AN ANALYSIS OF THE OBJECTIVES AND EFFECTS OF PRIVATISATION ON THE PUBLIC SECTOR AND THE ROLE OF THE STATE IN ZIMBABWE

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An analysis of the objectives and effects of privatisation on the public sector and the role of the state in Zimbabwe

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PREFACE

Why the study ? This paper presents the findings of a desk study on the ***objectives and effects of privatisation on the public sector and the role of the state in Zimbabwe.*** The Zimbabwean case study forms part of a regional study concurrently commission in Zambia, Malawi, Mozambique, South Africa and Tanzania by the Southern Africa Peoples' Solidarity Network (SAPSN) in 2005. The project emerges from the premise that privatisation has far reaching impact for countries in Southern Africa and carries even more serious implications for economic development, social justice, human rights and security in the poorer, weaker and more unstable countries of the world.

The overall objective of the project as conceptualized was to produce a combined and comparative regional research and capacity building programme on alternatives to privatisation in selected countries of Southern Africa. The emerging commonalities and trends in the project countries are meant to inform and reinforce arguments against privatisation, and to assist in building common campaign platforms for social movements in the region. The specific objectives of the regional project are:

1. To interrogate the changing role of the State in the provision of Social services to ensure sustainable human development of the respective SADC countries in line with the Millennium Development Goals.

2. To investigate the social costs and benefits, if any, of the privatization processes in the region.

3. To assess the impact of privatization on the following and other public sectors
   - Education
   - Health
   - Labour
   - National Productivity.
4. Based on the research findings, to formulate policy recommendations for a people driven development agenda and campaigns in the Region.

The first phase towards the attainment of the above objectives included desk research, reviewing the role of public agencies in Southern Africa, particularly in the post-colonial development era. The second phase comprised of participatory research involving the gathering of evidence on the specific national experiences of the role of the state in services, infrastructure development, and production as well as facts on the effects and impact of privatization on economic and social development. which wide consultations, dissemination and report back meetings were undertaken in order to raise awareness around privatization, its impact and implications. The consolidated report from participating countries is intended to contribute to the work of social movements in the region.

METHODOLOGY

The process This study was carried out through extensive literature review of the national development strategy in Zimbabwe in the period after independence, the role of the state and public sector systems, structures and institutions therein, the adoption and progression of the privatization process and its impact. The two major reflections underpinning this study are:

- An overview of post-independence state-led national development approaches with a focus on the role of the state, its operational mechanisms, the regulatory framework, achievements, and shortcomings.
- An analysis of the aims of privatization-highlighting the context and rationale for privatization, motivation, external and internal factors, the process leading to privatisation, the format of privatization adopted, implications and outcomes and evaluation.

The findings from this desk research provide a basis for the analysis of the impact of privatization, corporatisation and various forms and degrees of commercialization of public enterprises and services in post independence Zimbabwe.

EXECUTIVE SUMMARY

The experience of privatisation

Privatisation policy prescriptions were embraced in Zimbabwe and other African countries in the early 1990s largely as conditionalities for accessing balance of payments under the Economic Structural Adjustment programme (ESAP). Privatisation programmes are largely externally designed, and packaged for the purpose of advancing the neo-liberal development agenda. Their adoption and implementation represents a paradigmatic shift in the role of the state, from a protective, populist and humane welfare state to a mechanical, minimalist state. Given the prevailing socio-economic realities in the post-colonial state, such a shift constitute an unwarranted and silent surrender by the state and those in control of the state, of their contractual social responsibilities not only to defend the interests of its citizens, but also to advance them.

Their adoption and implementation represents a paradigmatic shift in the role of the state, From a protective, populist and humane welfare state to a mechanical, minimalist state.

There were many factors that accounted for this radical policy shift by the government. For one thing, the whole of the 1980s decade was marked by a distinct and strong rightward movement in ideology that culminated in the "triumph" of global capitalism with the collapse of empirical socialism in the former Soviet Union and Eastern Europe. Closely linked to these external variables, was the role of the international financial institutions (IFIs) and among these, the World Bank. These external forces operated in liaison with the local pressure groups that viewed privatisation as a key economic and fiscal recovery strategy for an economy whose budget deficit was increasingly becoming unsustainable.

Amongst the most influential interest groups were the white-dominated lobby groups" that represented "the most powerful economic interests, and had lobbying expertise built up under previous regimes" (Jenkins: 587]). For instance, as the manufacturing sector began to suffer from various regulatory economic controls including on foreign exchange, the Confederation of Zimbabwe Industries began to seriously lobby for liberalisation and for changes in macro-economic (and not just sectoral) policy.

Within the local polity, the unification of the former rival Zanu-PF and PF-Zapu parties had the paradoxical effect of marginalizing the unified party from key policy decision-making processes. The introduction of the executive presidency at the end of 1987 also saw the centralisation of economic policy making in the Presidency, the Minister of Finance and Economic Development, and the Minister of Industry and Commerce. It was this triad that was now in charge of economic policy formulation and implementation. Not only was the public not consulted let alone involved in the formulation of policy, but even "middle-ranking members of Zanu (PF) and Parliament itself were marginalised" [Jenkins 1997, 588].

This period also coincided with the ascendancy of so-called 'technocrats' over 'ideologues' in Cabinet. It also saw the entry of the World Bank as a key player in the country's economic policy making, invariably on the side of the economic interest groups. The technocrats in Cabinet and the state bureaucracy, the powerful economic lobby groups, and World Bank together constituted a powerful pro-adjustment coalition.

Herbst [1990:210] refers to emerging "technocratic considerations replacing political considerations" within both the ruling party and government structures.

However, a decade since the implementation of privatisation in Zimbabwe, the supposed benefits are yet to be realised while its transitional costs have turned out to be permanent features of the post privatisation era

However, a decade since the implementation of privatisation in Zimbabwe, the supposed benefits are yet to be realised while its transitional costs have turned out to be permanent features of the post privatisation era. Virtually all the economic indicators are in decline and the expected benefits from privatisation such as economic growth, increased revenue inflows from the sale of privatised companies, broad-based ownership, price stabilisation due to competitive production and improvements in economic efficiency are yet to be realised.

In the public enterprise sector, privatisation of parastatals led to the retrenchment of many employees, worsening their welfare, as there were no social safety net mechanisms in place. Over 300 workers were retrenched when Air Zimbabwe was commercialised in 1994. The Cotton Company of Zimbabwe reduced its permanent workforce from 3,000 to 500 between 1994 and 1998 and the Grain Marketing Board retrenched half of its 2,500 workers within a year in 1998. Most retrenched workers were forced into the informal sector to survive.

In other sectors, the outsourcing and commercialisation of services in local authorities resulted in a reduction in the quality of service as well as the skyrocketing of prices beyond the reach of ordinary people. The outsourcing of refuse collection in Harare, for instance, resulted in the noncollection of refuse for days, although contractors continued to receive fees. The commercialisation of the Zimbabwe Electricity Supply Authority (ZESA) resulted in a massive increase in electricity tariff rates equivalent to market rates as a way of cost-recovery.

In few cases where government managed to raise revenues, this did not trickle down to ordinary people at grassroots level. The intended economic empowerment of indigenous population was not substantial due to limited financial resources on the part of the indigenous as well as lack of collateral to enable the indigenous to borrow funds from financial institutions. Unlike the case in Malaysia and other African countries such as Zambia, the state in Zimbabwe did not put in place a coherent legal framework and specific defence schemes to buttress indigenous agenda. Privatising entities were only exhorted to respond to indigenisation ideals. For instance, the Dairibord Employee Share Ownership Trust Fund established by the company when it was privatised in 1997 turned out to benefit management at the expense of employees because contributions to the fund were based on individual employee earnings. Management whose contributions were much higher than those of ordinary workers took almost total control over the company.

In fact, the prevailing socio-economic, institutional and legal framework in Zimbabwe does not accord with the privatisation agenda. The mandates of the Zimbabwe Privatisation Agency have since been refocused from privatisation towards restructuring. The responsibilities of the Privatization Authority of Zimbabwe (PAZ), the Department of State Enterprises, Anti-Monopolies and Anti-Corruption and responsible ministries are not clearly demarcated. There are no specific pieces of legislation to back up the programme of indigenous economic empowerment. The absence of these legal frameworks has turned privatisation activities into avenues of political patronage.

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Experiences in Zimbabwe and indeed across Africa irrefutably demonstrate that the decision to adopt neo-liberal development strategies was unfortunate. Not only did the reform programme impact negatively on the welfare of the Zimbabwean majority, but also substantially reversed most of the gains in the first decade of independence with respect to the provision of, and the majority's access to, educational and health services. In fact, in view of the socioeconomic realities of the post-colonial state, the privatisation agenda is hardly sustainable at both the theoretical and practical level. Zimbabwe's future lies in welfare development model, implemented by a strong, responsive and committed state. A minimalist state model is inimical to the African agenda. It amounts to a state abrogating its contractual social responsibilities to its citizens.

Zimbabwe's future lies in welfare development model, implemented by a strong, responsive and committed state. A minimalist state model is inimical to the African agenda.

Given these experiences, there is urgent need to abandon privatisation programmes and revert to state-led and pro-people development strategies. Such development strategies should be buttressed with policy consistency, broad-based consultation and commitment to policy implementation. Economic policy frameworks crafted especially since the 1990s were either abandoned mid-stream or ignored or still remained on paper. The state should also adopt aggressive defensive measures in order to forge ahead with the noble goals of indigenisation. Independent regulatory bodies should be established or strengthened to enable them curb negative externalities usually associated with the post privatisation era.

1 INTRODUCTION

What happened?

The biggest health crisis is the inevitable decline in the standard of living as a result of ESAP. We have this deal that health care should be paid for, but these costscannot be borne by the average family" (the then Minister of Health, Timothy Stamps, The Weekly Mail, 1993:10)

"The health policy must be changed from Health for All by the Year 2000 to Death for All by the Year 2000"(The then Minister of Mines, Edison Zvobgo, quoted in Mlambo, 1997:87).

When assets are privatised in Europe they remain largely in European hands because the private sector has the means to buy off state assets. Thus, for example, when the British telecom was privatised, it was still in the hands of British capital. If ever these were ever a serious threat that such a vital industry would fall in the hands of the French or the Japanese, the British State would have intervened to ensure that this would not happen"([Tandon, 1998:8).

While neo-liberal development strategies were embraced in Zimbabwe in the early 1990s, as the solution to the "crises" of the state, experiences from privatising countries indicate that these strategies are at odds with socio-economic imperatives of the African post colonial state. In practice privatization prescription has turned out to be even more dangerous that the malady itself. In fact, the post privatisation scenario in Zimbabwe posits a very gloomy and unenviable picture. Shimmer Chinodya would not hesitate to characterise Zimbabwe's experience with privatisation as a "harvest of thorns," a very bitter reaping indeed it was.

Neo-liberal policy measures were hastily implemented as conditions for accessing balance of payments- with little input from the recipient country and its citizens. The socio-economic dynamics at play in Zimbabwe were not factored in, to provide the empirical information base of privatisation. The Zimbabwean economy that in reality was under stress was deliberately portrayed as in crisis and therefore a suitable candidate for privatisation models. In their bid to create a convincing case for privatisation in Zimbabwe, proponents of neo-liberalism deliberately ignored or even downplayed the positive contributions of the interventionist development strategies of the first decade.

Besides, Zimbabwe as a developing post-colonial state has its own unique socio-political and economic circumstances and priorities, whose solutions are at odds with the underlying assumptions of privatisation models

To put the record straight, it should be known that while the state sector was indeed under stress, these problems were not of the scope that warranted outright privatisation measures. They were by and large the sort of problems that could be effectively dealt with through comprehensive in-house policy interventions. Besides, Zimbabwe as a developing post-colonial state has its own unique socio-political and economic circumstances and priorities, whose solutions are at odds with the underlying assumptions of privatisation models. Due to this misdiagnosis of the underlying problem in the state sector, the Zimbabwe privatisation programme reversed most of the gains made during the first decade of independence with respect to the provision of, and the majority's access to, educational and health services.

The civil service reforms under privatization did not yield substantial results. With drastic cuts in recurrent allocations, the extension services operations of departments of agriculture were paralysed. Shortages of medical supplies have become acute, and educational institutions have had to do without badly needed textbooks, stationery, and instructional materials. The rolling back on the public service coupled with mass retrenchment of personnel has had a negative impact on staff morale and productivity.

In fact, except in isolated cases, privatisation measures have not been effective in dealing with the root causes of Zimbabwe's development crises. Proponents of the privatisation programme failed to appreciate the concrete historical and post independence socio-economic realities on which the first decade state-led development strategies were predicated. These strategies were based on the approach that acknowledges the state as an important institutional device for resource allocation-but also as an instrument for redressing the colonial legacy. This approach requires the state to and those in control of the state to defend and advance the interests of its citizens.

To appreciate the fundamental underpinnings of state-led development strategies in Zimbabwe, a review of pre and post independence economic policies in Zimbabwe is presented in the next section.

1.2 State-led National Development Approaches in Zimbabwe

The Colonial Era Economic policy during the colonial era was part of a broader strategy aimed at promoting white supremacy. The White settlers, after crushing the 1896-97 revolt, forcefully moved the blacks away from rich farm areas to newly created tribal Reserves, generally characterised by poor soils and low rainfall. This policy was aggressively pursued such that by 1910, 23.4 percent of land had been appropriated by the Whites, with 26 percent declared Native Reserves (later to become Tribal Trust Lands) [Palmer, 1977:242]. The passing of the Land Apportionment Act of 1930, legalized the division of the country's land, and prohibited members of either racial group from owning land in areas designated to the other. By the end of 1930, 50.8 percent of the total land had been declared European, while 30 per cent had been reserved for the African population [Ibid: 141]. Palmer further notes that,

> *The heading of Africans into overcrowded Reserves and blatantly discriminatory policies against African farmers designed to protect fledgling White farmers from competition, meant that by the end of the 1930s, the agricultural economy of the Shona and the Ndebele, like that of the Kikuyu in Kenya, and most South African peoples, had been destroyed [p: 243]*

White settler institutional presence in all key sectors of the public sector was further buttressed by monopolizing strategic posts in the public sector.

The process was so systematic that by 1923, the settler government had employed 2 000 Whites in six administrative offices, even though only 33 000 settlers lived in the entire colony [Herbst, 1990:18].

White settler economic policy was characterised by unprecedented investment in physical and social infrastructure for the whites [UNCTAD/UNDP, 1980]. Protective pieces of legislation were also crafted to cushion the fragile settler economy from any negative effects that were likely to arise from changes in the world economy, notably, the Great Depression of 1930 and economic sanctions during Ian Smith's Unilateral Declaration of Independence (UDI). The State also intervened in the economy by effecting comprehensive controls over all sectors of the economy. The colonial financial sector was also structured in such a way that it offered relatively little financial or credit facilities to the communal areas"[Rukuni, 1994:17].

In addition to these, the whites had through "constitutional safeguards" in the Lancaster constitution, ensured that no major changes in the socio-economic structures would be made, at least during the first decade.

