

Fresh headache for Mnangagwa

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President Emmerson Mnangagwa

Cash-strapped government is struggling to raise US\$1.75bn to compensate former commercial white farmers who lost their farms under the land reform programme amid revelations a bid to raise funding from development partners and other international financiers has hit a brick wall, *Business Times* can report.

Under the agreement signed at State House in July last year, Zimbabwe agreed to pay US\$3.5bn as compensation to former commercial white farmers for the loss of land, 20 years after the government embarked on the fast track land reform programme.

The compensation is for value of improvements, biological assets and land clearing costs for the land which was compulsorily acquired for resettlement.

According to the agreement, half of the amount (US\$1.75bn) is supposed to be paid by President Emmerson Mnangagwa's administration as deposit in five months from now.

The balance will be paid in four-year instalments of US\$437.5m per year.

Zimbabwe had planned to raise the amount by issuing a bond in the international capital markets to raise US\$3.5bn.

This has not happened.

Farmers are engaging the government on the matter.

Commercial Farmers Union of Zimbabwe (CFU) president Andrew Pascoe told *Business Times*: “In terms of money, no payment has been done to date and we are not sure if the US\$1.75bn can come through within the agreed time frame. We will see how it goes in the next few months and seek the government’s audience on the way forward.

We are still negotiating with the government over a number of issues in the agreement and no lasting solution has been reached.”

Economist John Robertson said it would be a tall order for Zimbabwe to raise the US\$1.75bn payment by the end of July this year as the country is “languishing in debt, has a high import bill and is failing to capacitate farmers, manufacturers and miners”.

“The raising of bonds implies a promise to repay and it is likely that the country won’t get support until we carry out reforms to restore our productive capacity. We have no way of repaying new debts when the existing debts are beyond us,” Robertson said.

Experts say it will be tough to raise the money in five months considering the economy has to shake off the Covid-19 induced shocks and that government is fundraising for a vaccination programme to achieve herd immunity.

Efforts to get a comment from Finance minister, Mthuli Ncube, and permanent secretary, George Guvamatanga, were futile. Their mobile numbers were not picked when this publication called yesterday.

Lands, Agriculture, Water, Fisheries and Rural Settlement minister, Anxious Masuka referred all questions to the ministry’s permanent secretary, John Basera.

Basera’s mobile number went unanswered yesterday.

A senior government official who requested anonymity said the government was on course to meet the terms of the agreement as it has not missed any of the milestones set out under the global agreement.

“Government has not missed any milestone when it comes to the global agreement and everything is on course. It would also be important to note that the government has always chipped in with assistance on former white commercial farmers if you check in the 2021 budget,” the source said.

The Compensation Deed agreement was signed by Ncube (representing Zimbabwe government), CFU representative Pascoe, South African Commercial Farmers Alliance (SACFA) representative Cedric Robert Wilde and Anthony Nield Purkis representing Valuation Consortium (Private) Limited (VALCON).

The CFU represents the interests of commercial farmers operating in Zimbabwe, SACFA the interests of commercial farmers in Matabeleland and VALCON representing the interests of all commercial farmers registered with them, some of whom are not members of either the CFU or the SACFA.

The failure by the government to compensate former commercial white farmers had been cited as a breach of property rights tearing into the government’s commitment to protect investments under the “Zimbabwe is open for business” mantra.

In October, Zimbabwe asked for expression of interest from financial advisors to raise US\$3.5bn from the international markets. The financial advisors had up to October 22 to express their interest.

The Ministry of Finance and Economic Development has not made an update on the fundraising initiative.

The land dispute has haunted the government.

In 2018, a World Bank-affiliated international appeals court – the International Centre for Settlement of Investment Disputes (ICSID) - dismissed Zimbabwe’s application to annul an award granted to a former commercial white farmer.

The ICSID had in July 2015 awarded the Bernhard von Pezold family the return of their property in Manicaland Province plus their full legal costs and interest, or alternatively, the Zimbabwean government should pay the family US\$195m in damages. In October 2015, Zimbabwe sought the annulment of the award but lost.

The compensation agreement could bring closure to the emotive issue which speaks to property rights.

Resettled farmers have struggled to access financing from banks who continue to shun 99-year leases as not bankable, thereby affecting production on the farms.

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