

A CAMPAIGNER'S GUIDE

# DROP IT!

Winter 2011



## Debt justice for Zimbabwe

  
**JUBILEE DEBT**  
CAMPAIGN

# ZIMBABWE'S DEBT

After years of economic chaos and social division, there is new hope in Zimbabwe. The Movement for Democratic Change runs the Finance ministry, as part of a coalition government, and fresh elections are due in 2012 or 2013.

**Right now, the government is discussing what to do about the country's crippling \$7 billion debt, left to multiply since the year 2000.** Will they use revenues from exports – particularly diamonds – to resume repayments? Will they ask for debt relief from the International Monetary Fund and the World Bank?

**Debt campaigners in Zimbabwe are calling for a different approach.** They want resources from minerals invested in Zimbabwe's development. They oppose money being squandered on debt repayments. They remember all too well the 'structural adjustment' imposed by the West in the 1990s in the name of development, which increased poverty and helped begin the country's economic decline.

**Instead, they're calling for a 'debt audit'.** To analyse the lending of the past. To find out how it did and did not benefit ordinary Zimbabweans. To support greater popular scrutiny of all borrowing decisions in the future. **And they're asking for our support.**

## WHERE THE DEBT COMES FROM

### BORN INTO DEBT:

Zimbabwe inherited \$700 million of debt from the Rhodesian government on independence in 1980. Much of it was the result of UN sanctions-busting loans to the white-supremacist Ian Smith regime during the civil war.

### OVERPRICED PROJECTS:

The largest World Bank loan in the 1980s was for Hwange coal power station, which also led to debt being owed to the UK government and others. The power plant ended up being far too expensive to generate the resources to repay the loans.

## DEBT AND DEMOCRACY

Zimbabwe's recent history has been characterised by political oppression, economic chaos and social division. That story is well known in the UK. However it is rarely the case that a reign of terror springs from nowhere. What is much less well known is the long-term role that foreign governments, international institutions and private companies have played in laying the foundations for Zimbabwe's catastrophe.

When the global Jubilee movement to 'drop the debt' was formed in the run up to the year 2000, Zimbabwe was one of the countries felt to be in need of urgent debt cancellation. For debt campaigners, Zimbabwe's experience was typical of many African countries: structural adjustment programmes imposed from Washington, self-interested lending concerned more with boosting Western industry than benefiting some of the world's poorest people. As the timeline below shows, Zimbabwe was saddled with unjust debts from independence, and faced a series of external shocks – some natural, some all too human – in the two decades before default.

### THE DEBT CYCLE

**Between 1980 and today, Zimbabwe has been lent \$8 billion and repaid \$11 billion. Yet it still owes \$7 billion.**



JUBILEE 2000 ACTIVISTS IN ZIMBABWE MAKE A HUMAN CHAIN IN HARARE, ZIMBABWE IN 1998.

## A WINDOW OF OPPORTUNITY

Yet today, debt campaigners are not calling for immediate debt cancellation for Zimbabwe. In the UK, we're calling for a full audit of all debts, including Zimbabwe's, to assess the impact of UK loans on developing countries. In Zimbabwe, debt campaigners are demanding the Zimbabwean parliament does the same.

Nevertheless, debt cancellation is on the international agenda. The Finance Minister, Tendai Biti of the Movement for Democratic Change, has met with international creditors, led by the African Development Bank, to begin negotiations over the country's debt. UK International Development minister Andrew Mitchell has met with investment bankers Lazard to discuss becoming a 'champion' for Zimbabwean debt relief.

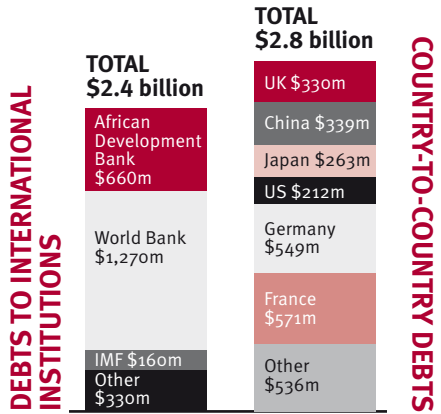
### DROUGHT:

Zimbabwe faced major droughts in 1982-83 and 1992 which worsened the spiral of debt accumulation. In 1992, \$600 million was spent on debt repayments while \$700 million of new loans were given to help the country cope.