Agricultural marketing boards were used to subsidise inputs and promote access to credit facilities to white commercial farmers [Rukuni, 1994:18]

In the agricultural sector, the White State ensured that production remained largely in the hands of the white commercial farmers. Agricultural marketing boards were used to subsidise inputs and promote access to credit facilities to white commercial farmers [Rukuni, 1994:18]. Agricultural marketing boards were also strategically located to cater for the interests and welfare of the white community. For instance, Seidman [1986] notes that while the GMB had a portfolio of twenty-seven [27] depots throughout the country before independence, only one in Mrewa specifically served communal areas.

In the agro-industrial sector, protectionist tariffs cushioned white-controlled manufacturing industries from the vagaries of the market while the labour reserve system ensured an "inexpensive" labour market. The colonial state systematically strengthened the labour reserve system by preventing Africans from moving into prospecting and mining, and from competing on even terms in beef production as well as erecting barriers that excluded Blacks from the domestic maize market [Leys, 1959:30]. State subsidies on maize to white farmers ensured that they enjoyed virtual monopoly of the domestic foodstuffs market with the state guaranteeing the purchase of their crops.

The colonial state also used Public Enterprises (PEs) as key instruments for ensuring its control over all strategic economic activities. PEs were established in areas that were deemed unattractive to private investors such that by 1945 state enterprises such as electrical power stations, the Cold Storage Commission's abattoirs, the Rhodesian Iron and Steel Corporation's foundries and the Sugar Industry Board's Triangle estate; had been created. The global depression of the 1930s also set the stage for colonial state intervention in the agricultural sector, a policy that continued up to 1979. State intervention was so deeply engraved in the national economy that some of the parastatal boards created at the time, still exist in one form or another. The Maize Control Board (MCB), predecessor to the Grain Marketing Board (GMB) was established through the Maize Control Act of 1931.

By 1940, it had acquired a monopoly on all maize trade. The earliest forerunner of the Cotton Marketing Board (CMB) was the Cotton Research and Industry Board that was established in 1936. The Cotton Marketing Board was formally established in 1968 to provide a guaranteed market for seed cotton at the prescribed price. The Tobacco Marketing Act of 1936 created the Tobacco Marketing Board [TMB]. In 1937 the Cold Storage Commission (CSC) was established under the Cold Storage Commission Act and given statutory responsibility for the construction and operation of abattoirs and related works for beef and mutton. The Dairy Industry Control Board, predecessor to the Dairy Marketing Board [DMB], was established in 1931 while the Pig Industry Board and the Agricultural Finance Corporation were established in 1941 and 1971respectively.

To further entrench white control of the emerging industrial sector, the state had by 1963, created the Industrial Development Corporation (IDC) and registered it under the Companies Act unlike other major parastatals incorporated by special Acts of Parliament. The role of the IDC was to facilitate, promote, guide and assist in the financing of new industries and industrial undertakings, and expansion schemes and modernisation of existing industries. In fulfilling its developmental and promotional roles, the IDC ventured into many areas of industrial activity.

First Decade of Independence

Given this historical background, the dawn of independence in Zimbabwe gave the new Black government the opportunity to redress the vestiges of the colonial era. This economy suffered from deeply embedded inequities in income and wealth distribution. It was an economy structured to serve the supremacist interests of the minority whites. Worse still, as argued by Herbst [1990:30], the new black government "did not gain control over a weak colonial state…but a bruised and not defeated settler-state with powerful anachronistic elements that were potentially hostile to the political project of the new regime". In short, the Black political leadership was not in full control of all the inherited state institutions. In fact, as put by Bratton [1981:452]:

> *At independence, the ZANU PF. leadership constituted a thin veneer atop a largely untransformed state apparatus. The Cabinet found itself in an ugly position because institutions wholly or partially controlled by groups of dubious loyalty interposed between the leadership and its popular base.*

This was very visible in the way the inherited civil service was structured. At independence, Blacks constituted a small proportion of the workforce in the civil service, with the majority in low level positions. Out of the 40 000 inherited civil servants, only 29 000 were Blacks, mostly teachers and civil servants. Among the 10 570 Established Officers, there were only 3 368 Blacks, with positions below senior administrative level. Given that the civil service is the core administrative machinery of every state, such civil service structure could not be trusted to implement the socialist ideology espoused by the ruling ZANU PF party. This ideology demanded democratic centralism with the attendant planned economy approach to development.

The Black government responded by invoking a policy of Africanizing the public service. Under this policy, legislation was passed to protect labour and proceeded with considerable haste to indigenise the civil service.

The new government also inherited a dual agrarian economy of White large-scale farms and a stagnant and impoverished communal sector. Colonial economic policy was so entrenched in white racial superiority to the extent that it aimed at creating "Socialism-for-the-Whites", as argued by Herbst [1990:22]. In view of this background and the new Black government's socio-economic priorities, the adoption of state-led development strategies was the only realistic and feasible route through which the colonial legacy could be redressed. Anything short of this could have amounted to the state reneging on its liberation promises.

The new government also inherited a dual agrarian economy of White large-scale farms and a stagnant and impoverished communal sector. Colonial economic policy was so entrenched in white racial superiority to the extent that it aimed at creating "Socialism-for-the-Whites", as argued by Herbst [1990:22]

To this end, the new black government adopted *Growth with Equity* in 1981 as the first post independence economic policy statement.

This policy sought to inform and enlist mass participation and active support in the development process. It strongly emphasised on rural development, improving access to public services, and on employment creation. As outlined in this economic policy statement, the government's objective was to implement policies based on socialist, egalitarian and democratic principles. Explicit in the economic and social goals of *Growth with Equity* was the assumption that the economy would grow at a fast rate enough to generate sufficient revenue to fund national projects. This optimism was a result of the boom that was experienced from 1980-82 as a result of excellent weather, the lifting of sanctions, easy access to foreign aid, and decreases in defence outlays. The economy experienced an 11 per cent economic growth rate in 1980 [*Zimbabwe, Socio-Economic Review of Zimbabwe, 2].* This optimism, which was also evidently manifest in the *Transitional National Development Plan* and the *First Five-Year National Development Plan* implemented between 1982 and 1990, was however short-lived as two major recessions set in.

In line with its redistributive policies, the public enterprise sector was expanded mainly through the establishment of new public enterprises such as the Small to medium Enterprises Development cooperative (SEDCO), the National Social Security Association (NSSA) and the National Oil Company of Zimbabwe (NOCZIM). In order to dilute overwhelming foreign economic presence in key sectors such as mining and marketing of minerals, the state created new parastatals such as the Zimbabwe Mining Development Corporation and the Minerals Marketing Corporation of Zimbabwe. Inherited institutions such as the Public Service Commission, the Agricultural Financial Corporation, the Rhodesia Broadcasting Corporation, the Grain Marketing Board, the Industrial Development Corporation, the Rhodesia Iron and Steel Company, the Rhodesia Railway Lines; were restructured and expanded in line with post independence socio-economic imperatives. As outlined in *Zimbabwe: The First Decade* 1980-1990 [p: 50], the role of the parastatal sector in post independence Zimbabwe was to provide the state with the means and agency through which the state could intervene in the economic and social sectors.

In the industrial sector, the state used its inherited parastatals such as the Industrial Development Corporation to expand its ownership and control frontiers into the private sector. As enunciated in the *Transitional National Development Plan* [p: 39]:

> *The existing phenomenon of capitalism as an historical reality, which, because it cannot be avoided, has to be purposefully harnessed, regulated and transformed as a partner in the overall national endeavour to achieve set national plan goals.*

The IDC was central in pursuance of these ideals. By 1990, the Industrial Development Corporation had 45 wholly or partially-owned subsidiaries under its portfolio of investments. These include Motec Holdings [Pvt Ltd], G & W Industrial Minerals, Bonduelle Zimbabwe (Pvt Ltd), Zimchem Refiners, Zimglass [Pvt] Ltd, and Chemplex Corporation. Within a decade, the parastatal sector in Zimbabwe had expanded from its 1980 level of 20 to over 40 by 1990, with the majority being monopoly companies in which government had 100% or majority equity shares. These covered diverse areas such as hotels, road, rail, and air transport, banking, insurance, marketing, agriculture, communication, mining etc.

The Black government, like its predecessor, acknowledged the vital role of parastatals as instruments for promoting, developing, regulating, allocating and distributing strategic and basic services and goods to society. For instance, the Minerals Marketing Corporation of Zimbabwe was created in 1982 to "act as the sole marketing and selling agent for all minerals in Zimbabwe" [Section 20 of the MMCZ Act]. As a sole marketing agent, the corporation is empowered to require all mineral producers to sell their products to it, with the exception of gold and silver which is controlled by the Reserve Bank of Zimbabwe. Through the MMCZ, the government sought to reduce the dominance of large foreign-owned mining houses that dominated this strategic sector of the economy. In fact, the *Transitional National Development Plan* [p: 70] singled out the mining sector as an area where it sought to "Increase the degree of domestic, particularly state participation, ownership, planning and control".

Parastals were also created to ensure the delivery of affordable essential services. To this end, the state controlled the prices of services and goods provided by parastatals. In some cases, they were established as a response to the inability of the private sector to undertake certain large investments that was essential to the economy. Other parastatals like SEDCO were established out of the need for the promotion and development of indigenous entrepreneurs to strengthen domestic growth and diversification. These goals were also pursued through the creation of joint-venture partnerships with established local and international companies.

In order to ensure their effective coordination, public enterprises in Zimbabwe were from 1988 up to 1990 under one central body responsible for the whole parastatal sector- the Parastatals Commission. After its dissolution in 1990, each parastatal is managed through a Board whose members are appointed by the responsible minister. Parastatal Enabling Acts statutorily empower parent ministers to appoint and fire board members and top management

To ensure that PEs effectively undertakes their various developmental goals, parastatals in Zimbabwe were established under different legal forms, with the minority established as public corporations under a special Act of Parliament. Others exist as public companies established under the Companies Act with 100% government ownership. The IDC is one such example. There are also "Departmental Undertakings", that is, formation of departments which perform tasks that would otherwise be done by the private sector such as Central Mechanical Equipment Department [CMED] and the Government Publishing Department. Others exist as Joint-Venture companies in which Government is in majority [51%] ownership partnership with a private company.

Financing and Management Policy Framework

The above developmental goals could only be achieved through subsidy policy that enabled parastatals to undertake and provide affordable services to the public. , Under this policy, the state was obliged to finance PEs' operations. A major drawback for the subsidy policy was that it failed to motivate performance, as poorly performing parastatals could be bailed out by subsidies from the treasury-hence the emergence of an overly subsidy-dependent public enterprise sector. These parastatals also benefited from hidden transfers such as tax exemptions, access to cheap credit facilities on a government guarantee and sales by government to PEs at below-market prices.

-A major drawback for the subsidy policy was that it failed to motivate performance, as poorly performing parastatals could be bailed out by subsidies from the treasury-hence the emergence of an overly subsidy-dependent public enterprise sector

Despite some of their shortfalls, PEs registered notable achievements on the social profitability scale. State sector institutions have social obligations that transcend narrow capital profitability. To this end, their evaluation should be based on criteria that factor in their social mandates. This evaluation should take into account the fact that parastatal deficits are mainly due to price controls. States set and control the prices for parastatal goods and services, often, setting them below market levels and in the process making it difficult for PEs to cover their operating costs. In fact, government pricing policy was as described below:

> *While government periodically increased prices paid to producers of products like maize, wheat, and beef and milk and readily increased wages; usually, government was slow in allowing parastatals to pass on the cost increases to wholesaler sand consumers [Smith, 1989:11]*

The cumulative effect of these delays was that most parastatals, for example, Air Zimbabwe, NRZ and ZISCO received a deficit on "every unit sold during that time. For the NRZ, it took "26 months" for government to approve its application for a tariff increase while Air Zimbabwe had to wait for "three months" before it could adjust its fares. In fact, when its request for a 10 % increase which had been submitted in 1983 was finally approved in 1986, this increase had become paltry because by the end of 1985, the Zimbabwean currency had been devalued by 53 % [Smith, 1988]. When ZISCO applied to the Ministry of Trade and Commerce for a 19 % domestic price increase of steel, it took 21 months" for the application to be approved and by then the company had lost Z$20 million in potential revenue [Smith, 1988].

Parastatal losses were also a result of the social mandates. While these social mandates in most cases, not economically viable, they enabled parastatals to execute their promotional, regulatory, redistributive, allocative and developmental roles that were very fundamental to socioeconomic development.

For example, the AFC "availed larger amounts of credit to peasants" while the GMB "ensured national food security from its strategic grain reserves" (AMA, 1989). While GMB as a residual buyer incurred huge losses requiring huge subsidies from government, it was indeed for a noble national cause.

The first decade redistributive policies witnessed marked improvements in access to health and education by the hitherto disadvantaged majority of the population. Health indicators improved greatly over the first decade of independence as health care resource allocation targeted previously disadvantaged groups in rural areas and the urban poor. There was a visible increase in life expectancy of infants and children. Maternal mortality and fertility steadily declined as contraceptive prevalence increased. In real terms, health spending grew during the 1980s, increasing as a share of GDP from 2% in fiscal 1980 to a peak of 3% in fiscal 1990 [UNDP, 1997]. The provision of education at all levels increased dramatically during the 1980s. The free-for-all basic education policy saw the rapid growth in schools and student enrolment. For example, in 1980 there were 3,160 primary and 200 secondary schools. By 1990, the number of primary schools increased by 43% to 4,350 and secondary schools by 76% to 1520 [Kararach, 2002].

The provision of education at all levels increased dramatically during the 1980s. The free-for-all basic education policy saw the rapid growth in schools and student enrolment.

Government expansionary incomes policies of the first decade of independence also promoted security of employment as well as raising living standards of people, in particular, the lowly paid. It also narrowed income differentials and reduced inflationary pressures, especially after 1982 [GoZ, 1986b: 90]. This was done through the promulgation of the *National Minimum Wage* Act of 1980 and the Employment Act of 1980. This legislation empowered the Minister of Labour to set base income levels for all employees. As argued by Sachikonye [1990:4], this regulation sought to "stamp the emerging and fratricidal conflict between the working class and the bourgeoisie". The national minimum wage policy was also meant to stem wildcat strikes between March 1980 and June 1981 that were viewed as an embarrassment to a government professed to be socialist [Sachikonye, 1986:268-72].

The ESAP Era, 1991-95 : Impact Analysis

It should therefore be clear that the role of the state changed incrementally during the first decade and that it was marked by elements of a distributivist and welfarist state. However, with the advent of ESAP, there was a radical and unexpected rupture in the role of the state from an interventionist to a laissez faire. To many, this marked an unwarranted and silent surrender by the state and those in control of the state, of their contractual social responsibilities not only to defend the interests of its citizens, but also to advance them.

Push Factors

There were many factors that accounted for the radical policy shift by the government. Globally, the whole of the 1980s decade was marked by a distinct and strong rightward movement in Ideology that culminated in the "triumph" of global capitalism with the collapse of empirical socialism in the former Soviet Union and Eastern Europe. Within the local political arena, the unification of the former rival Zanu-PF and PF-Zapu parties had the paradoxical effect of marginalising the unified party from key policy decision-making processes.

