**IMPACT ON ZIMBABWE AND THE REGION OF THE UNILATERAL SANCTIONS IMPOSED BY THE UNITED STATES OF AMERICA AND THE EUROPEAN UNION**

1. **INTRODUCTION**
	1. Zimbabwe’s Land Reform Programme has led the United States of America (USA) to impose illegal and unjustified sanctions under the so-called Zimbabwe Democracy and Economic Recovery Act (ZIDERA) of 2001, which was amended with a view to further tightening its provisions in 2018. In it, the US Government, *inter alia,* “instructs the US Executive Director to each International Financial Institution to oppose and vote against any extension by the respective institution of any loan, credit, or guarantee to the Government of Zimbabwe or any cancellation or reduction of indebtedness owed by the Government of Zimbabwe to the US or any International Financial Institution”. Supplementing these sanctions are Executive Sanctions (Executive Order 13288) of March 2003, which have been renewed on a yearly basis. It is clear that the sanctions are all-encompassing, contrary to claims that they are ring-fenced and targeted against a few individuals.
	2. The European Union (EU) also introduced its own sanctions in February 2002. While the EU lifted most of its sanctions in 2014, those against the Zimbabwe Defence Industries company, senior Government officials and Service Chiefs, as well as an arms embargo, are still in place. The EU insists that it will maintain the sanctions under constant review in light of political and security developments in Zimbabwe.
	3. The US and EU sanctions against Zimbabwe are illegal and unjustified because they violate Article 41 of the United Nations Charter, which states that sanctions can only be decided on by the UN Security Council. Cognisant of this, in its resolution 39/210 of 18 December 1984, the UN General Assembly called on developed countries to “refrain from threatening or applying trade restrictions, blockades, embargoes and other economic sanctions, incompatible with the provisions of the Charter of the United Nations and in violation of undertakings contracted multilaterally or bilaterally, against developing countries as a form of political and economic coercion which affects their economic, political and social development”.
	4. The Vienna Declaration and Programme of Action, which was adopted by the World Conference on Human Rights on 25 June 1993, was more specific, calling on States to “refrain from any unilateral measure not in accordance with international law and the Charter of the United Nations that creates obstacles to trade relations among States and impedes the full realisation of the human rights set forth in the Universal Declaration of Human Rights and international human rights instruments, in particular the rights of everyone to a standard of living adequate for their health and well-being, including food and medical care, housing and the necessary social services”.
	5. In September 2014, the Human Rights Council adopted a resolution on human rights and unilateral coercive measures. The resolution stressed that unilateral coercive measures are contrary to the United Nations Charter, international law, international humanitarian law, and the norms and principles governing peaceful relations among States. It highlighted that these measures result in socio-economic problems in the targeted States. In this regard, the Council decided to create the mandate of the Special Rapporteur on the negative impact of unilateral coercive measures on the enjoyment of human rights. The former late Special Rapporteur and the current Special Rapporteur, Ms. Alena Douhan, have stressed the unquestionable negative impact of these measures on the enjoyment of all human rights and, therefore, called on those States that have imposed sanctions against other States to lift them.
	6. The United Nations Conference on Trade and Development (UNCTAD) in its Nairobi Maafikiano: *Moving towards an inclusive and equitable global economic environment for trade and development*, adopted at its 14th Ministerial Session, clearly pronounced itself in paragraph 34 when it said the following: “States are strongly urged to refrain from promulgating and applying any unilateral economic, financial or trade measures not in accordance with international law and the Charter of the United Nations that impede the full achievement of economic and social development, particularly in developing countries, and that affect commercial interests. These actions hinder market access, investments and freedom of transit and the well-being of the populations of affected countries. Meaningful trade liberalization will also require addressing non-tariff measures including, inter alia, unilateral measures, where they may act as unnecessary trade barriers.”
2. **OVERALL IMPACT OF THE SANCTIONS ON ZIMBABWE**
	1. Zimbabwe has lost well over US$42 billion in revenue over the past nineteen years because of the sanctions. This includes lost bilateral donor support estimated at US$4.5 billion annually since 2001, US$12 billion in loans from the International Monetary Fund, the World Bank and African Development Bank, commercial loans of US$18 billion and a GDP reduction of US$21 billion.
	2. As a consequence, the significant progress that Zimbabwe had made in the development of infrastructure, as well as health, education and other social service delivery systems has been severely reversed. This has resulted in the most vulnerable sections of the population sinking deeper into poverty. For instance, the proportion of the population in extreme poverty rose in the aftermath of sanctions. To this end, Zimbabwe’s quest to attain the United Nations Sustainable Development Goals (SDGs) has also been severely impacted.
	3. Further afield, sanctions against Zimbabwe are affecting the smooth running of regional groupings such as SADC. The SADC macroeconomic convergence targets of low inflation, sustainable budget deficits, minimal public debt, equitable current account balances, as well as the formation of a regional monetary union and the movement towards attaining the region’s industrialisation agenda, are being compromised by Zimbabwe’s inability to meet most of the targets.
3. **EFFECTS OF SANCTIONS ON THE MAIN SECTORS OF THE ZIMBABWEAN ECONOMY**

