clearly apparent that these institutions are deviating from their founding mandates.
- 6 MFIs were created to essentially ensure international financial stability, through provision of bridging finance to countries experiencing temporary Balance of Payments (BOP) pressures. Under the weight of political persuasion and the tide of global supremacy, it is now evidently clear that the institutions have strayed from their core mandates.
- 7 Before the Watershed Land Reforms in Zimbabwe, the world was literally silent about the unsustainable imbalances that existed in the ownership and distribution of national wealth. Instead, the status quo was passively preserved, and in the process, breeding what could have degenerated to a tumultuous state of affairs in the country's socio-geo - political landscape.
- 8 Having realized their potential danger and acting in good faith on the basis of promises given to Zimbabwe at the Lancaster House Conference in 1979, the country initiated a land reform programme, which triggered, the destructive seeds of hatred and demonization by the West, in the form of declared and undeclared sanctions.
- 9 In order to fully appreciate the true nature of the sanctions against Zimbabwe, and how attempts are being made to mislead the world, it is important that one appreciates the various forms of economic warfare that have been visited upon Zimbabwe and its people.
- 10 Sanctions against Zimbabwe and indeed any other country are a declaration of war on a sovereign State, which puts the economy under siege, with debilitating downstream effects on the vulnerable groups and civilians at large.
- 11 The economic warfare against defenseless countries manifests itself through the cancellation of life-line projects, humanitarian assistance, and humanitarian infrastructural development support, which further exacerbates the plight of the impoverished.

- 12 Regrettably, the aggravating impact of the weapon of economic sanctions has resulted in deteriorating standards of living, with per capita incomes in poor nations, being reduced to a mockery, compared to levels obtaining in those countries perpetrating sanctions.
- 13 Sanctions, declared or undeclared, have regrettably claimed the lives of innocent children, the disabled and physically handicapped, through denial of medical equipment, drugs, and food.

NATURE OF SANCTIONS

- 14 Sanctions have traditionally been applied against certain countries to achieve desired political and economic outcomes. These encompass the imposition of embargoes, trade and financial restrictions, and diplomatic isolation.
- 15 In recent years, the coverage of sanctions has widened to include other elements that are not directly linked to trade and commerce such as culture and sports.

Economic Sanctions

- 16 Economic sanctions and their proxies are by far the most important of all sanctions imposed on a nation. In the main, they consist of the withdrawal, or threat of withdrawal of trade and financial relations, including technical cooperation.
- 17 In an effort to refine the effectiveness of sanctions through disguised means, there has been a shift towards the so-called targeted sanctions, which impose travel bans and freezing of foreign bank accounts of targeted individuals or entities.

Trade Sanctions

- 18 Trade sanctions limit the country's exports or restrict its imports. Trade barriers such as embargoes and quantitative restrictions are thus imposed on the country.
- 19 Countries such as South Africa, Iraq, and Rhodesia, had trade sanctions imposed against them, as the international community wanted to influence political changes.
- 20 In Zimbabwe, today, trade sanctions have taken the form of denied access to foreign lines of credit, which ordinarily finance external trade. The market for the country's exports is also shrinking, as export competitiveness crumbles under adverse perceptions.

Financial Sanctions

- 21 Financial sanctions impede financial flows such as aid, short and long term loans, thus reducing foreign exchange flows to Zimbabwe. Financial sanctions also interrupt commercial and trade finance, through reduction of both Government and private sector access to foreign loans.
- 22 In addition, sanctions attract high risk premium on offshore lines of credit, and eventually scare away alternative creditors, as they anticipate a credit squeeze in the future.
- 23 Thus, without the imposition of explicit trade sanctions, financial sanctions, especially involving trade finance, interrupt trade, and ultimately constrain the economy's foreign currency generating capacity, as well as economic activity in general.

Undeclared Sanctions

- 24 Undeclared sanctions are not explicitly announced but are implied from the actions of the perpetrating nations.
- 25 For example, some Non - Governmental Organizations have moved their operations out of Zimbabwe, since the enactment of the Zimbabwe Democracy and Economic Recovery Act of 2001. This Act outlines the scope of targeted sanctions on Zimbabwe by the USA.

Arrears Triggered Penalties

- 26 Due to Zimbabwe's failure to honour its financial obligations to the IMF and the World Bank since 1999, the Bretton Woods Institutions suspended Balance of Payments support and technical assistance to the country.
- 27 Such actions by MFIs are notwithstanding the fact that such BOP assistance would have unlocked the country's exporting potential, and create capacity for amortizing outstanding loans.

EFFECTS OF SANCTIONS ON ZIMBABWE

- 28 Since the imposition of declared and undeclared sanctions against Zimbabwe, the effects of these sanctions have been widespread and continuing.