The introduction of the executive presidency at the end of 1987 also saw the centralisation of economic policy making in the Presidency, the Minister of Finance and Economic Development, and the Minister of Industry and Commerce. It was this triad that was now in charge of economic policy formulation and implementation. Not only was the public not consulted let alone involved in the formulation of policy, but even "middle-ranking members of Zanu (PF) and Parliament itself were marginalised" [Jenkins 1997, 588].

The extra push towards privatisation also came from what Jenkins called "significant development just before" the adoption of ESAP. There had emerged "strong, white-dominated lobby groups" that represented "the most powerful economic interests, and had lobbying expertise built up under previous regimes" [p: 587]. By the 1990 parliamentary/presidential elections, the whites who were virtually invisible in the overt political process, had become "more powerful at the level of policy inputs than Zanu (PF) itself - or black lobby groups"- the latter, were still struggling to assert themselves in the national scheme of things. The dominance of these white-dominated interest groups in policy making had far-reaching implications for economic policy making. For instance, as the manufacturing sector began to suffer from various regulatory economic controls including on foreign exchange, the Confederation of Zimbabwe Industries began to seriously lobby for liberalisation and for changes in macro-economic (and not just sectoral) policy.

This period also coincided with the ascendancy of so-called "technocrats" over "ideologues" in Cabinet. It also saw the entry of the World Bank as a key player in the country's economic policy making, invariably on the side of the economic interest groups. The technocrats in Cabinet and the state bureaucracy, the powerful economic lobby groups, and World Bank together constituted a powerful pro-adjustment coalition. Within the political leadership and government, certain coalitions were calling for the opening up of the economy to liberalisation. Herbst [1990:210] refers to emerging "technocratic considerations replacing political considerations" within both the ruling party and government structures.

Another contributory factor in the adoption of ESAP was that the economy, though not in crisis, was certainly under stress. The socialist-oriented (at least at the level of rhetoric) development strategy was not delivering jobs and the need for new strategy that would presumably ease the growing unemployment was a very persuasive argument used by the Cabinet technocrats to persuade their colleagues to support ESAP. In addition, the social welfare policies of the government were draining the fiscus in an unsustainable way. For instance, Jenkins noted that "government spending on subsidies has been larger than the wage bill for most years since the mid-1980s" (1997, 593). She elaborates:

> *The financing of budget deficits, which averaged 10 per cent of GDP during the 1980s, contributed to macro-economic difficulties during the decade. Financing the equivalent of 10 per cent of GDP each year not only has damaging effects on investment and consumption, but the debt-servicing problem increases cumulatively. This was an important factor in pushing the Government towards adopting the ESAP in 1990 (ibid.)*

Also contributory was the serious debt-servicing problem by the end of the 1980s decade, this being occasioned by the Government's large borrowings at commercial rates on foreign markets. The external debt service ration in the mid-1980s was in the 34-40 per cent range though by 1990 this had in fact dropped to around 23%. By 1990, Zimbabwe's foreign debt was 45% of GDP. Ironically, this rose to 75% of GDP four years later under ESAP before falling to abut 67% in 1995 [Jenkins 1997, 599].

Another critical variable in the decision to adopt ESAP was an external one, especially the International Financial Institutions (IFIs) and among these, the World Bank. However, these IFIs did not force Zimbabwe to adopt ESAP; the country enjoyed considerable policy autonomy and thus the IFIs were "influential rather than instrumental as regards the decision taken to adopt a structural adjustment programme at the end of 1990" [Jenkins 1997, 598]. It was a different case though after ESAP was adopted and was being implemented. During the ESAP period the autonomy of the Zimbabwe State was severely tested.

External forces operated in liaison with the local corporate pressure groups such as the CZI, EMCOZ, CFU, ZNCC, and financial intermediaries such as bankers associations. These local groups viewed privatisation as an opportunity to expand private sector participation. They also viewed privatisation as a key economic and fiscal recovery strategy to the economy whose budget deficit was pegged at 10 per cent of GDP. There was also growing realisation that while it had been possible to underwrite state sector inefficiencies with huge subsidies in the early 1980s, by the 1990s, the fiscal capacity of the treasury was severely constrained by a host of indogenous and exogenous factors. It is in this context that an accord was reached on a policy framework paper, the Economic Structural Adjustment Programme (ESAP) and by July 1990, implementation had started in earnest. On the domestic front, according to Jenkins, the White factor was crucial and this was facilitated by the Government's policy of reconciliation. She avers:

> *the policy of reconciliation resulted in whites securing representation through interest groups, which were strongly linked with the executive branch of government outside electoral politics.This enabled them to safeguard their economic interests, by protecting themselves from redistribution of their assets, and by giving them a disproportionate influence in the formulation of economic policy. When existing conditions no longer served the needs of the manufacturing sector in particular, they were influential, if not decisive, in bringing about a fundamental shift in development strategy [1997, 590-591].*

In July, the GoZ unveiled the Economic Policy Statement"Macroeconomic Adjustment and Trade Liberalisation, a version of structural adjustment that spelt doom for the social policy sector as the Government explicitly stated that it would "de-emphasise its expenditure on social services and emphasise investment in the material production sectors such as agriculture, mining and manufacturing

ESAP was introduced in three stages, the first two being in July and September 1990 and the third in January 1991. In July, the GoZ unveiled the Economic Policy Statement"Macroeconomic Adjustment and Trade Liberalisation, a version of structural adjustment that spelt doom for the social policy sector as the Government explicitly stated that it would "de-emphasise its expenditure on social services and emphasise investment in the material production sectors such as agriculture, mining and manufacturing"[GoZ 1990, 6]. This was accompanied by enhanced deregulation of prices and labour laws (first announced in February 1990]. The July 1990 policy statement specified some targets:

- 5% annual growth in GDP,
- 20% annual nominal investment growth (later revised to 25%), and
- Reduction of the budget deficit by 1994/95 from ten to five percent.

The proposed budget deficit reduction was to be achieved via cuts in the size of the civil service, phasing out of subsidies to parastatals and the introduction of cost-recovery measures, particularly primary school fees.

Privatisation was supposed to be the flagship facet of the second five-year phase of the ESAP that was due to begin in 1996. However, unlike the first phase which had enthusiastic donor support, the second phase was stalled from the very beginning as donors were already wary of funding the Government given the latter's lethargic implementation of the first phase. Even in the early implementation stages of the first phase, the World Bank had expressed its reservations over the issue of parastatal reform which it felt had been soft-pedaled [Gibbon 1995, 11].

The third phase of ESAP commenced in January 1991 when the Government announced the more detailed version of the programme, Framework for Economic Reform, 1991-95 (hereafter known as FER). This specified a very sharp (94%) reduction in subsidies to parastatals from ZWD629 million in 1990-91 to only 40 million in 1994-95 and 25% cut in non-education civil service employment (about 23 000 persons) over the FER's life span. With regard to privatisation, FER limited or defined this to mean semi-commercialisation rather than fully-fledged privatisation. When the World Bank convened a donor's conference in mid-June 1992 to finance ESAP, it made it clear that continued support would be conditional on the Government providing undertakings to privatise some parastatals, beginning with the profitable Posts and Telecommunications Corporation, to which the Government apparently resisted (Gibbon 1995, 14).

The socio-economic costs

However the much vaunted trickle-down did not take place as the adoption of ESAP exacerbated mass poverty especially in urban areas. The removal of subsidies and the deregulation of domestic controls helped to push up prices of basic commodities, placing them beyond the means of the ordinary citizen. It should also be noted that civil society was not consulted in the design of ESAP. It was adopted as a package of conditionalities that the government had to fulfill in order to access the much-needed balance of payments. This lack of local input lent a foreign tag to ESAP. Even within government itself, the issue was not subjected to debate. The political dynamism for development henceforth shifted with more dependency on foreign support. The assumption was that ESAP would raise investment levels, thereby facilitating higher growth rates, employment creation and uplifting the standard of living of the majority of the people [GOZ, 1991].

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Of the various facets of ESAP, civil service reform and privatisation proved to be the most difficult as they entailed the 'harder' aspects of structural reform. The same was true of the commitment to reduce the government budget deficit to only 5% by 1995. As a matter of fact, the budget deficit ballooned to 14% of the GDP in 1994-5, prompting the IMF to suspend balance-of-payment support in 1995, as did other donors.

Dhliwayo (2001) in an article, "*The Impact of Public Expenditure Management under ESAP on Basic Social Services: Health and Education*" [SAPRI/Zimbabwe, March 2001] highlights the lethal impact of privatization both in terms of the process leading to its adoption and the impact on the general populace. There was no dialogue leading to ESAP and its dimensions, including privatization. It was top-down and not people-centred. It was a disastrous failure in terms of its impact on the marginalized and vulnerable.

Gibbon [1995:7] in *Introduction: Structural Adjustment and the Working Poor in Zimbabwe* notes with concern the relation between structural adjustment and changes in the social conditions affecting subordinate social classes in Zimbabwe. This is a disquieting development given that in the early stages of ESAP, "Zimbabwe was being regarded by most donors as one of African adjustment's success stories".

ESAP also brought about a realignment of Zimbabwean politics. For instance, and as has already been noted, the programme brought about a warming of relations between Whites (especially the CZI) and the Government. ESAP, at the same time alienated the traditional political support bases of the ruling Zanu PF and Government, particularly the students at institutions of higher learning and the trade unions, who were gradually sidelined by the government as the latter sought new patron-client alliances with newly emerging indigenous Black business groups. To this extent, an Indigenous Business Development Centre (IBDC) was established in 1990 with the state President as its godfather. Gibbon argues convincingly that indigenous businesses were the chief beneficiaries of ESAP. He writes:

> *Rather than poverty alleviation, amongst measures related to Zimbabwean structural adjustment, "indigenous business development" appears to have received the primary policy attention in recent years. The IBDC received a government allocation of ZWD 100 million in 1992, although three quarters of this was to be distributed through institutions with strict lending rules. In 1993 the World Bank added a loan of USD 30 million (ZWD 250 million) to this and at the beginning of 1994 President Mugabe raised the idea of diverting the proceeds of future privatisation to the institution. Meanwhile, it was also announced in 1993 that all government construction contracts valued at less than ZWD 10 million (later reduced to 3 million) could only be awarded to members of the (African) Zimbabwe Building Contractors' Association (ZBCA); tenders above this level could be awarded to other companies, but they would have to subcontract a minimum of 30 per cent of their work to ZBCA members [1997, 17].*

Raftopoulos and Compagnon [2003, 21] also view the indigenisation crusade as an integral part of the politics of patronage and the neo-patrimonialism that was characteristic of the first decade of independence under statism. They argue that the command economy "had facilitated the emergence from within the new black ruling elite of a state bourgeois whose appetite for capital accumulation had been exacerbated rather than quenched by a decade of privileged access through the state to various resources."

The authors further contend that this aspirant class "adjusted itself quickly to the drastic changes in economic conditions and espoused liberalisation and privatisation as a means to pursue its drive for capital accumulation during the following decade" (ibid.).

However, ESAP did not create patronage politics; it was caught in the web of already deeply entrenched patron-client politics of the dominant one-party, Zanu PF. What ESAP did was to worsen patronage politics and the attendant vices of corruption and fraud. For instance, Jenkins, as with many other writers, observes that by 1993 "fraud in the parastatals and corruption in the public service had reached seemingly epidemic proportions" and that "political office was extensively used for private benefit, and public administration became a system of patronage" [1997, 594]. In fact, the emergence of an African nouve riche and its need to defend its newly acquired assets and other interests, "contributed to the shift in development strategy away from socialism towards one that explicitly encourages private wealth accumulation" [ibid, 596].

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The emergence and consolidation of this new elite had deleterious effects on the marginalised as the new Black elite found common ground with existing White economic interests. It certainly undermined the political will to redistribute resources to lower-income groups whether in terms of land reform or statutory wage regulation or the state's capacity to capture the commanding heights of the economy. As Jenkins notes, "the acquisition of assets by the political elite reduced sharply the incentive for direct redistribution" while this convergence of interests between rulers and domestic as well as international capital has been proffered as the explanation for the ESAP [1997, 596].

Although proponents of structural adjustment often argue that the negative effects of structural adjustment are short-term rather than long-term, there is no evidence from African experiences to suggest that this is so. As Moyo [1991] indicates, "indeed, the consensus is that there is no success story anywhere in Africa, and many of the countries provide lessons of what not to do". The negative social impact of structural adjustment arises from the fact that macro-economic planning in structural adjustment does not incorporate social planning as an integral component of the planning process. Consequently there is over-emphasis on economic variables at the neglect of the social aspects of development.

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Because of the preoccupation of structural adjustment programmes with mobilising resources and rechannelling them to the so-called productive sectors, the equation is considered complete unless there is a deliberate policy of reducing significantly expenditure on social services, as these are considered unproductive sectors. Ultimately the poor will not have access to social services, yet social services are designed to bring about qualitative improvements in the welfare of the people and thereby enable them to function as fully integrated individuals.

Under ESA, the poor are expected to pay for health services and for the education of their children, a practice that is tantamount to equating health and education with commodities that can be purchased on the open market, subject to the dictates of the laws of supply and demand. Consequently, the children from poor and other marginalized families will drop out from school on account of their parents' inability to pay fees.

In addition the poor will not have access to health services and this actually reverses any gains made in such areas as infant mortality and life expectancy.

While ESAP sought to achieve a GDP growth of 5% during 1991-95, raise savings and investment to 25% of GDP, reduce the budget deficit from over 10% of GDP to 5%, reduce inflation from 17.7% to 10% [GoZ, 1991]; the growth response was disappointing. By 1997, per capita incomes were lower than in 1990, while manufacturing output fell to a 10-year low in 1995 and unemployment continued its relentless rise. Not only were virtually all the macroeconomic targets missed but also from the broader perspective of poverty and human development ESAP undoubtedly had an adverse distributional impact.

Mlambo [1997:83-95] further notes that the impressive advances in the provision of education and health services in the first decade of independence in Zimbabwe came under increasing attack and were steadily eroded from 1991 onwa- rds. Government decision to deregulate prices and remove subsidies for basic consumer goods in 1991 caused more hardships for the Zimbabwean poor.

According to Michael O'Hearney [1994:93, the deregulation of price controls and the abolition of subsidies had a "disastrous impact" on many families both in the urban and rural areas. The price of basic commodities such as cooking oil, margarine, sugar, bread, maize meal, electricity, water and transport rose by 28 per cent for the lower income groups. The cost of living for the same group rose by 16.4 per cent in 1991 while wage increases rose by a paltry 7 to 15 per cent [*Economist Intelligence Unit, Zimbabwe: Country Profile* [1993:15]. This increase in cost of living occurred at a time when the Zimbabwean dollar's purchasing power was being eroded by successive devaluations.