### STRUCTURAL ADJUSTMENT:

The Structural Adjustment Programme of 'free market' economic reforms imposed on Zimbabwe in the 1990s led to unemployment doubling. \$760 million is still owed to the World Bank, African Development Bank and IMF for structural adjustment loans.

For the government – and lenders – the interest in debt relief is to be able to borrow and lend again. But this threatens to repeat the disastrous debt cycle of the past. New elections are due in the next 18 months and there is no realistic prospect of international agreement on debt cancellation before then. If there is a time for international campaigners to support Zimbabweans in establishing the truth about the rich world's last attempts to 'help', that time is now.



ZIMBABWE'S EXTERNAL DEBT ALSO INCLUDED \$1.2bn UNSPECIFIED RESERVE BANK DEBT AND \$0.4bn OTHER (PRIMARILY COMMERCIAL) DEBT AT END 2009.

### DEBT AUDITS

- A debt audit is a public, participatory and comprehensive assessment of a country's debts, conducted by citizens, parliaments or governments. It is a key step towards creating greater economic democracy in a country.
- The world's first state-sanctioned debt audit took place in Ecuador in 2008. It found that a large proportion of Ecuador's external debt had been contracted illegally or illegitimately. Ecuador then renegotiated its debt, with 65-70% effectively written off.
- In 2009 Norway pledged to become the first lender nation to commit to an official audit of the debts it is owed. Work on an audit has now begun.

### ZIMBABWE'S DEBT TO THE UK

The £210m (\$330m) that Zimbabwe owes to the UK is mainly to the Export Credits Guarantee Department (ECGD). This debt comes from trade deals including for police Land Rovers, two power stations, an airport terminal and a pipeline. ECGD is refusing to release further details of these deals, and doesn't know how much Zimbabwe paid back in the 1990s. Amnesty International has reported the use of Land Rovers to facilitate human rights violations by the security forces.

### PROTEST:

Protests against rising poverty and inequality under structural adjustment increased through the 1990s. Mugabe maintained himself in power by buying-off war veterans and clamping down on dissent.

### INTEREST AND PENALTIES:

Zimbabwe stopped repaying most of its debts in 2000, having spent 15% of GDP on debt repayments in 1998. Since then the debt has increased from \$2.8 billion to \$7 billion.



## A MESSAGE FROM ZIMBABWE

“ For Zimbabweans the question of debt is central to our economic recovery. With the national debt today standing at over \$7 billion – 120% of GDP – it is clear that Zimbabwe faces a debt crisis even more severe than countries like Greece and Italy.

For us at the Zimbabwe Coalition on Debt and Development, dealing with the debt is a longstanding concern. We were set up in 2000 to tackle the unsustainable level of public debt, which had become a major obstacle to human development – between 1996 and 2001, Government expenditure on total debt payments reached a peak of 40 times as much as expenditure on social welfare.

Today we say that priority should not be given to debt repayment in the national budget. The government must be able to cater for the basic needs of the people first before debt servicing is considered.

That's why we are calling for an audit of Zimbabwe's debt. The Zimbabwean Parliament should set up a Public Debt Commission and conduct an official debt audit to establish what the loans were used for.

A debt audit should be public, transparent and participatory, involving mobilization of citizens. It should utilise the doctrine of 'odious debt' to recommend the repudiation of any past loans which are not shown to have benefited the people. It must be the starting point of the country's future debt strategy. An audit would not only reveal the origins, growth and impact of our debts but also identify institutional and policy weaknesses in how we manage the debt for the future.

We have serious concerns about Zimbabwe entering the Heavily Indebted Poor Countries (HIPC) initiative, run by the World Bank and IMF. First, the need to clear 'arrears' would mean spending on

BE PART OF THE DEBT WEEK  
and join us for...

**“NO LOANS FOR US WITHOUT US!”**  
A PLAY BY SAVANNAH ARTS TRUST

DATES: 12 - 15 October 2011  
VENUE: Theatre in the Park (Harare Gardens)  
Times: 5:30pm  
Admission: \$5 and \$4

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AGAINST DEBT  
www.jubileesouth.org

debt service payments would go up in the short term. Second, HIPC is a creditor-controlled process which would do nothing to strengthen democratic control of debt management in the future. Sometimes we suspect that Western lenders, with an eye on China's lending in Africa, are more concerned to get the loans flowing again than to learn the lessons from the past.

That's why we are also calling for creditors like the African Development Bank and the UK to say that they would support and co-operate with a Zimbabwean debt audit if it took place. For this we will hugely appreciate the support of campaigners in creditor countries in the global North.