Non Governmental Organizations (NGOs)

- 29 The majority of NGOs receive funding from Western Governments. Accordingly, some have realigned their policies in consultation with their donors.
- 30 As a result, some donors have either responded by withdrawing their programmes or frozen further development assistance programmes in the country.
- 31 Other donors, through various NGOs have continued to work in Zimbabwe but have changed their areas of focus and the modus operandi. Concentration of donor funding has now been limited to humanitarian aid and social issues, particularly HIV/AIDS, social protection and human rights.
- 32 Humanitarian assistance is, however, short-term, and does not directly contribute to long term economic development and poverty reduction.
- 33 The NGO community in Zimbabwe is now faced with dwindling resources, as donor funds have either been severely curtailed or re-directed to other countries.
- 34 Initially, Official Development Assistance (ODA) was paid through the Government. Following imposition of sanctions, the majority of NGOs now source ODA directly from donor organizations.
- 35 The National Association of Non-Governmental Organisations (NANGO) confirmed that aid meant for Zimbabwe has also been diverted to other developing countries.
- 36 NANGO highlighted that, over the past few years, there has also been a major withdrawal of donor funding agencies. These pull-outs have resulted in closure and suspension of projects funded by NGOs.
- 37 The imposition of targeted sanctions has precipitated negative perceptions about Zimbabwe by the world at large. These negative perceptions make it difficult for the private and public enterprises to secure funding, as donor funding agencies are no longer willing to support projects in Zimbabwe.

- 38 In addition, most funding agencies source their money from tax payers. Tax payers in donor countries, thus retain the prerogative of directing funding of projects. Due to the negative publicity, foreign individuals have been unwilling to support Zimbabwe due to the bad publicity that the country has received. Notably, Denmark tax payers redirected funding to Zimbabwe from developmental projects towards humanitarian support.
- 39 In the aftermath of the socio-economic environment, created by sanctions, several NGOs and donor agencies have or are relocating their offices from Zimbabwe to neighbouring countries. For instance, DANIDA and the Canadian International Development Agency (CIDA) pulled out of Zimbabwe in 2001 and 2003, respectively, terminating all projects in progress and retrenching their employees.

INTERNATIONAL RELATIONS

- 40 For the period 1980-1999, Zimbabwe enjoyed BOP support from the multilateral financial institutions i.e IMF, World Bank and AfDB as shown in Table 1 below.

Table 1: MULTILATERAL FINANCIAL INSTITUTIONS DISBURSEMENTS (US\$)

Year	IMF	WORLD BANK	AfDB
1980	0	0	0
1981	0	104,917,535.8	0
1982	0	45,478,573.51	25,342,914.53
1983	0	133,760,761.05	57,22,913.63
1984	2,058,441.00	36,467,113.09	0
1985	0	9,668,219.07	67,768,983.37
1986	0	10,000,000.00	0
1987	0	0	0
1988	0	130,121,817.97	28,612,977.32
1989	0	0	19,286,995.95
1990	0	127,243,010.98	145,027,034.56
1991	0	62,386,243.86	15,218,604.29
1992	216,150,000.00	299,592,641.86	180,428,222.49
1993	65,656,168.00	226,810,152.15	37,966,823.47
1994	76,642,125.00	0	11,090,644.2
1995	75,492,900.00	0	11,686,232.22
1996	0	32,99,074.25	0
1997	0	4,037,287.79	1,940,910.99
1998	53,802,392.00	5,796,928.56	39,074.27
1999	32,233,993.40	88,856,697.27	0
2000	0	0	0
2001	0	30,526,725.67	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0	0	0
Total	522,036,019.40	1,348,062,782.39	524,789,416.76

Source: RBZ and Ministry of Finance

- IMF stopped supporting Zimbabwe by way of BoP support in 1999.
- World Bank stopped supporting Zimbabwe by way of BoP support in 2001.
- AfDB stopped supporting Zimbabwe by way of BoP support in 1998.

41 Following the country's land reform programme, in 2000 which, **triggered declared and undeclared sanctions** against Zimbabwe, Multilateral Financial Institutions imposed sanctions on Zimbabwe in the following manner:

- Suspension of Balance of Payments Support;
- Suspension of technical assistance;
- Suspension of voting and related rights by IMF; and
- Declaration of ineligibility to access Fund resources.

42 From 2000 to date, Zimbabwe has not received any BOP support from the MFIs and the country has been depending on domestic resources.