A 1993 UNICEF study noted that the quality of Zimbabwe's health services fell by a colossal 30% and that twice as many women were dying in childbirth in Harare hospitals than before 1990. The study also noted that fewer people were visiting clinics and hospitals because they could not afford hospital fees. Bed occupancy at Harare Hospital [one of the two major hospitals in the city of Harare] fell from 5 766 in December 1990 to 4 795 in December 1991.

The Economist Intelligence Unit, Zimbabwe [1993:10] revealed that inflation and devaluation reduced the health budget by 20 per cent in real terms from 1990 while the Department of Social Welfare that caters specifically for the poor and disadvantaged witnessed drastic current budget cuts of 26 per cent in real terms.

According to the *The Weekly Mail* [28 August-3 September, 1992:16], by 1992, the situation had deteriorated to the extent that the then Minister of Health, Timothy Stamps commented that "the biggest health crisis is the inevitable decline in the standard of living as a result of ESAP. We have this deal that health care should be paid for, but these costs cannot be borne by the average family". According to Mlambo [1997:87], the then Minister of Mines, Edison Zvobgo even sarcastically called for change from " Health for All by the Year 2000 " to "Death for all by the Year 2000" with the then Deputy Minister of Health, Tsungirirai Hungwe declaring the health system in Zimbabwe a "national disaster".

Scenarios in the education sector over the five years of ESAP were equally disturbing. The introduction of cost recovery measures hurt the poor.

Scenarios in the education sector over the five years of ESAP were equally disturbing. The introduction of cost recovery measures hurt the poor. The combination of government cuts in expenditure on education and the removal of government education subsidies coupled with the introduction of school fees led not only to deterioration in educational standards, but to a situation where poor parents could no longer afford to send their children to school.

According to *Horizon* [1994:11] O-level fees increased drastically from $30 per subject in 1990 to $56 in 1992. The number of O-level students dropped by 14 per cent from 1991 to 1992. In real terms, government spending on primary education per pupils dropped from$28.70 in 1990 to $23.70 in 1992. Inflation and low salaries prompted the steady trickle of trained teachers to the private sector. In line with the new goals of *cost recovery* and *redistribution*, the Education Act of 1987 was amended in 1991. Under the new legislation schools were reclassified from government and non-government into groups reflecting socio-economic status.

The IMF's External Evaluation of ESAP programmes, which includes a case study of Zimbabwe, notes that the reform programme "potentially changed distributional outcomes both through its effect upon public service delivery [the downsizing of the state] and through its effect on personal incomes" [Botchwey et al 1998]. It notes further: "Whereas the programme envisaged that between 1991 and 1996 per capita private consumption would rise by around 8%, in the event it declined by 37%. This alone transformed the group of those who lost from the reforms from a minority to majority".

A study by the Central Statistical Office [1998] found that the number of households living in poverty in Zimbabwe increased from 40.4% in 1990/91 to 63.3% by 1995/96. The incidence of extreme poverty [households that cannot meet basic food requirements] increased from 16.7% to 35.7% during the respective periods. The *Poverty Assessment Study Survey* [PASS] of the Ministry of Public Service, Labour and Social Welfare [1995] found that the incidence of poverty was higher in female, as opposed to male-headed households with levels of poverty of 72% and 58% respectively. *The Public Audit Report* of the World Bank admitted that ESAP "... entailed considerable pain but little visible gain," [1995: 10]. It further observed that "... Unless the programme is seen to be generating benefits for everybody in Zimbabwe, it might not be possible to follow through with and maintain the momentum of many of the recent policy changes. This will require dealing more effectively with poverty and with the social dimensions of adjustment," [1995: 18]. The issue is that the market on its own cannot resolve poverty.

The Post ESAP era, 1996-2006

Against this background, the Government in 1998 replaced ESAP with what it described as a "home-grown" reform package, the ZIMPREST, 1996-2000. It sought to mitigate the social costs of ESAP by pursuing economic empowerment and poverty alleviation by generating employment and encouraging entrepreneurial initiatives

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Despite the optimism that is exuded from the policy statement, its economic and fiscal targets were hardly realised. For instance, GDP averaged 2.5 per cent against the envisaged 6 percent by 2000, while Budget deficit increased to over twenty percent by 2000. Growth in jobs fell below the 42 000 ZIMPREST minimum.

This is not surprising because ZIMPREST was stillborn. It was launched in 1998, two years after its official adoption. Its implementation was therefore behind schedule right from the onset. It was also launched at a time of macroeconomic and fiscal hardships. Under prevailing conditions, the programme was not adequately resourced. In addition to this, ZIMPREST was too multi-focused. It sought to achieve too diverse issues, namely employment creation, institutional reforms, land reform, decentralisation and poverty reduction. While its targets were clearly spelt out, ZIMPREST did not have clear-cut plans to realise its intents.

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ZIMPREST was short-lived. Its goals were abandoned in the wake of another programme, dabed the Millennium Economic Recovery Programme [MERP], launched in August 2001. MERP was a short-term 18-month economic recovery programme whose main objective was to restore economic vibrancy and address the underlying macroeconomic fundamentals through enlisting the participation of civil society [stakeholders, labour] in government programmes. Unfortunately, MERP was rendered ineffective by the withdrawal of support from Zimbabwe by most of the international donor community and international financial institutions. It was also overtaken and overshadowed by the controversial fast-track programme aimed at redistributing land to thousands of landless black majority. The prevailing macro economic climate also had a negative impact. According to an interview with Sachikonye [October-November 2002], the decline in agricultural output coupled with incessant severe droughts that occurred between 2001/2003 and 2004/2005, suffocated efforts towards the implementation of MERP.

Maize output declined from 800 000 tonnes in 2000 to about 80 000 tonnes in 2003. One of the major export earners, tobacco, declined from 230 million kg in 2000 to about 70 million kg in 2003. Wheat declined from 225 000 tonnes in 2000 to less than 100 000 tonnes in 2003. The fast-track programme also brought about massive loss of jobs on the farms and political problems, particularly with the West who viewed the programme as in conflict with the rule of law.

Financial and banking institutions were also hard hit by a spate of unethical business practices which saw banks such as Barbican Bank, Time Bank, Royal Bank, ENG Capital, and Inter-Market Building Society either closed or placed under curatorship.

In fact, MERP met the fate of previous programmes, as the economy continued on its precipitous decline. Budget deficit had risen above 14 per cent. Unemployment also worsened due to spates of company closures and the "Operation Clean Up" campaign, which saw a number of households losing their livelihood and settlements. In February 2003, Government launched yet another 12-month stabilisation programme, the National Economic Revival Programme [NERP] aimed at redressing what is referred in the policy document as "current challenges". Despite the early hopes raised under this programme, it also failed to revive the economy. Real GDP declined by 8.5% in 2003 and by about 2.5% in 2004. In 2004, agriculture declined by 3.3%. Overall, the economy experienced severe declines in the value of the local currency, shortages of local bank notes, fuel and basic commodities such as mealie-meal, bread, milk, cooking oil, soap, salt, margarine, sugar etc. Financial and banking institutions were also hard hit by a spate of unethical business practices which saw banks such as Barbican Bank, Time Bank, Royal Bank, ENG Capital, and Inter-Market Building Society either closed or placed under curatorship.

In order to regulate and arrest economic decline, the Government, through the Reserve Bank of Zimbabwe, adopted a New Monetary Policy on 18 December 2003. The improved position of 2004 derives from the implementation of the monetary policy since its adoption. As a result of the monetary policy thrust, inflation declined from 623% in January 2004 to 209% by October 2004. The inflation target of 200% by December 2004 was achieved. However, inflation has since worsened such that by May 2006, it had soared to 1042 per cent.

State had unveiled another programme the Macro-Economic Policy Framework [2005-2006]. While this policy was built on a "Ten Point Plan" and also expected to consolidate lessons drawn from NERP, this was not to be.

In fact, NERP programme was half way implemented, as by November 2005, the State had unveiled another programme the Macro-Economic Policy Framework [2005-2006]. While this policy was built on a "Ten Point Plan" and also expected to consolidate lessons drawn from NERP, this was not to be. In 2006, the state introduced NEDPP, which the Minister of Economic Development, Rugare Gumbo, described as "the right formula". NEDPP is an overly ambitious programme that seeks to turn around the economy within the next six to nine months. It also expects to raise US$2.5 billion in cash or in the form of investments within 90 days.

However, hardly a month after its launch, the optimism that accompanied this programme is fast losing steam. It was also difficult to sell because there was no broad-based consultation with society. The public only came to know about the programme on the day of announcement. Worse still, while the success of the programme hinges on cutting the red tape, its implementation is through an elaborate maze. There is the Zimbabwe National Security Council [ZNSC] set up by President Robert Mugabe; the National Economic Recovery Council [NERC] chaired by the Vice- President Joyce Mujuru; and another committee chaired by the Chief Secretary in the Office of the President and Cabinet.

Besides this obese and suffocating institutional framework, the programme is laden with contradictions. For instance, it refers to a "conducive investment destination" at a time the State is introducing a controversial indigenisation programme in the mining sector. The State seeks to have 51 per cent of shares under government control, 25 per cent of which are handed over freely. As in the case of the fast track reform programme, the programme has already courted resistance from the foreign dominated mining sector. As expected, the issue has already received negative comments from the donor community.

PRIVATISATION EXPERIENCES IN ZIMBABWE

What is Privatization?

The term privatisation is used in its broad sense of transfer of control, function, activity or ownership from the public sector to the private sector. In Zimbabwe, privatisation policies were adopted and implemented in the early 1990s as integral elements of the Economic Structural Adjustment Programme. It was implemented as one of the key ESAP conditionalities for accessing balance of payments. In other words, it was adopted and implemented under duress. In terms of the role of the state, its adoption reflects a paradigmatic shift in state economic policy, from a protective welfare state to a market-driven minimal state.

A cursory review of privatisation objectives reveals neoliberal assumptions whose outcomes can only be achieved at the sacrifice of citizen social and economic welfare. Highly contentious is its long-term objective of reducing the scope of state participation in the economy herby reducing the role of the state from welfare state to a minimalist state. When such a goal is operationalised, especially within the setting of the post-colonial state, its social costs are very difficult to contend with. For instance, slashing governmental deficits or reducing public expenditure are euphemisms for cuts in public employment, salaries, subsidies on fuel, basic goods and services, educational and health service. Governments reduce their fiscal responsibility by charging user fees, delaying the maintenance and building of public infrastructure, especially roads and schools.

Privatisation also sought to remove price controls, whose implementation in most African economies has resulted in higher and unaffordable prices for basic commodities. Removal of tariffs drives local manufacturers into bankruptcy- thereby increasing unemployment and probably lowering industrial wages.

...how indigenous economic empowerment was to be achieved within this neoliberal framework was a contentious issue right from the onset, given the low savings and weak collateral bases of the locals.

In an attempt to *humanise* the Zimbabwe privatisation programme, the goal of "indigenisation through privatisation" was incorporated. But how indigenous economic empowerment was to be achieved within this neoliberal framework was a contentious issue right from the onset, given the low savings and weak collateral bases of the locals. Achievement of such a noble ideal demands a strong and committed State prepared to institute defensive mechanisms and legal instruments to enforce compliance with such national concerns. It is also interesting to note that in spite of these ideals, the first policy document the Zimbabwe: *A Framework for Economic Reform*, 1991-1995, makes no explicit reference to indigenisation. Equally interesting is the fact that while the issue of indigenisation features in a relatively detailed way in the ZIMPREST [1996-2000], indigenisation measures are not explicitly described.

Policy Instruments

Another contentious issue about the privatization process in Zimbabwe relates to the policy instruments through which the Zimbabwean privatisation goals were to be achieved. Liberalisation and deregulation,Its key instruments, entailed opening up traditional state sector enclaves to external competition.

In post-colonial states, such a move has the unfortunate result of over exposing local infant industries to external competition. It also floods the local market with cheap and low quality commodities, as was experienced in the textile industry in Zimbabwe. In practice, such measures end up benefiting foreign traders at the expense of locals.

The public sale, in which the state sells the equity of the enterprise to the public through the formal capital market or stock exchange, require well developed local stock exchange and equity markets, which may not be fully available in an African economy.

The public sale, in which the state sells the equity of the enterprise to the public through the formal capital market or stock exchange, require well developed local stock exchange and equity markets, which may not be fully available in an African economy. Even where these conditions prevail, privatising directly through the stock exchange has the risk of further marginalising indigenous groups, who, due to low savings and weak collaterals, may not afford to buy shares that are floated to them. Public sales also incur huge costs in the form of fees charged by professional advisors and underwriters involved in the pricing and valuation of state assets.

Private sale options, which involve the sale of all or part of the share- holding in a public enterprise to a single purchaser or a group of purchasers, have the risk of under pricing state assets especially where the governments deal with a single buyer. Private sales are also very vulnerable to self-seeking pursuits by some government officials. In such situations, there is the two-pronged danger of increasing wealth concentration and reducing competition. The investors may also demand warranties from government such as tax concessions, high rates of protection and incentive mechanisms to allow them to recover their total investment in extremely short periods. Ndongko (1991:105) cites the case of a Togolese steel mill company that was leased to a private foreign entrepreneur. The new investor demanded a protection rate of 41% and tax-free importation of all raw materials. The lessee ended up paying a paltry fee of US $175, 00; a fraction of the interest charges which the government of Togo continued to pay on the planned investment.

Management Buyouts [MBOs], another popular privatisation modality, involves the managers of the enterprise acquiring a controlling share-holding in the enterprise, is relatively feasible within Zimbabwe's socioeconomic realities. Buyouts can also be in the form of employee buy-outs. Such privatisation strategies are feasible where the government seeks to reduce the risk of ownership passing into foreign control. They also ensure continuity of the management of the enterprise. However their effectiveness depends on the easy availability of financial institutions willing to lend to management and employee investors. They are therefore best suited to those companies with favourable cash flow positions.

Privatisation in Zimbabwe has also been through *contracting-out* arrangements. Under such arrangements, a private sector contractor assumes responsibility under a contract for providing a specified level and quality of public services for a fee. The main objective is to obtain the most cost-effective delivery of the service. However, in practice such arrangements have the risk of disrupting service supply, especially where there is laxity in the monitoring of quality of service supplied. Contracts usually do well where there are autonomous regulatory agencies to monitor the activities of these new companies.

In leasing and franchising arrangements, private operators lease assets or facilities owned by government to conduct business on own account. The lease specifies the conditions under which the lessee can operate the assets and specifies the payments to be made to the government. One important characteristic of this arrangement is that the lessee assumes full responsibility for the commercial operation of the assets and, at the same time, has full control over the operation of the assets or facilities, subject to any maintenance and repair conditions specified in the contact. Leases and franchises also ensure guaranteed payment, irrespective of enterprise profitability.

Privatisation goals are also achieved through commercialisation- a policy under which state institutions are "exposed or subjected to the stimulus or discipline of competition or the price system" [Ndongko, 1991, 107:110]. Where the PE has been fully commercialised, it is expected to operate as a commercial entity, setting its own prices in order to realise profits. The PE is also completely weaned from government subsidies and guarantees on borrowing. In other words, the PE sources its own funds from the capital and money market without state guarantees. Its capital structure is therefore equity-based. Such a PE operates like a private company, although 100 per cent government- owned. A partially commercialised PE is expected to cover at least its operating expenditure from its operations with the balance given by the state in the form of grants. Given the socioeconomic set up of the post-colonial state, commercialisation is indeed politically expedient as it entails no ownership transfer.

