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### **Zimbabwe Ordered To Pay 40 Million Euro Debt**

HARARE — The Zimbabwe government has been ordered to pay 40 million euro to a German bank after the state-owned Zimbabwe Iron and Steel Company (ZISCOSTEEL) failed to service a loan granted to the company eight years ago.

The German bank, Kreditanstalt Fur Wiederaufbau (KfW), took its case to the International Court of Arbitration (ICA) in 2004 after hard-cash strapped Harare defaulted on repayments.

Under the terms of the loan agreement signed in 1998, KfW granted three loans to ZISCOSTEEL amounting to Euro 59,085,359 with the Zimbabwe government, which owns the steelmaker 100 percent, acting as guarantor.

KfW is 80 percent owned by the German government and its funding activities are mainly aimed at promoting Germany's export activities.

Documents made available to ZimOnline show that ZISCOSTEEL paid the first installment of Euro 861 558.01 on 31 March 2000. It also made further payments of Euro 275,000 and Euro 9 673.04 in August 2002 and December 2002 respectively.

But attempts by KfW to have ZISCOSTEEL finish off the repayments failed forcing the German bank to seek help from the Paris-based ICA to recover its money.

According to the documents, an attempt by KfW to receive an "explicit Acknowledgement of Indebtedness" from ZISCOSTEEL on 9 September 2004 had also failed with the German bank not receiving a response from the steel firm.

In December 2004, KfW appointed a debt recovery agency, Commercial Intelligence SE Asia Pte Ltd, Singapore to collect the debt owed by Zimbabwe.

But the debt collector failed to make headway forcing the German bank to appeal to the ICA.

In a ruling delivered last week ICA arbitrator, Dr Wolfgang Peter, awarded: "claimant (KfW) as amortisation of the three loans the amount of Euro 40,312,717.49 altogether with the interest arising under the loan agreements."

The arbitrator also ruled that Zimbabwe pay the legal fees and related expenses incurred by KfW over the case.

While the hard cash-strapped Harare administration is not seen able to pay KfW anytime soon the German bank could use the arbitration order to attach Zimbabwean properties outside the country.

Zimbabwe Finance Minister Herbert Murerwa could not be reached for comment on the matter.

Zimbabwe is grappling its worst ever economic crisis characterised by the world's highest inflation rate of 1,098.8 percent and severe foreign currency shortages.

The southern African country last year narrowly escaped expulsion from the International Monetary Fund after scrambling to repay part of its overdue debt to the Fund on the eleventh hour. Harare stills owes money to the IMF among several other international lenders.