# 3.1 Access to Credit Lines/Decline in Balance of Payment Support

* + 1. Zimbabwe’s Balance of Payment position has deteriorated significantly since the imposition of the sanctions.
		2. Zimbabwe's access to international credit markets was blocked following the enactment of ZIDERA. The country has been forced to virtually operate on a hand to mouth basis, resulting in a significant build-up of external debt arrears. This unfavourable development has worsened the country's credit worthiness as the country's international financial risk profile escalated.
		3. This subsequently led to the drying up of traditional sources of external finance from the International Financial Institutions (IFIs), with the country receiving no support from the African Development Bank since 1998, the International Monetary Fund (IMF) since 1999 and the World Bank since 2001. In essence, the IFIs stopped their support to Zimbabwe by instituting a number of suspensions on Balance of Payment support, technical assistance, voting and related rights by the IMF, and declaration of ineligibility to access Fund resources. Consequently, the country’s external payment arrears have continually increased.
		4. The combined effect of the arrears situation and the sanctions has resulted in Zimbabwean companies finding it extremely difficult to access offshore loans, thus, crippling their operations. Currently, where the private sector manages to secure offshore financing, it is usually at punitive and exorbitant interest rates.
		5. Moreover, Zimbabwean importers are asked to pay cash up front, resulting in a significant squeeze on private sector cash flows. This has led to bigger challenges, including under capacity utilization. Due to declining external budgetary support, Zimbabwe's budget deficit has largely been financed from domestic borrowing, which has triggered high inflation.

# Impact on the Financial Sector

* + 1. Due to the absence of Balance of Payment support, Zimbabwe's Balance of Payment position has been deteriorating significantly since the imposition of sanctions. The sanctions have led to Zimbabwe and its entire financial linkages with the rest of the world being branded as high risk, thereby making the country a compelling target for de-risking interventions by lending correspondent banks in the USA and Europe.
		2. Overall, Zimbabwean banks and money transfer agencies are facing problems in meeting their customers’ obligations, including Diaspora remittances into the country, owing to the termination of correspondent bank arrangements between local banks and international financial institutions. Funds are usually intercepted, and money transfer companies become victims of long tedious investigations into specific transactions.

# Impact on International Financial Transactions

* + 1. Zimbabwean companies and individuals have found it extremely difficult to effect payments through the international payment platforms as these transactions are intercepted and blocked in the sanctions imposing countries, especially the US.
		2. As a result, there are many cases of blocked funds or failure to transact in the business sector and among individuals.

# Impact on Investment and Growth

* + 1. The negative perception that has come with sanctions has negatively impacted on FDI inflows as investors tend to shy away from economies that are perceived as risky.