The Public Enterprise Sector

The format of privatisation in Zimbabwe

Phase 1

Privatisation in Zimbabwe was implemented in two distinct phases which did not yield any tangible benefits. The first phase, 1991-95 left the bureaucratic maze largely intact [*ZIMPREST*, 1998, 106].]. The State continued to wield extensive powers and Control over its civil service and parastatals. Interferences at micro level remained unabated. Commercialised PEs were not accorded enough discretionary autonomy commensurate with their new status. In fact, by the end of ESAP, none of the PEs in Zimbabwe had been fully prepared for privatisation.

Restructuring or rationalisation of PE operations proved very difficult. The public enterprise sector's privileged access to the budget, credit system, tariffs, special tax status and regulatory protection was not significantly curtailed. The first phase resulted in modest reductions in the aggregate PE sector financial deficit.Net losses for 1993/94 were Z$648 million, while, for the previous year 1992/93, net deficits amounted to Z$4707 million [*ZIMPREST*, 1998, 108]. PEs such as the NRZ, the GMB, the CSC, the CMB and the ZISCO; continued to pose a drain on the budget, as they incurred total losses of Z$1,753 million in the first phase of the reform programme.

While these losses may have been internally induced, in the majority of

cases, they were largely due to government control systems, which, by the end of 1995, were still intact as most PEs continued to operate under their traditional enabling Acts.

As further noted in the *ZIMPREST* policy document, public enterprise performance "deteriorated significantly" during the reform phase [p: 4]. Losses amounting to $2.0 billion and $1.8 billion were incurred during the 1993/94 and 1995/95 financial years respectively. While these losses may have been internally induced, in the majority of cases, they were largely due to government control systems, which, by the end of 1995, were still intact as most PEs continued to operate under their traditional enabling Acts. In these circumstances, the government continued to exercise direct controls on pricing, investment, hiring and firing.

By the early 1990s, GMB deficit alone amounted to 5% of GDP and part of the remedy to this was to be a phased withdrawal of subsidies and the closure of some collection depots where production was low. In 1990, there were a total of 78 GMB depots and 60 crop buying points. By 1992, four depots and 51 crop buying points had been closed, and 57 of the remaining depots were now open only part of the year (Gibbon 1995, 12 fn 1). About this time, the GMB also bec-ame a "buyer of last resort" in two of the Zimbabwe's five agro-ecological zones whereby the parastatal purchased only what private traders would not buy.

In its assessment of progress during the first phase, ZIMPREST concluded:

> *As a whole the first phase of reforms affected changes in the operations of the PEs, it left out the most important ingredient of reform, that is, the delegation of autonomy to run these organisations in a competitive environment. Even PEs like the DZL, Cottco and CSC which had been allowed commercialisation status, had their hands tied by government [p.107].*

The legal and institutional frameworks governing PEs in Zimbabwe during the first phase of ESAP imposed constraints on the achievement of public enterprise viability. Of particular concern was the legislation governing labour, investment, borrowing, reporting, and public procurement. The problem, as revealed in this official policy document was that:

> *From the point of view of alleviating the budget deficit, parastatals were urged to compete effectively and turn out profit, while from the administration viewpoint, parent ministries continued to regard their Pes as coming under the previous Acts of Parliament governing the former Boards[p:109].*

In fact, by the end of the first phase, all parastatals in Zimbabwe were still governed by their respective traditional enabling Acts. The PEs that had been subjected to rationalisation under the rubric of commercialisation and registered as private companies under the Companies Act were still administered under the Acts of Parliament.

Phase 2 Privatisation under this phase kicked off under the ZIMPREST policy framework. While the time frame is officially designated as 1996, there was however, no full-scale [higher-order] privatisation. Attempts to conclude the ZESA-YTL [Malaysia] private sale in 1995, not only generated nation wide protest, but also resulted in the dismissal of the entire board of directors under the chairmanship of the late Solomon Tavengwa.

There was also a visible stakeholder involvement at the implementation front. This involved two broad categories of pressure groups. The first category comprises those wielding considerable economic clout, generally representing important white-dominated economic interests. While the various groups in this category may differ in lobbying strategies, they were generally agreed that the private sector has a critical role to play in the economy of Zimbabwe. They viewed the privatisation process as an opportunity to expand private sector participation and advocated a free-for-all privatisation process. Pressure groups such as the ZNCC, the CZI, the CFU, EMCOZ, financial intermediaries such as the Bankers.

Associations and Insurance Brokers fall within this category. Their arguments usually tallied with those of donor institutions.

The second category comprises those representing the interests of the hither-to marginalised groups. By virtue of their compositional structure, their interests revolve around political goods such as economic empowerment of indigenous groups. This category enjoyed visible political support because it networked with the top political leadership as well as strategically placed government officials. However, the extent to which this political visibility has translated into economic gains for members of this group is not as visible as implied. Black pressure groups such as the AAG, the IBDC, ICFU the IBWO belong to this category.

Juxtaposed between these two dominant categories are labour unions, civic associations, columnists, academics and individual observers. Notables are the ZCTU, which lobbied for mechanisms to protect labour in the event of business take-over.

The IMF and the WB were also actively involved, in some cases directing PEs that should be either commercialised or privatised. For instance in 1998, the IMF listed the commercialisation of the national airline, the Air Zimbabwe, among its new conditions for the release of balance of payments. It also requested the state to restore order at the corruption-riddled NOCZIM as well as stressing that it would not release the funds until the state clarified the disposal of its shareholding in the Wankie Colliery Company to Malaysia conglomerate YTL.

The year 1997 witnessed the privatisation of two major agricultural marketing boards, namely DZL and Cottco, with DZL as the pace- setter. DZL was privatised though a *public sale* of government shares to the public.

Table 1

DZL Share Distribution Structure

Category of Shareholder	Percentage of Shares
Public-individual investors	15
Technical partner	25
Small-scale producers	5
Employees	10
Large-scale producers	10
National Investment Trust	10
Government	25
Total	**100**

Source: DZL Prelisting Document, 1997.

The share offer was oversubscribed, with about 26 000 applicants being turned down. A consortium of three banks namely, Barclays Merchant Bank, Trust Merchant Bank and Heritage Investment Bank assisted in the divestiture process. In the case of Cottco, the *over-the-counter* share offer was also adopted, with share distribution as shown below:

Table 2

Cottco Share Distribution Structure

Category of Shareholder	Percentage of Shares
Small scale Cotton growers	20
NIT	10
Large scale cotton growers	10
General public	15
Institutional investors	15
Employees	5
Government	25
Total	**100**

Source: Cottco Prospectus, 1985:5.

1999 witnessed the privatisation of the Rainbow Tourism Group [RTG], whose public sale was directly through the ZSE, in other words, by passing the over-the-counter. Below is an illustration of how its shares were allocated to the public.

Table 3

Share distribution in the RTG

Category of Shareholder	Percentage Shares
Government	30
Strategic partner	35
Public	20
NIT	10
Employees	5
Total	**100**

Source: RTG Prospectus, 1997.

A cursory review of these three cases demonstrates the futility of efforts towards indigenous economic empowerment through privatization.

A cursory review of these three cases demonstrates the futility of efforts towards indigenous economic empowerment through privatization. The choice of privatisation option was not consistent with promotion of indigenisation ideals. Although shares were sold through the over-the-counter option, rural investors were disadvantaged. The post office facility was not fully utilised by ordinary Zimbabweans as little time was availed for them to be educated on the share concept. Besides this, low absorptive capacity among indigenous groups also constrained their participation. The distribution of shares among key stakeholders was also heavily skewed in favour of established groups. Small-scale producers, mainly indigenous groups, were allocated insignificant number of shares.

Although share offers were deliberately pitched at a low price of $1, 20, the net beneficiaries were elite indigenous groups. Worse still, in all divestitures, the technical partner, usually foreign, was allocated a large quota in comparison with other local stakeholders- posing the danger of diluting the foreign-local ratio in the distribution of ownership at company level.

In addition to this, insider trading of Cottco shares negatively impacted on efforts to ensure broad-based ownership at company level.

Privatisation of state companies in Zimbabwe drained more funds than it generated. Undisclosed fees were paid to private financial intermediaries in the valuation and listing of the shares of those five privatised companies. There was also no autonomous privatisation agency to monitor the divestiture process.

Privatisation of state companies in Zimbabwe drained more funds than it generated. Undisclosed fees were paid to private financial intermediarie s in the valuation and listing of the shares of those five privatised companies.

Autonomous privatisation agencies are needed to provide checks and balances that go with such delicate divestiture processes.

Unequal regional distribution of income, education, banking and stock-broking facilities have significantly contributed to geopolitical imbalances in the country. For instance, out of the nine stock-broking firms then in existence in Zimbabwe, only one branch operated from outside Harare. The time allocated to a given public sale was not long enough to enable dissemination of information to local and external investors. For instance, where communication infrastructure is poor, information may just be amenable to a few-especially those in urban areas.

Another stumbling block was the absence of a coherently defined policy on indigenisation. The indigenisation Policy document that was finally adopted in 1998, apart from being long overdue, was generally lacking in detail. The policy document did not provide an explicit programme of action. It did not have clearly stipulated defence schemes for ensuring the economic empowerment of the indigenous groups. Also, there were no specific constitutional provisions and specific Acts of Parliament to provide the legal basis of indigenisation in Zimbabwe. In the absence of such legal provisions, indigenisation processes tended to be *ad hoc* poorly coordinated, opaque and indeed vulnerable to political manipulation by self-seeking politicians and top civil servants. The opening up of the telecommunication sector in Zimbabwe best demonstrates how vulnerable privatisation processes can be to political manipulation.

Besides this, the Zimbabwe privatisation process was not guided by any concrete privatisation plan of action. Unlike in Malawi, Tanzania and Malaysia where privatisation programmes were guided by specific *Master Plans*, in Zimbabwe, policy implementers relied on conflicting official statements that were, occasionally issued by the department of state enterprises responsible for indigenization and the National Economic Planning Commission. As a result, privatisation generally remained behind schedule, with only five out of an investment portfolio of over forty state companies having been privatised to date. These are DZL, Cottco, CBZ, ZIMRE and the Zimbabwe Tourism Group of Companies. The recently concluded private sale of ZISCO to Indian investors was largely a secret activity between government and the Indian investor.

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Besides this, privatisation in Zimbabwe fell prey to patronage politics. Attempts to open up the communication and information sectors in Zimbabwe to private participation through the tendering processes resulted in a series of court litigations between responsible ministries and the would-be investors. In the case of the PTC, the responsible ministers interfered with the operations of the tender board, thus depriving the Government Tender Board [GTB] of its operational autonomy. In most cases, the adjudication processes were manipulated to suit favoured tenderers.

Notable, was the long drawn-out court case between one local businessmen, Strive Masiyiwa, representing [Enhanced Communications Networks: Econet], and the then minister of Information, Joyce Mujuru. Such costly court cases delayed the implementation process. Lamenting the adverse impact of the politics of patronage on the privatisation process in Zimbabwe, the then president of the Zimbabwe-Human Rights Association [ZimRights], remarked:

> *With the opening up of the economy, we have watched with utter disbelief, amazement and sadness as big fish of all sorts elbows each other in their attempts to position themselves into economically strategic positions. At the end of the day, the same big, brutal, various sharks have won the battle for enrichment [Zimbabwe Independent, April 13-20, 1997).*

... Roger Tangri [1999] observed in other African countries. Privatisation programmes in Africa are deeply embedded in politics and the state is reluctant to divest its frontiers because they have for a long time been used as important vehicles of state patronage

These experiences highlight the problem of vested interests in privatisation programmes. During privatisation, certain vested interests are threatened through the loss of patronage, perks, and power. These included civil servants in the supervising ministries. The ministers and others who benefit from contracts and other patronages given out by of the public enterprises usually take advantage of the confusion created by various changes in governments, ministries, boards and top managements to scuttle the privatisation programme.

These unfolding scenarios are generally consistent with what Roger Tangri [1999] observed in other African countries. Privatisation programmes in Africa are deeply embedded in politics and the state is reluctant to divest its frontiers because they have for a long time been used as important vehicles of state patronage [p: 40]. These observations are also echoed by Raftopoulos and Compagnon [2003], arguing that privatisation merely provide avenue for rent-seeking behaviour in a neoliberal era. It provides rich and easy pickings to the politically connected, who are however generally parasitic and non-productive. This embourgesement of the politically connected was simultaneously accompanied with increased immeseration and marginalisation of the vulnerable groups-hence the common person's dismissal of the acronym ESAP to mean ***Extended Suffering of the African People.***

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It is also interesting to note that while the government had by 1996 made a policy decision to establish a National Investment Trust [NIT], by October 1998, this decision had not yet been translated into action. The idea of NIT originated from the need to warehouse some shares on behalf of the indigenous groups. Its establishment was delayed by lack of credible budgetary support. For instance, its 1997/98 vote of Z$200 million, apart from being too meagre, was "diverted to meet other unbudgeted-for government expenditures" [*Herald*, 1 October 1998]. Its institutional visibility remains very low to this day.

The PAZ, established at the end of 1998 with a $120 million cash injection from the British government took over the responsibilities that were, initially, undertaken by over ten state institutions such as the National Economic Planning Commission, the Inter-ministerial committee on privatisation, the department of state enterprises and indigenisation, the President's Office, and other ministries responsible for parastatals.

Cephas Msipa, the then minister of state responsible for public enterprises and indigenisation, outlined the *modus operandi* of the new agency as follows:

> *Ministries would forward to the agency the names of those state-companies to be privatised and the agency would do the rest of the work. This eliminates delays which were previously experienced due to the submission of incomplete privatisation proposals to the inter-ministerial committee. [Herald, 22 October 1998].*

However while the establishment of the PAZ was indeed a welcome development, its operational effectiveness was constrained from the onset by the absence of a privatisation law. Without such a legal framework, the PAZ could not make binding monitoring decisions. Another issue of concern is its location. Like its predecessors, the PAZ was located in the Office of the President. While this may strengthen policy decisions emanating from this agency, such centralisation may work against it. In particular, the location factor may rob it of the much needed accessibility, decisional autonomy, transparency, and accountability. In such circumstances, professionalism, the fundamental value on which it is supposed to operate on, may be severely compromised. As lamented by the [ZNCC],

> *The operational structure of the PAZ is very defective. The body is not autonomous as it reports to the President's Office and not Parliament. When it was formed, no consultations were done with the stakeholders outside Government and, as such, key stakeholders are not represented. [Sunday Mail, November, 5. 2000].*

Agency autonomy is very crucial if the risk of partisan interest taking precedent over national concerns is to be reduced. One way out of this impasse is to create a legal framework for the PAZ. This framework must spell out its specific mandates and how it relates with other organs of the state. Without these requisite conditions, the creation of the PAZ will remain meaningless. The need to address these anomalies is urgent, given the current *ad hoc* and knee-jerk approaches to privatisation in Zimbabwe. For instance, to date, very little has been covered in all its three major policy strategies: commercialisation, privatisation, and indigenisation. Those state companies that have been exposed to commercial discipline have not been accorded the requisite institutional autonomy as their enabling Acts are largely in place. Referring to the issue of indigenisation in Zimbabwe, the chairman of Africa Resources Limited observed:

> *The government has not been speaking with one voice on this defining issue and the private sector has also used this lack of clarity by Government to do nothing. The Government talks of empowering people but there is nothing on the ground to push this agenda forward and this unfortunately creates an impression that the Government is not serious about privatisation and empowerment [Sunday Mail, November, 5, 2000].*

The collateral issue was also a major obstacle to the economic empowerment of the indigenous population.