In solidarity,  
**Joy Mabenge**  
Chair, Zimbabwe  
Coalition on Debt  
and Development  
(ZIMCODD)

I support an audit of  
Zimbabwe's debt



  
JUBILEE DEBT  
CAMPAIGN

# Debt Justice for Zimbabwe

  
JUBILEE DEBT  
CAMPAIGN

Dear Mr Kaberuka,

Foreign debt has played a role in the impoverishment of Zimbabwe. We understand that the African Development Bank is taking the lead for creditors in discussions with the Zimbabwean government on what to do with the country's estimated \$7 billion debt.

The Zimbabwe Coalition on Debt and Development is calling for the Zimbabwean parliament to create a debt audit commission which would investigate how the debt was created, who loans did and did not benefit, and learn lessons for future borrowing. An official audit would also increase democratic accountability over the country's finances.

As a concerned citizen in one of Zimbabwe's major creditors, I am calling on you to respond to the demands of the Zimbabwe Coalition on Debt and Development and:

- Release all information and evaluation of the African Development Bank loans which helped to create Zimbabwe's debt
- Signal that the African Development Bank would support and co-operate with an official debt audit if one is undertaken by Zimbabwe

Yours sincerely,

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Postcode \_\_\_\_\_

Tick here if you do NOT want to receive further information about Jubilee Debt Campaign's work.

Affix stamp here

Mr Donald Kaberuka

President

African Development Bank Group

c/o Jubilee Debt Campaign

The Grayston Centre

28 Charles Square

London

N1 6HT

## DONATE

I enclose a donation of \_\_\_\_\_

(Please make cheques payable to 'Jubilee Debt Campaign', and sign the Gift Aid declaration, if applicable)

## ORDER CAMPAIGN MATERIALS

I'd like to:

↘ order more copies of this issue of *Drop It*

↘ order more copies of the Zimbabwe postcard (above)

↘ order copies of the *Uncovering Zimbabwe's debt* report (54 pages)

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Postcode \_\_\_\_\_

Email address \_\_\_\_\_

Supporter Number (if known) \_\_\_\_\_

Tick here if you do NOT want to receive further information about Jubilee Debt Campaign's work.

*giftaid it*

**If you're a UK taxpayer, we can reclaim an extra 25% in tax on your donations. Please tick the box, then sign and date. Declaration invalid without all three.**

I would like JDC to treat this and any future donations as Gift Aid donations. I declare that I am a UK taxpayer and will pay tax of at least the amount to be claimed on this donation in the current tax year. I will notify JDC if I stop paying enough tax.

Signature \_\_\_\_\_

Date \_\_\_\_\_

We like to acknowledge donations received. Please tick if you do **not** require this.

**Please return to: Jubilee Debt Campaign, The Grayston Centre, 28 Charles Square, London N1 6HT.**

*If you're not making a donation, you can also email this information to [info@jubileedebtcampaign.org.uk](mailto:info@jubileedebtcampaign.org.uk) or phone 020 7324 4722.*

## TAKE ACTION

Please sign this postcard to the head of the African Development Bank. We will deliver the postcards to the AfDB's head office in Tunisia.

## ZIMBABWE'S DEBT: WHAT NEXT?

### 1. Continue to default

Zimbabwe could continue to default on the loans it is not repaying. It would still not be able to access new loans from the IMF, World Bank and Western governments, but could continue to accept loans from China.

**VERDICT:** Approach followed since 2008 elections. Future governments could end up enslaved to China as much as Zimbabwe was to Western lenders in the 1990s.

### 2. Export to repay

Zimbabwe could use revenues from exporting minerals like diamonds to restart payments on its defaulted debts but Zimbabwe's diamond industry is already linked to human rights abuses, and such exports in the global South have often strengthened the undemocratic elites which control them – the so-called 'resource curse'.

**VERDICT:** Paying off \$7 billion would take decades while Zimbabweans face crippling poverty. Revenues better spent on essential services and infrastructure.

## SUPPORT JUBILEE DEBT CAMPAIGN

If you can make a donation towards our work, or you would like more copies of our campaign materials, please return this postcard to us in a stamped envelope.

### 3. Ask for debt relief

Zimbabwe is likely to qualify for the Heavily Indebted Poor Countries (HIPC) debt relief scheme run by the World Bank and IMF if it requests to join it. Around half of its debt could be cancelled and it would be able to access new loans. But it takes years to complete and comes with undemocratic economic policy conditions attached.