# Impact on the Agriculture Sector

* + 1. Agriculture is the backbone of Zimbabwe’s economy, providing employment and income to over 60 percent of the population, supplying 60 percent of raw materials required by the manufacturing sector and contributing 40 percent of total export earnings.
		2. However, the sanctions brought a myriad of challenges to the agricultural sector. Specifically, they made it extremely difficult to access agricultural lines of credit and attract investment. This has resulted in a lack of development, rehabilitation and modernisation of equipment and machinery, leading to a reduction in productivity. This has negatively affected the livelihood of households and the fight against poverty and hunger.
		3. The market access for horticultural products, sugar, beef and cotton, among other crops, was also negatively affected. Horticulture was the fastest growing sector and generated significant amounts of foreign exchange, and at one point was the second largest foreign exchange earner after tobacco. However, Zimbabwe lost most of its niche and lucrative markets for horticultural products, particularly in the Netherlands and the UK. Furthermore, Zimbabwe lost preferential tariff quota exports of beef, cotton and sugar to the EU.

# Impact on Industry/Manufacturing Sector

* + 1. The sector has been heavily affected by sanctions through high costs of borrowing, tight liquidity conditions, outdated technology, continued use of antiquated plant and machinery, declining agricultural output, low aggregate demand and power outages. The sanctions affected the manufacturing sector through lack of long-term financing, which precluded the sector from accessing the much-needed capital injections for retooling. This has eroded the viability and competitiveness of the sector.
		2. Due to sanctions, Zimbabwe lost some of its overseas international markets for its manufactured goods. This was due to cancellations of contracts to the EU and US markets.

# Impact on the Mining Sector

* + 1. The effects of the sanctions on the mining sector were reflected in:
* Limited funding to recapitalize as most financiers stopped providing lines of credit to the industry;
* Failure to receive proceeds from mineral sales, especially those associated with the Minerals Marketing Corporation of Zimbabwe (MMCZ), which is a specified public entity; and
* Reduced ability to access new markets.
	+ 1. Of particular concern are the negative effects of the sanctions on the marketing of minerals, particularly diamonds, with mining companies being forced to sell on an ex-works basis instead of free-on-board or delivered basis.
		2. Concerning the diamond mining companies, the sanctions made it difficult for them to effectively market and trade their diamonds at competitive prices, forcing them to sell the precious mineral at discounted prices of more than 25 percent below the normal prices.

# Impact on the Energy Sector

* + 1. The energy infrastructure deteriorated significantly since the imposition of sanctions due to decreased FDI. There has been limited access to credit lines and financial support from International Financial Institutions like the World Bank, which stopped their support for energy infrastructure development programmes.
		2. This has impacted negatively on the rate of implementation of capital projects, resulting in curtailed and unreliable power infrastructure, insecure power supply and power outages. This has directly affected other sectors such as agriculture and manufacturing.
		3. Meanwhile, the termination of credit facilities to oil importers, who now have to pay upfront for supplies, has negatively impacted on the country’s ability to secure adequate fuel supplies. The resulting fuel shortages have had downstream effects on the cost of production, public transportation and ultimately, on prices of goods and services.

# Impact on the Tourism Sector

* + 1. Bad publicity has dealt Zimbabwe's tourism sector a negative blow. This is because Zimbabwe has been falsely perceived as an unsafe and risky country to visit, with the likes of the UK, US, Germany and Australia issuing negative Travel Advisories to their citizens. This drastically reduced the number of tourist arrivals from the West.
	1. **Impact on the Health Sector in the Context of the COVID-19 Pandemic**

3.10.1The Government of Zimbabwe has performed commendably well to contain the spread of the COVID-19 epidemic through stringent public health and social measures. However, its efforts have been adversely affected by the sanctions, which have hampered its ability to import the necessary medical equipment, medicines and food from global markets. The Government has also been impeded from accessing international assistance.

1. **CONCLUSION**
	1. Zimbabwe is willing to engage and re-engage with sections of the international community which imposed sanctions. The latter must remove the illegal sanctions immediately and unconditionally to allow the country to move forward.
	2. Zimbabwe and its SADC partners therefore call for unity of purpose from all members of the international community in lobbying for the removal of these debilitating sanctions.

**SADC PERMANENT MISSIONS IN GENEVA**

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