With limited financial resources coupled with the lack of collateral security, indigenous groups found it difficult to borrow funds from financial institutions. In few cases where government managed to raise funds, this did not trickle down to the ordinary people at the grassroots. For instance, when Dairibord Zimbabwe Limited introduced the "Dairibord Employee Share Ownership Trust Fund" when the company was privatised in 1997, ended up benefiting management at the expense of employees because contributions to the fund were based on individual employee earnings. Management whose contributions were much higher than those of ordinary workers took almost total control over the company.

Impact on Other Public Sector Activities

Although the IMF, World Bank and other supporters of the neo-liberal ideology continue to claim that privatisation benefits a country's development by bringing about greater economic efficiency, the experiences in Zimbabwe show a different picture.

However, with the advent of economic reforms brought about the liberalisation of the transport sector. Private transport providers with smaller capacity vehicles entered the urban transport business. The lack of a coherent and forward-looking transport policy allowed the private operators to go for a long time without any strict supervision or control from the government.

Privatisation in Zimbabwe was accompanied by retrenchments of workers as well as changes in the employment conditions. Permanent, good quality jobs in the formal sector were replaced by contract jobs without job security and benefits. Over 300 workers were retrenched when Air Zimbabwe was commercialised in 1994, the Cotton Company of Zimbabwe reduced its permanent workforce from 3000 to 500 between 1994 and 1998 and the Grain Marketing Board retrenched half of its 2500 workers within a year in 1998. Most retrenched workers were forced into the informal sector to survive. To add insult to injury, there was no established social safety net mechanism to deal with these retrenched workers.

The outsourcing and commercialisation of services in local authorities resulted in a reduction in the quality of service as well as the skyrocketing of prices beyond the reach of the ordinary people. The outsourcing of refuse collection in Harare for instance resulted in the noncollection of refuse for days, however with contractor continuing to receive fees. The commercialisation of ZESA resulted in a massive increase in electricity tariff rates to market rates as a way of cost-recovery beyond the reach of most people.

Likewise, the introduction of 'cost-sharing schemes' in public schools and hospitals made education and health services unaffordable for the majority of households. Major towns in Zimbabwe have transferred the provision of water from local authorities to the Zimbabwe National Water Authority (ZINWA), which is charging commercial rates. Due to widespread poverty many households cannot afford to pay these rates resulting in water supplies being cut off. Water-related diseases like cholera and dysentery are on the rise.

Transport Sector

The provision of an efficient and reliable transport system is an important aspect of national development. It is a prerequisite for national competitiveness in a globalising world. In urban centers, efficient and affordable transport is essential. Inefficient transport systems result in the loss of income and productive time. Provision of a reliable and efficient transport is therefore a basic right to all citizens.

At independence the public transport system in towns was organized around the Zimbabwe United Passenger Company [ZUPCO].

This continued for about a decade and during this period, there was no competition from private operators. The transportation system was well planned to the extent that if a bus to a particular destination arrived late, one could approach the inspector-in-charge and immediate action would be taken to rectify the situation. However, with the advent of economic reforms brought about the liberalisation of the transport sector. Private transport providers with smaller capacity vehicles entered the urban transport business. The lack of a coherent and forward-looking transport policy allowed the private operators to go for a long time without any strict supervision or control from the government. This resulted in commuter fares rising beyond the reach of ordinary workers. This has been worsened by the chronic fuel shortages that the country is experiencing. These factors contributed to the eventual collapse of the previously organized public transport system.

The government has a mandate to ensure that public transport is available and affordable for all and that the system is efficient and organized in a manner that allows for the efficient mobility of all commuters.

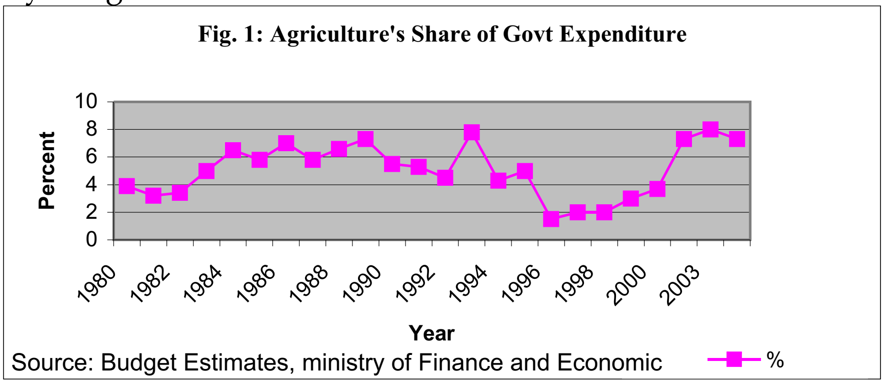
Agricultural Sector

As earlier on discussed, under the colonial period, the government subsidized commercial food production to ensure cheap maize for industrial and urban workers, while people in the communal areas were left fending for themselves. In the immediate post-independence period, Government provided infrastructural facilities, inputs and credit to encourage communal areas to produce maize for the market. The communal farmer responded enthusiastically in what became a success story in food production in Africa. One of the reasons for the success was that the State set the floor prices and provided a guaranteed market, the Agricultural Marketing Authority [AMA], for the marketing of most agricultural produce except tobacco.

Its agricultural policies were aimed at ensuring food security, improving the welfare of the rural population, agriculture and labour productivity as well as employment creation. In order to realise such objectives, the government assisted the farmers with subsidies and other income policies. Government expenditure on subsidies to parastatals increased from 38% to 45.9% between 1982/83 and 1986/87 periods [*ZCTU, Beyond ESAP*, 1996]. Between 1985 and 1990, the agricultural sector contributed 20.4% to GDP [National Accounts, 1985-2000]. During the 1980s, agricultural exports dramatically increased. Tobacco was the highest export earner, followed by cotton, 15% and sugar, 10% during the pre-privatisation period. There was a phenomenal growth of extension services and credit services to communal areas.

With the advent of privatisation, these achievements were reversed. Privatisation measures resulted in substantial reduction in the subsidies on farm inputs.

Figure 1 below indicates a steady decline in the share of government allocation to the Ministry of Agriculture.



Development issues Subsidies, Infrustracture, Banking

During the first decade, there was a visible expansion in the allocation to the Ministry of Agriculture. However, following the 1992/93-drought period government expenditure temporarily increased. Thereafter, the allocations, on average, had a downward trend, falling to a level of 2% by 1999/2000. This withdrawal of subsidies negatively affected availability of credit through AFC, provision of extension, and research and development services. Extension, research and development services suffered from inadequate resource allocations, with almost 70% of annual budgetary allocations being used to pay salaries, thus leaving very little for field operations [Kanyenze, 2001].

With the removal of price controls the prices of vital agricultural inputs rose significantly negatively affecting small-scale and communal farmers. It was also observed that in late 1995, urea sold in Zimbabwe at almost US $300, compared to an international FOB price of nearly US$200.

The centralised crop purchasing system of the early eighties which had guaranteed purchase of their produce, was gradually abandoned, leaving farmers to locate their own markets and in the process forcing communal farmers to sell their produce to middlemen, usually at low prices. On the other hand the absence of an incentive price policy for certain crops forced commercial farmers to gradually shift away from maize production for domestic consumption to export crops, especially horticulture-posing a serious threat to food security in Zimbabwe.

Liberalisation of Input Markets

The liberalisation of input markets was a major drawback to the development of agriculture in general. By the end of 1993, the import structure of agricultural machinery was liberalised and farmers were allowed to buy tractors without having to pay duty and import taxes. This led to the increase in the import of tractors from an average of 1,300 during 1988-93 to more than 3,000 during 1994-96 period [Gisselquist & Rusike, 1998]. These developments benefited large-scale farmers, mostly whites, at the expense of communal and small-scale farmers. Annual imports of compound fertilisers also increased sharply from less than 500 tons (average) during 1990-93 to 12,000 tons in 1994, 14,000 tons in 1995 and 48,000 tons in 1996. In 1993 government removed price controls for all except two fertilisers, Ammonia Nitrate and Compound D [recommended for maize], which are important for most farmers.

With the removal of price controls the prices of vital agricultural inputs rose significantly negatively affecting small-scale and communal farmers. It was also observed that in late 1995, urea sold in Zimbabwe at almost US $300, compared to an international FOB price of nearly US$200. It was also observed that despite low cost local phosphate rock, the prices for phosphate fertilisers were high. Such high input costs created serious viability problems for a number of farmers. The cost of cotton production went up by 130% per hectare between 1998 and 1999. The cost of producing one hectare of wheat rose by 68.54% between 1998 and 1999 (Makamure, 2000). As a result of rising input costs and high interest rates, small-scale farmers [who do not enjoy economies of scale] cut back on use of these inputs, resulting in lower yields. Arnaiz and Sibanda [1998] observed that ESAP had a negative impact on institutions that had been created by the small-scale producers. Gisselquist & Rusike [op.cit.] make the point that because of the liberalisation of inputs was in some cases still incomplete, there had not yet been ample response to reduce prices of inputs.

Health Sector In the health sector, economic reforms undertaken through privatisation and commercialisation led to the retreat of the state due to cutbacks in government spending and declining revenues. This in turn has put a fiscal squeeze on the provision of public goods, health, education and the environment

The introduction of user charges and fees in the health sector reduced the utilisation of services because of the lack of affordability. Immediately after fees were raised in 1991 and 1994/4, declines were noted in hospital out patient attendance, prescriptions dispensed, admissions, X-rays, fractures, lab and dental services (Renfrew 1992; Hongoro and Chandiwana 1994). The implementation of drug charges was introduced during a period of rapid devaluation of the Zimbabwean dollar and continuing constraints on the availability of foreign currency. Rapid devaluation of the Zimbabwe dollar has thus combined to significantly increase the costs of drugs imported. Whilst many drugs are manufactured locally, the imported content averages 60%, the costs of which are passed on to the final consumer. This in effect privatised a supposedly public service!

According to the *Zimbabwe Human Development Report* [1999: 33], per capita health expenditure that had increased to an all-time high of US$57.72 up to 1990, and gradually declined to US$35.86 by 1995. Per capita health expenditure fell from an average US$13 in 1997-1999 to about US$9 in 2003 [UNDP, 2004]. This is well below the WHO target of US$23 per capita. The health budget as a percentage of GDP was below the MERP target of 2.5%. From 1997 to 2003, it averaged 2.4%. In real terms, the amount allocated fell from $5 billion [US$ 400 million] in 1997 to $3.5 billion [US$ 64 million] in 2003 [using 1997 as base year]. The decline in budgetary allocations actually contributed to the deterioration of the health delivery systems in Zimbabwe.

A seven-fold rise occurred in the cost of medical care between 1990 and 1997, which resulted from the introduction of user fees to recover costs. Consequently the social indicators have been on a downward spiral since 1990.

Poverty levels have worsened since the 1990s as a result. In 1990/1991, 25 % of the population was under the food poverty line [CSO Quarterly Digest of Statistics].

In 1995, the Poverty Assessment Study Survey [PASS] conducted by the Social Development Fund of the Ministry of Public Service, Labour and Social Welfare revealed that 61% of Zimbabweans were considered to be poor, and of these 45% were considered to be very poor. Poor households were defined as those with incomes below the national Total Consumption Poverty Line [TPCL], calculated as Z$2,132.33 (US $ 256.91) per capita per annum (1995), that is, they are unable to provide basic needs. Very poor households are those with income per capita below the national Food Poverty Line [FPL] of Z$1,289.81 [US $ 155.40] per year [1995]. They are thus unable to meet basic nutritional needs.

Public Utilities Sector

The commercialisation and privatization of public utilities has led to the adjustment of tariffs to cost-recovery levels, leading to hikes in prices in many instances. Public utilities, i.e. electricity, water and sanitation are basic necessities of life. At independence and in the pre-ESAP period, the government and local authorities provided these Services with relative efficiency. The system was organized with the municipalities and city councils receiving subsidies from the government. They did not need to implement cost recovery plans because the government was in a position to finance their operations to a large extent, meaning that the cost of their service provision was incorporated into the national budget.

However with the advent of economic reforms of privatization and commercialisation beginning in 1991 the situation changed for the worse. In the absence of budgetary allocations, municipalities that provide water and sanitation services and other service providers such as ZESA were left with no option but to recover their full operating costs from the consumers. Service provision was delegated to local authorities without budgets from national government, resulting in the deterioration of the quality of the services provided. The prices were still too high for the ordinary working people to afford.

Moreover due to the shortage of foreign currency for the procurement of electricity to complement the local supply, there has been load shedding which has resulted in the irregular supply of electricity. The absence of foreign currency has also resulted in the unavailability of water treatment chemicals. Consequently there have been cases of people drinking water that has only been partially treated, which has caused the surge in diseases such as cholera and dysentery

Local Authority Sector

Service delivery

In the local authority sector, privatization led to the outsourcing of refuse collection in the Harare City Council. In stead of improving refuse collection, there was a visible deterioration in the City's service delivery. Refuse went uncollected for days on end while the private contractor was being paid.

The municipalities have also been unable to maintain the existing equipment utilized for service delivery. This has led to the equipment being run down and breaking down. A good example is the water and sewerage pipes in the city of Harare that has of late been bursting at an increasingly rate. There was also an increase in the wastage of treated water as it took the responsible authorities a long time to fix the problem. The residents of Harare have resorted to reporting any burst pipes through the newspaper in the hope that something will be done. In Chitungwiza, for instance, the flooding of streets with sewage is a widely reported problem.

Labour Sector

What has happened to the workforce?

One of the most common criticisms of privatisation by workers and unions is that it leads to layoffs, erosion of wages and benefits and decreased level of union membership. In developing countries, in particular low-income countries in Sub-Saharan Africa, these difficulties are compounded by the lack of unemployment benefits and social welfare systems that address issues of unemployment. Moreover the lack of alternative jobs for those laid-off from state-owned enterprises where public employment dominates has made restructuring and privatisation difficult.

In Zimbabwe over 300 workers were retrenched when Air Zimbabwe was commercialised in 1994, the Cotton Company of Zimbabwe reduced its permanent workforce from 3,000 to 500 between 1994 and 1998 and the Grain Marketing Board retrenched half of its 2,500 workers within a year in 1998. Most retrenched workers were forced into the informal sector to survive. To add insult to injury there was no established social safety net mechanism to deal with these retrenched workers [Kanyenze, 2000].