**VERDICT:** Most likely. But in the short term repayments will go up, since back payments must be made before debts are cancelled. Strings attached and new loans risk repeat of the 1990s.

### 4. Debt audit

An official debt audit would investigate how loans were used, whether the spending benefited the people, and the impact of repayments. It could judge which loans were made responsibly and how much Zimbabweans can afford to repay.

**VERDICT:** What campaigners are demanding. May mean waiting longer for debt cancellation, but democratic control over Zimbabwe's economy would be strengthened, and debts would be cancelled on the grounds of justice.

**For Jubilee Debt Campaign's full examination of Zimbabwe's debt, see our November 2011 report *Uncovering Zimbabwe's debt: The case for a democratic solution to the unjust debt burden:***

[www.jubileedebtcampaign.org.uk/zimbabwereport](http://www.jubileedebtcampaign.org.uk/zimbabwereport)





# DEBT UPDATE

## DICTATOR DEBTS CHALLENGED

Campaigners from around the country travelled to London for our Dictator Debts day of action on Halloween, 31 October. There was a special focus on Egypt following the discovery of documents proving the country's £100 million debt to the UK relates to arms sales to Hosni Mubarak in the 1980s. Our Dodgy Deals campaign is calling for an investigation into the origins of these and other debts, and cancellation of those debts not found to have benefited the people of the country.

After a morning workshop, campaigners went to the House of Commons to lobby their MPs to support the campaign. They then joined our 'skeletons in the cupboard' protest outside the Business Department, run by Liberal Democrat Vince Cable, where we handed in thousands of campaign postcards, taking the total to more than 10,000. Dina Makram-Ebeid from Egypt joined the action, saying: "Egypt's debt is Mubarak's debt. It is not the Egyptian people's. Egyptians never had a say in

the borrowing that was being made in their name, let alone borrowing to buy arms." Over 190 MPs have now signed the parliamentary motion supporting the call to clean up Britain's exports, putting it in the ten most popular motions.

- ✓ Watch comedian Mark Thomas count down Britain's Top 5 Dodgy Deals at: [www.cleanupexports.org.uk](http://www.cleanupexports.org.uk)

## SOUTH SUDAN BORN DEBT-FREE

The world's newest nation, South Sudan, became independent in July without inheriting the North's \$38 billion of dictator debt, after an agreement was reached in principle for the North to keep the debt as part of the independence process. Many thanks to the thousands of you who emailed the UK government to ask them to support a debt-free start for South Sudan.

- ✓ Read more at [www.jubileedebtcampaign.org.uk/southsudan](http://www.jubileedebtcampaign.org.uk/southsudan)





## CLIMATE LOANS SHARKS EXPOSED

Our new joint report with the World Development Movement has revealed that the UK is pushing \$1.1 billion of climate loans, via the World Bank, on some of the world's most impoverished countries.

Climate justice campaigners around the world are demanding that industrialised countries give grants not loans for climate change adaptation in the global South, to repay the 'climate debt' built up by emitting more than their fair share of greenhouses gases. The global World Bank Out of Climate Finance campaign is trying to prevent the new 'green climate fund', to be established at the UN climate talks in Durban in December, from being controlled by the undemocratic World Bank.

↘ Read the report and email Climate Change Secretary Chris Huhne at: [www.jubileedebtcampaign.org.uk/climatedebt](http://www.jubileedebtcampaign.org.uk/climatedebt)

LEFT: CAMPAIGNERS CALLED ON VINCE CABLE TO REVEAL THE DEBT SKELETONS IN THE GOVERNMENT'S CUPBOARD IN A HALLOWEEN PROTEST.

CLIMATE LOAN SHARKS VISIT THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT IN AUGUST

## JERSEY TO CLIP VULTURES' WINGS?

The Governments of Jersey and Guernsey – major financial centres with separate legal systems from the rest of the UK – have both launched consultations on introducing the UK's landmark Vulture Funds law. The law restricts the outrageous practice of traders buying up cheap developing country debts, which rich countries have agreed to cancel, and using the courts to seek full repayment. Thank you to the many thousands who sent campaign postcards to the Jersey government calling for an end to this outrageous practice. The outcomes of the consultations are expected in the new year.


↘ Read the latest at [www.jubileedebtcampaign.org.uk/vulturefunds](http://www.jubileedebtcampaign.org.uk/vulturefunds)


## ABOUT US

**Jubilee Debt Campaign is part of a global movement calling for 100% cancellation of unjust and unpayable developing country debts, and a new financial system which puts people first.**

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