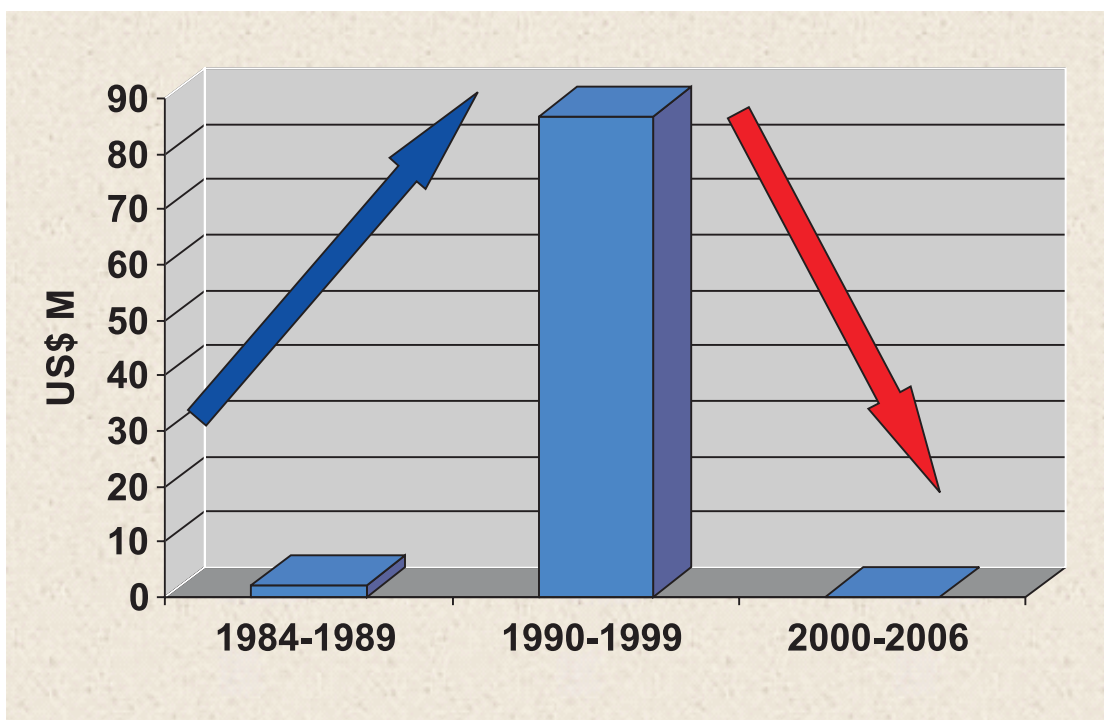
International Monetary Fund

43 After reviewing Zimbabwe's overdue obligations on 25 September 2001, the Fund's Executive Board declared Zimbabwe ineligible to access the general resources of the IMF. Zimbabwe was subsequently **declared ineligible to borrow the Fund resources**.

44 As a result, Zimbabwe has not been receiving any disbursements from the IMF as shown in figure 1.

45 On 14 June 2001 the IMF **suspended technical assistance** to Zimbabwe and adopted a **declaration of non cooperation**.

Figure 1: Graphical Fall in BoP support from IMF (US\$M)



46 On 6 June 2003, IMF suspended Zimbabwe's voting and related rights after determining that Zimbabwe had **not sufficiently strengthened its co-operation with the IMF in areas of policy implementation and payments**.

- 47 The Fund also initiated the procedure on the compulsory withdrawal of Zimbabwe from the IMF in December 2003.
- 48 The initiation of compulsory withdrawal from the Fund is the last and most severe in a series of escalating measures the Fund applies to members that fail to meet the obligations.
- 49 The IMF recognized the severity of the decision at hand, the increases in payments from Zimbabwe since the last review in July 2004, and improvements in economic policy implementation. On the 16th of February 2005, the IMF decided to postpone a recommendation with respect to compulsory withdrawal, providing Zimbabwe with a chance to continue improving economic policies and payments.
- 50 Regrettably, despite the clearance of the critical General Resources Account (GRA) in February 2006, the IMF Board upheld sanctions on Zimbabwe.

World Bank

- 51 The World Bank has helped Zimbabwe to **fight poverty and improve living standards**. To date, the Bank approved 19 International Bank of Reconstruction and Development (IBRD) loans and 14 International Development Association (IDA) credits for a total of approximately US\$1.55 billion.
- 52 The lending program to Zimbabwe is currently inactive due to a combination of accumulated arrears and sanctions. Effective 2 October, 2000, the World Bank placed all IBRD loans and IDA credits to, or guaranteed by, Zimbabwe in non-accrual status. As a result, Zimbabwe has not been accessing loans from the World Bank as shown in Figure 2 below.

Figure 2: Graphical Fall in BoP support from World Bank (US\$M)