Social Welfare Sector

Reduced budget

In Zimbabwe, UNDP [1999, 8-15] studies noted significant declines in allocations to the social sector [in particular, ministries linked to poverty alleviation]. Real per capital spending on health increased from $37 in 1983/84 to $58 in 1990/91 and thereafter started declining to $36 in 1995/96. Deterioration in the quality of health services in the major referral hospitals [for instance Parirenyatwa and Harare Hospitals in Harare and Mpilo in Bulawayo] are cases in point. Mlambo [1997, 83] concluded:

> *Zimbabwe's decision to implement the IMF and WB variety of economic reforms was unfortunate, for not only did the reform programme impact negatively on the welfare of the Zimbabwean majority, but also effectively reversed most of the gains made in the first decade of independence with respect to the provision of, and the majority's access to, educational and health services.*

The impact on standard of living

The deregulation of price controls and the abolition of subsidies had disastrous impact on many families both in the urban and rural areas. Cooking oil, margarine, sugar, bread, maize meal, electricity, water and transport prices have increased drastically. Commenting on the result of deregulation of prices result of deregulation of prices and removal of basic protection for workers, the then Secretary General of the Zimbabwe Congress of Trade Unions [ZCTU], Morgan Tsvangirai, observed:

> *We have all experienced for the past year or so a massive increase in prices; they have gone up to over 40%, buying the same goods that cost $100 in 1980 now takes about $500. Labour is becoming cheapened daily and the workers' standard of living is declining. Even the middle class is affected with university lecturers forced to resort to outside part-time work. Since independence, workers have gained from minimum wage laws and protection against arbitrary dismissal, but ESAP says these laws must go [Social Change and Development, 1992, 5-6].*

Since profit maximization is the primary objective of private enterprises, it is inevitable that there would be attempts to cut costs by retrenching workers and to charge high prices of goods and services. Dramatic declines in public sector employment have been one of the most visible and painful outcomes of privatisation. Macro-economic reforms and restructuring significantly reduced the demand for labour. This worsened competition for limited jobs available. There was also a reduction in demand for specific skills and training has compelled many to drop out of the labour force prematurely. Some individuals withdraw from the labour force voluntarily, others involuntarily. The plight of retrenchees was worsened by absence of a well-formulated redundancy programme.

The use of pension schemes to reduce surplus employment in the public sector and check unemployment growth provided incentives for many to leave the formal labour market at the beginning of the restructuring programme in the early 1990s resulting in voluntary separation and 'soft' layoffs. The separation at the beginning of the transition was largely voluntary as firms adjusted to increasing fiscal constraints for example NRZ, Air Zimbabwe and COTTCO to mention a few.

Privatisation and commercialisation in Zimbabwe has been accompanied by increasing non-standard forms of employment such as casual, contract and seasonal labour, especially in the large-scale agricultural sector. Table 4 shows the trend in full time, part time and casual employment between 1990 and 2002.

Table 4:

Trends in Full-time, Part-time and Casual Employment between 1990 and 2002 [%

Year	1990-95 ESAP Period	1996-2002 Beyond ESAP Period
Full-time employees	-4.2	-5.3
Part-time employees	39.9	82.7
Casual employees	19.9	15.4

Source: Compiled from the CSO's Unpublished Data

Employers, by employing non-permanent workers are avoiding additional labour costs such as housing and pension payment. This reveals that the economy has failed to create decent work and job security in the agricultural sector under globalisation..

This Table shows that the total number of full-time employees decreased by 4.2% in the ESAP period and further declined by 5.3% beyond the ESAP period. On the other hand, the number of part-time employees grew by 39.9% during the ESAP period and the number further increased by 82.75 after the ESAP period. Casual employees also grew by 19.9% in the ESAP period but declined slightly by 15.4% after the ESAP period. This clearly shows that there has been a continued shift towards greater use of part-time and casual labour. This has been so especially in the agricultural sector. Employers, by employing non-permanent workers are avoiding additional labour costs such as housing and pension payment. This reveals that the economy has failed to create decent work and job security in the agricultural sector under globalisation. This emanates from competitive pressures that firms operate under, creating market insecurity. The growth and persistence of the informal economy indicates the failure of the economy to generate employment in the formal sector.

Labour standards have been relaxed so as to attract foreign investors. Due to the over-relaxation of labour laws, dirty and hazardous production processes have put workers' health at risk. This was the case in most Export Processing Zones (EPZs]. Most workers in Zimbabwe employed in the EPZs live in overcrowded poor quality housing, often with unsafe water and sanitation and limited access to health care (ZCTU, 2000 EPZ Study). Such conditions create health hazards for them and their families, compounded by HIV/AIDS pandemic.

Experiences in Zimbabwe are generally consistent with experiences across the world. In New Zealand, 15,000 Telecom employees lost their jobs in three years. In 1984, British Airways slashed its workforce from 57,000 to 37,000. After the privatisation of the Mexican Airline, the workforce shrank by 20% and labour morale fell. In Bangladesh, more than 22,000 workers in the state's jute corporation were retrenched between 1990 and 1993 as part of the restructuring and privatisation programme.

Studies on wages have shown that falling real incomes have been associated with the adoption of survival strategies such as absenteeism, labour turnover, industrial conflicts, shirking, multiple-jobbing, moonlighting, pilferage and corruption that undermine work ethics, commitment, productivity, profits and growth.

Impact on the Role of the State

Drastic reduction in state soverignity

The overall impact of privatisation on the role of the state in Zimbabwe was devastating. The State, which during the first decade of independence had been the central mechanism of allocating and distributing basic goods and services abrogated its sovereign obligations to market forces. The state shifted from a protective welfare state to a market-guided minimalist state, in essence distancing itself from its responsibilities over its national citizens.

During the first decade the state in Zimbabwe, for reasons deeply grounded in its historical experiences, pursued state-led development strategies, with the state in command of the economy. Within this centralised economic planning, the state played the godfather role, ensuring as much as possible that national resources were efficiently and equitably allocated and distributed. In line with its ideology of scientific socialism [although it was not fully adhered to], the state in Zimbabwe used public enterprises as instruments of ensuring affordable services to disadvantaged groups, establishing infrastructure in hitherto neglected areas, and taking control of the commanding heights of the economy. To this end most state activities were subsidised while controls were affected on basic commodities.

It was a development ideology infused with considerations of equity and fairness in resource allocation and distribution. It was based on the fundamental belief that the objective of development is to enhance human welfare-hence its welfare state posture.

Zimbabwe, like other African governments, adopted the socialist ideology soon after gaining political independence as a way of correcting the past imbalances in terms of access to resources. It was a development ideology infused with considerations of equity and fairness in resource allocation and distribution. It was based on the fundamental belief that the objective of development is to enhance human welfare-hence its *welfare state* posture.

Welfarism was adopted as an objective response to the perceived inability of the market to ensure equitable provision of social services such as water, energy, health and education in a post colonial state setting. This ideology refutes neoliberal assumptions about the neutrality of the market in the allocation and distribution of resources. Its ethical premises are that social services are not matters to be privatised or commodified as they are elements of the human rights of the people. In this line of thinking, a people's state would be and should be responsible for the provision of these services. Thus, the state plays a developmental and ethical role, safeguarding the interest and welfare of its population

With the onset of ESAP in the 1990s, the state assumed an authoritarian posture. Neoliberal policies, by virtue of their social costs, demand an authoritarian state that has capacity to ignore or suppress dissent and implement policies that impose short-term costs on powerful strata such as vocal urban workers and civil servants. Implied here is that neoliberal policies are inherently antithetical to democracy. In Deepakhal's words, “a courageous, ruthless and perhaps undemocratic government is required to ride roughshod over newly created special interest groups”[Lal, 1983:33]. Privatisation eliminates certain patronage resources, subsidised credit, free or cheap utilities and public sector jobs. In addition to this, the so-called *transitional costs* have notoriety for transforming themselves into permanent post privatisation features. Strategic groups consequently suffer and are prone to protest. In other words, privatisation sets the state on a collision course with its citizens. In Zambia, government's removal of subsidies on maize meal resulted in urban riots in the 1980s-forcing the government to re-establish a subsidy.

Privatisation, as a key instrument of neoliberalism, transforms states from a protective, humane and social welfare-conscious state to a mechanical state whose decisions and choices are not based on public motive considerations, but on the dictates of an invisible and faceless hand of the market.

Privatisation, as a key instrument of neoliberalism, transforms states from a protective, humane and social welfare-conscious state to a mechanical state whose decisions and choices are not based on public motive considerations, but on the dictates of an invisible and faceless hand of the market**.** Neoliberalism assumes that active state intervention is the antithesis of efficiency and should therefore restrict its core activities to policy making by rolling back its *frontiers* from its traditional enclaves.

In line with this embraced neolibral doctrine, the state in Zimbabwe made drastic cuts in the public employment. It instituted retrenchments in the public service through the Civil Service Reforms initiated from 1990 to 1995, without putting in place adequate social welfare nets. It simply offloaded its public employees to the informal sector, where they were expected to devise their own survival strategies.

Neoliberalism has its basic premise in fiscal austerity. In line with this philosophy, the state in Zimbabwe was forced to withdraw subsidies and price controls that had protected vulnerable groups from the vagaries of the market. In the education sector, the state revised its tertiary education funding policy by reducing the grant element. Catering services in state universities and colleges were privatised in a bid to reduce state budgetary obligations. The state reduced its fiscal responsibilities through gradual withdrawal of subsidies and grants to tertiary institutions, health sector and various vulnerable groups. Subsidies were replaced with user fees. In other words, the state was forced to relinquish its welfare postiture, handing over the allocation and distribution of national resources to the invisible forces of supply and demand- the market.

The state was also forced to disown its core sovereignty obligations to the population such as fulfilling their basic needs such as free basic education, affordable health care, cheap and adequate housing, free water, adequate social security, government support for food producers as well as price controls on basic commodities.

The state also lost its control and ownership over domestic policies as evidenced by the direct involvement of the IMF and the WB in its fiscal decisions. In the public sector, the state lost its traditional control over civil service and parastatal policies when a foreign packaged and programmed Public Sector Reform programme was imposed upon it under ESAP. It was forced to retrench its civil service workforce by a pre-determined 25 %. How this figure was arrived at, remains a puzzle to this day. Also mind-boggling is how this figure applies in all the socioeconomic situations of the post colonial African State.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Level of preparednes

Privatisation programmes, whose theoretical underpinnings are embedded in the now discredited doctrine of neoliberalism, are inherently antithetical to the cause of socioeconomic development in the post-colonial states. Privatisation experiences in Zimbabwe and the rest of Africa unequivocally indicate that the privatisation agenda is not sustainable at both the theoretical and practical level. In fact, continued implementation of these prescriptions can only be done at the extreme sacrifice of citizen welfare, national and economic sovereignty. As policy prescriptions, they are more dangerous than the malady they purport to redress.

Implementing a privatisation programme in a post-colonial state raven with heavy skewed ownership patterns is naturally poised to worsen wealth concentration, either among elite indigenous groups or among the already established foreign owned institutions. Given these realities, privatisation packages are difficult to market and sell to the African electorate. Their political feasibility and social acceptance is always very low. Implementation of such programmes to the full course can cost the political leadership its legitimacy. Reports by the WB [1998] of the African State in "stubborn retreat" should be conceptualised within these contexts. It is a natural and feasible response in light of socioeconomic dynamics in the post colonial African State. The social resistance that has greeted privatisation programmes throughout the world reflects this deep-seated negative attitude towards privatisation. These negative feelings are worsened by the fact that contrary to neoliberal theoretical claims, the so-called short-term transitional costs of privatisation have in practice turned out to be permanent post privatisation features. In fact, Africa is yet to record a convincing success story of privatisation.

The idea of privatisation in an African setting conjures an array of social costs such as unfettered intervention of a largely foreign-owned private sector, retrenchments, loss of national ownership, drastic cuts in social spending, declining social welfare scenarios and reduced access to health and educational facilities. Conceptualised within African settings, the idea of privatisation logically and unavoidably raises fundamental questions of "who" stand to benefit from the disposal of state assets. In other words, privatisation amounts to economic recolonisation! As bluntly argued by Tandon [1998, 9] in Africa,

> *When assets are privatised in Europe they remain largely in European hands because the private sector has the means to buyoff state assets. Thus, for example, when the British Telecom was privatised, it was still in the hands of British capital. If ever there was ever a serious threat that such a vital industry would fall in the hands of the French or the Japanese, the British state would have intervened to ensure that this would not happen.*

Unfolding privatisation experiences in Zimbabwe convincingly demonstrate that the case for privatisation models is strong on a *priori* theorizing and weak in empirical confirmation. Experiences from all the economic sectors reviewed hardly lend any credence to the claim that private ownership is intrinsically superior to public ownership. Rather, they reveal that privatisation assumptions are out of touch with what is taking place on the ground. Some public services, such as the health service and education are difficult to privatize, even by the most market-oriented government since people require access to them regardless of their ability to pay!

Experiences from all the economic sectors reviewed hardly lend any credence to the claim that private ownership is intrinsically superior to public ownership. Rather, they reveal that privatisation assumptions are out of touch with what is taking place on the ground.

Privatisation experiences in Zimbabwe and the rest of Africa also indicate that privatisation demands and expectations are beyond the purview of most governments in post colonial Africa. They are called upon to implement policies that threaten their political survival. The notion of shifting from an active participator to a mere facilitator is provocative, to say the least as it amounts to the state watching from a distance while market forces prey roughshod on the economy. In fact, the idea of a minimalist state is inherently untenable in an African economy where the bulk of the population, due to colonially induced policies, is yet to establish its feet on the economic front!

The institutional framework

The economic policy framework within which privatisation programmes are implemented in Zimbabwe hardly meets the requisite conditions said to be ideal for effective implementation of privatisation programmes. To begin with, for fundamental reasons already highlighted, the politically leadership in Zimbabwe is not morally obliged to create the so-called enabling frameworks. The political leadership does not identify with the values that underpin privatisation programmes. This, coupled with general inconsistency in overall economic policy formulation and implementation, has created a framework that can hardly sustain effective implementation of neoliberal policies in Zimbabwe. In Zimbabwe, this inconsistency is most manifest in the economic blueprints crafted from 1990 to the present. In the case of ESAP, the state was visibly uncomfortable to implement austerity measures to their full expression because of their "foreign" tag. In the case of ZIMPREST, the Macro-Economic Policy Framework [2005-2006], economic programmes were either implemented piece-meal or abandoned halfway or still remain paper reforms. The indications are that optimism that surrounded the most recently adopted programme, the National Economic Development Priority Programme (NEDPP), is fast losing steam before the programme has even taken off. Furthermore, it is to be implemented under a maze of institutional framework.

Firstly, there is the Zimbabwe National Security Council (ZNSC) set up by the President of Zimbabwe to formulate the programme. There is also the National Economic Recovery Council [NERC], chaired by the Vice President, Joyce Mujuru, which is responsible for the programme. The NERC also works with yet another committee chaired by the Chief Secretary in the Office of the President and Cabinet. In addition to this bureaucratic maze, the new programme is too ambitious as it is inconceivable to turnaround an economy riddled with deeply embedded structural rigidities within six or nine months. The institutional framework is also at odds with effective privatisation.

Besides being too many, highly centralised, and generally inaccessible to the public, this framework is marred with coordination problems arising from blurred lines of responsibilities, lack of autonomy and conflict of interest. For instance, while the now defunct agents [the National Economic Planning Commission and the Department of State Enterprises and Indigenisation], were mandated to oversee the implementation process, it was not clear how these two state agencies relate to each other. The result was that instead of facilitating prompt decision making, they tended to promote bureaucratic delays in the implementation of rolling-back models. In fact, in some cases, commercialisation or privatisation proposals were sent to wrong offices for approval and in the process, delaying the privatisation process.

While the PAZ had been established by1998, its establishment did not help much. To begin with, its institutional effectiveness was constrained from the onset by the absence of a legal framework, privatisation law. Legislation must explicitly state its expected membership profile, nature of governance, its funding, its specific functions and how it relates with key state organs like the Cabinet, the Treasury and Parliament. Besides the absence of a legal basis, the PAZ was also located in the Office of the President. While this closeness may strengthen policy decisions emanating from this agency, it may also be argued that such centralisation is set to rob the PAZ of the much needed accessibility, decisional autonomy, transparency, and accountability. Its autonomy and accountability to the public is further weakened by its operational structure as it reports to the Office of the Presidency and not to Parliament! Its compositional set up also lacks key stakeholder representation. Furthermore, the withdrawal of its sponsor [the British government] does not augur well for its operational effectiveness. The issue of autonomy in the PAZ is very crucial given the embededness of partisan interests in divestiture processes. In fact, without a properly constituted legal basis, its creation amounts to a window-dressing affair! This is even worse where lines of responsibility between the PAZ, the Department of State Enterprises, Anti-Corruption and Anti-Monopolies, and parent ministries is not clear-cut.

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The social-political environment

Performance of the privatisation programmes has in most cases diverged from expectations. Experiences in Zimbabwe amply demonstrate that the so-called *indigenisation through privatisation* remains a remote ideal. In fact, the two are incompatible in concept , content and operationalisation. Worse still, the the indigenisation cause in indigenisation cause in Zimbabwe is largely based on *suasion* because there are no specific legislative instruments to back it up. The Government Tender Board that was then operational was not well constituted in terms of expertise and autonomy, to ensure a transparent procurement and tendering processes. Board decisions were often either overturned or simply ignored by the parent ministry. When the indigenisation policy was finally adopted in 1998, the policy document was by and large, a non-event as most of its goals had been overtaken by events.

The indigenisation cause had almost lost credibility amid reports that its benefits did not accrue to all and sundry but the elites in society, business and politics. Experiences from the construction, manufacturing, transport and other major sectors of the economy reveal reports of contracts being monopolised by established companies and allocation of contracts reflecting patronage politics.

Lack of clearly defined legal and constitutional provisions to guide the indigenisation programme rendered privatisation processes victim to clientelist interests, threatening the achievement of broad-based ownership ideals! For instance, the absence of a well-defined Securities Act made it difficult to take a definite legal position on issues relating to *insider trading*, for instance at the Cottco.

In terms of achieving its set objectives, its overall impact has not been so visible. The public enterprise sector is still a major drain on the fiscus. Neither was the privatisation programme able to generate revenue to finance budget deficit. The state still wields considerable ownership, even in those that have been privatised. In the case of privatised companies such as the DZL, Cottco and CBZ, state ownership is indirectly entrenched through controls of shares under NSSA and NIT since these companies are themselves state owned. Proceeds from privatisation have not been that visible. The state sector has not been sufficiently deregulated as the state still controls prices of services from parastatals while most parastatals have their enabling Acts yet to be repealed. Where regulatory bodies have been established, they have not been accorded sufficient autonomy to effectively undertake their mandates.

The emerging picture is that although the IMF, World Bank and other supporters of the neo-liberal ideology continue to claim that privatisation brings about greater economic efficiency, the experiences in Zimbabwe show a different picture. Privatisation in Zimbabwe was accompanied by retrenchments of workers as well as changes in the employment conditions. Permanent, good quality jobs in the formal sector were replaced by contract jobs without job security and benefits.

The outsourcing and commercialisation of services in local authorities resulted in a reduction in the quality of service as well as the skyrocketing of prices beyond the reach of the ordinary people. The outsourcing of refuse collection in Harare for instance resulted in the noncollection of refuse for days while contractors remained on the payroll. The commercialization of ZESA resulted in a massive increase in electricity tariff rates to market rates as a way of cost-recovery beyond the reach of most people. Likewise, the introduction of 'cost-sharing schemes' in public schools and hospitals made education and health services unaffordable for the majority of households. Due to widespread poverty, many households cannot afford to pay these rates resulting in water supply being cut off. Water-related diseases like cholera and dysentery are on the rise.

Given the socioeconomic dynamics in Africa, privatisation programmes entrenches politics of patronage.

Given the socioeconomic dynamics in Africa, privatisation programmes entrenches politics of patronage. Since privatisation processes redistribute political goodies like shares, contracts and leases, they easily fall victim to political manipulation by those in key influential positions. The general perception within African circles is that divestiture processes have benefited the political elites and their backers at the expense of ordinary blacks!

In Zimbabwe, sentiments to the effect that divestiture processes have benefited those within the ruling party circles have often been raised. This has been the case where such processes have not been sufficiently sold to the public, or where information is deliberately withheld from the public or where there is outright political manipulation of tendering processes, or still where there has been some inside trading.

The deleterious effect of this scourge in Africa is discussed at length by Tangri [1999] in his book *The Politics of Patronage in Africa.* A central issue in Roger Tangri is the fact that disposal programmes in Africa are deeply embedded in politics and the state is reluctant to divest its frontiers because they have for a long time been used as important vehicles of state patronage [p: 40]. Raftopoulos and Compagnon [2003] echoe these sentiments, arguing that privatisation merely provide avenue for rent-seeking behaviour in a neoliberal era. It provides rich and easy pickings for those politically connected, although this new Black elite is essentially parasitic and therefore non-productive class. Consequently, the poor and the marginalised groups were pushed deeper into poverty as expressed in the common person's dismissal of the acronym ESAP to mean *Extended Suffering of the African People!*

The prevailing market

The state of the domestic market in Zimbabwe does not accord with the privatisation doctrine. The banking system has not been forthcoming in availing loans and credits to indigenous groups. As a result, a vibrant indigenous private sector with the capacity to compete for contracts or buying shares during privatisation is yet to emerge. In Zimbabwe, markets are generally relatively small, highly concentrated and dominated in terms of market share by a clique of monopolies that are either in foreign control or controlled by a minority indigenous clique. Heavy reliance on foreign stockbrokers and underwriters has constituted a major drain on the proceeds from such processes. Governments pay millions in consultation fees to merchant banks, accounting firms, stockbrokers and privatisation agents who prepare companies for privatisation. Zimbabwe's privatisation of DZL saw heavy involvement of a consortium of merchant banks such as Barclays Merchant Bank, Trust Merchant Bank and Heritage Investment Bank, First Merchant Bank of Zimbabwe Ltd, Edward's Financial Services. While the figures are not available about how much was lost by the state in consultation fees, the compelling evidence from countries as far afield as the UK is that , by every yardstick, privatisation policy has been costly to the taxpayer [Buckland, 1987, 255]..

RECOMMENDATIONS

♦**Abandon**

Abandon the privatisation route and revert to the welfarist state-led development approaches. Privatisation experiences from Zimbabwe amply demonstrate that privatisation reversed the gains achieved through state-led policies of the first decade. There is also demonstrable evidence that its so-called transitional costs are not as short-lived as claimed. Reports across Africa reveal that they have in fact become permanent post privatisation features, resulting in immessarisation of society. In addition to this, the prevailing socioeconomic settings in African countries are by and large in conflict with the theoretical and practical assumptions of privatisation. African countries are still fragile nation states with numerous threats to their socioeconomic integrity. The bulk of the population is reeling under the poverty datum level. Ownership distribution is still heavily skewed in favour of racial lines. The capacity of indigenous groups to absorb opportunities that arise from privatisation is very low. Under these circumstances, rolling back the responsibilities of the state under privatisation is akin to the state abrogating on its sovereign duties. The prevailing situation in Africa glaringly demands a welfare and redistributive approach to

♦**Inclusive development**

These state-led development strategies should be supported by a consistent and broad-based consultation in the formulation and implementation of national programmes. Experiences in Zimbabwe indicate that most national economic programmes are either half way implemented or abandoned before they have even taken off. As a result , even promising economic blueprints have been rendered policy papers. Programmes are generally formulated without much broad-based consultation with all relevant stakeholders. In most cases, the public only come to know about their existence when they are announced through the print and electronic media. With this over bureaucratisation of policy processes, it is very difficult to mobilise public support for national programmes. Experiences with ESAP, Vision 2020, ZIMPREST, MERP, NERP, the 10-Point Plan, Macro-Economic Policy Framework [2005-2006] and the latest, NEDPP, provide a strong case for a review of state approach to policy formulation and implementation

♦**Instutional framework**

There is also need to streamline the institutional maze within which the Zimbabwe privatisation is implemented. The PAZ that was initially mandated to spearhead the privatisation process has had its responsibilities refocused to restructuring. Such an institutional about turn without a declared policy shift from privatisation leaves the wider society in a quandary as to the way forward. There is urgent need to redefine the operational frameworks of the key institutions, namely the PAZ, responsible ministry and the Department of State Enterprises, Anti-Corruption and Anti-Monopolies. This is imperative to root out coordination problems, delays, duplication and the resultant resource wastage and operational inefficiency.

♦ **Strengthen indigenisation**

There is also need to adopt aggressive defensive instruments for indigenous economic empowerment. While the goals are noble, they can not be achieved simply by exhortations. This is even more urgent given state recent decision to indigenise the mining sector. Indigenisation programmes are by their nature conflict ridden since they entail transfer of resources from one group to another. Given their nature, those who stand to lose usually do not take it lying down. Implementation of such change processes is inevitably friction-laden, characterised by criticism, litigation and even resistance. Given these possible scenarios, the state in Zimbabwe has to demonstrate its commitment to indigenisation by adopting clear-cut defensive mechanisms. It has to put in place legal and institutional structures specifically and sufficiently constituted to promote the indigenisation agenda.

Indigenisation, in the absence of such frameworks is a free for all exercise in which the stronger take the lion's share. Zimbabwe should take a leaf from experiences in Malaysia and other countries in the region. Malaysia is generally portrayed as one of the standard-bearers of privatisation amongst developing countries. Malaysia is a "lower-middle-income" [1994 estimates] of whom 60 per cent are Malays [known as the *Bumiputera or sons of the soil*] and the remainder non-Malay [mainly Chinese and Indians] [Adams, 1994: 211-269]. Thus like Zimbabwe, ownership distribution was skewed in favour of foreigners, the non-Malays. Under these prevailing conditions, the Malay government in the 1970s formulated a New Economic Policy, which although embodying a wide range of socioeconomic objectives, had the distribution of corporate asset ownership as its core goal. To this end, the government set equity ownership targets of 30 per cent [foreign], 40 per cent [other Malaysians], and 30 per cent [*Bumiputera*] to be achieved by 1990.These legal requirements were buttressed by aggressive programmes that included the compulsory transfer of shares to the Bumiputera. Bumiputera financial institutions were created, for instance MARA Unit Trust, which later developed into the Bumiputera Stock Exchange.

♦ **Private sector involvement**

The state should vigorously pursue the idea of Build-Operate-Transfer Projects [BOTs]. The BOT mechanism enables governments to utilise ideal private sector funds to finance new infrastructural projects. The procedure is that the private sector constructs the facility and operates it for a period known as concession period, usually up to 30 years. At the end of this period, the facility is transferred to the government. Malaysia made effective use of this model. However, in the Zimbabwean case, the concession period could be reduced to up to five or ten years, the expectation being that by end of the period, locals would have garnered sufficient experience to take over. For this mechanism to succeed, the state has to build a firm private-public partnership. The state in Zimbabwe has to put extra effort to woo local and foreign investors.

♦ Protectionist policy There is also need to adopt schemes to curb possible dilution of indigenous shareholding in the post privatisation era. Experiences in Malaysia and the UK highlight that where there are no Unit Trust Schemes and specific legal instruments in place, there is danger of possible dilution of indigenous shareholding in privatised companies in the post privatisation era. In Malaysia, while indigenisation significantly broadened local participation in the economy, the post privatisation era witnessed a" noticeable" dilution of Bumiputera [indigenous groups] participation in the 101 privatised companies studied [Puthucheary, 1990: 110-125]. For instance, Bumiputera shareholdings in Siesten Television Malaysia Berhard that was 80 per cent in 1983 had been reduced to 57 % by 1993. Studies conducted in the UK also revealed that while at face value privatisation resulted in an "explosion" in the number of shareholders in telecom, gas and electricity; closer analysis however indicates that these "massive inflations" of shareholders was "a temporary phenomenon" because there was a significant decline in retention capacity from 66 per cent in 1988 to 40 per cent by 1993 [Clarke and Pitelis, 1993: 500]. Furthermore, most of the new shareholders quickly disposed of their investments having secured the benefit of an initial discount. In fact, most privatised shares ended up with financial institutions! To counter this, the state in Zimbabwe has to pursue with renewed vigor, the idea of warehousing shares of locals under NIT. It is disquieting to note that while the Zimbabwean privatisation programme took off on the noble idea of NIT, this institution has since inception been incapacitated by under-funding. In Malaysia, the government in 1978 created "ownership-in-trust" [the Yayasan Pelaburan Bumiputera [YNB] with its board chaired by the Prime Minister [Adams, 1992:228]. The YNB operated through its associate financial institutions, the Permodalan National Berhard [PNB] and the Amanah Saham National [ASN].

♦ Regulatory framework The regulatory framework should be strengthened in order to deal with unethical business practices. A study of public entities in the UK by Clarke [1993:222] also revealed an increase in "consumer complaints" in most privatised companies. According to this study, consumers were forced to pay more for services that often often had been reduced. In the UK, the post privatisation era was greeted with price hikes in electricity, water and telecom industries. Given these experiences of negative externalities of privatisation in other countries, the need for independent regulatory bodies becomes more critical. Private sector managers may not have any regrets for adopting profit making strategies or corporate practice that make essential services unaffordable or unavailable to large segments of the population. In such circumstances, the privatisation of vital utilities of water, gas, electricity and telephone seriously threaten the most vulnerable sections of society as demands by directors and shareholders for higher profits take precedence over the quality of service. In Zimbabwe, the privatisation process gave less priority to the regulatory framework. Water is now provided by ZINWA and already consumers are reeling under price hikes. Most publicly owned monopolies [DZL, Cottco] were simply transformed into private monopolies unchanged as government priority was to raise short-term revenue.

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