Breakfree

The Zimbabwe Coalition on Debt and Development monthly Newsletter

Investing in people for social and economic justice in Zimbabwe

February, 2007

Quotable Quotes

'We have turned east where the sun rises, and given our backs to the West, where the sun sets'

– *Zimbabwe's President Robert Mugabe on the occasion of the celebration of 25 years of Zimbabwe's independence, May 2005.*

"Africa's debt burdens are the new economy's chains of slavery. Servicing the debt takes from the most impoverished to give to the most affluent."

Rev. Jesse Jackson

New Publications

"An Analysis of the Objectives and Effects of Privatisation on the Public Sector and the role of the State in Zimbabwe" (ZIMCODD, 2006)

Community Voices on the impact of Privatisation (SAPSN & ZIMCODD, 2006)

In My Own Words-Zimbabwean women's encounters with Operation Murambatsvina (Author: The Feminist Political Education Project (Fepep) Publishers: Weaver Press, 2006)

Sowing our seeds-Strengthening participation in local decision-making.(Africa Community and Development Trust, 2006)

Watch this space!

Editorial

Dear Reader

Forty African Heads of State met their Chinese counterpart in Beijing, China from the 4th to the 5th of October 2006 to convene on the Third Sino-Africa Conference. The 'enhanced' China-Africa cooperation is purportedly aimed at 'deepening mutually beneficial cooperation' and realize 'common development'. In that regard China has already taken a series of measures including debt relief, tariff exemption and personnel training to push the China-Africa partnership to a new level. However, any rational thinking citizen of the global South would not let China's promises pass as sheer benevolence. Whilst others have assumed that prior to the present day questionable expansion of China, China had no burden of historical guilt in Africa, unlike the global North, Rangarirai Machemedze says China's courtship with Africa is a well calculated move to enrich itself. As we promised in the January issue, Sino-Africa relations will be demystified in this issue and others to come as we follow its developments. We will find out whether Africa's relationship with the East will ease or worsen the debt crisis. Did the World Social Forum address the third world imperialism that China is alleged to be representing or not? What is happening in Zimbabwe under the 'Look East Policy' regime?

Read on…

Editor

In this issue...

Zimbabwe Debt Statistics

External Debt US$4, 1 billion (*November 2006)*

Arrears & Interest US$2, 2 billion *(November 2006)*

Domestic debt $Z178 billion *(December 2006)*

Annual Inflation rate **1593.6%** (*December2006*)

Food Basket ***(family of 6)*** Z$566 400 ***(CSO) February 2007)***

To contribute send your articles to comms@zimcodd.co.zw. Please note that articles should be precise with a maximum length of 1page

The Beijing Tsunami in Africa: Some reflections

By Rangarirai Machemedze

Africa has become a multi-faceted ball where other countries from different continents can kick in whatever direction they want as long as the face they are seeing satisfies their hidden agendas. The poverty, underdevelopment and suffering of people have been made the subject to present the reality that Africa needs foreign aid and "investment" to escape from the quagmire. It is common knowledge that the continent is very rich in resources yet it cannot transform those resources for economic growth, development and raising the living standards of its people. The continent has become a citadel for foreign enrichment and development, with itself failing to achieve sustainable development for current and future generations. This sums what I see as the new addition in the wave for the scramble of Africa's resources and this time it is not Europe or its current hegemonic partner, the United States of America. It is certainly the Beijing tsunami in Africa, China, a country that has enjoyed unparalleled economic growth for the past two decades, hovering around 8% per annum.

The past few years have seen China intensifying its co-operation with Africa. This co-operation has come in many different ways and has been received with mixed feelings from different quarters within the continent. Africa's trade share with China in 2006 reached some $50 billion, obviously boosting growth rates and in some cases facilitating infrastructure improvements particularly in oil rich countries. Consequently, the Chinese investments have been viewed positively as contributing to development without any conditionalities attached, that is, no preconditions of democracy or good governance for the inward "investments". The Chinese allow no internal or domestic interference in African countries hence have become a darling of many states. However, on the other hand others have questioned the genuineness of China's investments and interests in the agricultural, mining, textile and manufacturing industries fearing that China maybe after cheap resources to fuel its ever growing economy. Others have rightly condemned the Chinese products ranging from textiles, footwear to toys claiming that they are cheap quality products which, when one wears them in the morning, come afternoon they exhibit a couple of years old second hand goods.

These ordinary accounts reflect a deep-seated scenario that is worth investigating. The globalisation process has forced businesses all over the world to move around the surface of the globe 'nestling everywhere, settling everywhere and establishing connections everywhere.' Most had to settle in China where the production costs are significantly low mostly because of the availability of cheap labour. In the process a number of products emanate from China and are destined for virtually all the countries of the world. However, the paradox is, the products that go to the US, Europe or Japan, be they textiles or footwear are not the same quality products one would find in Zimbabwe or Uganda. Consequently one would be excused if they argue that the cheap quality products coming from China are creating difficult conditions for African businesses because of their prices. Africa will not have any good industry to talk of that is competitively placed to raise the productivity and competitiveness of the continent because most industries will not survive to see the light of the day in the face of competition rather than cooperation from Chinese products. Others would add that the Chinese investments are not genuine investments because they do not create new jobs for the African people as the Chinese bring their own labour. The argument goes further down to say because of that there is no technology transfer from China in the investments as labour particularly human labour is the cornerstone for technical skills transfer in the technology movement debate. The argument continues until you reach the man on the ground. At the end of the day there is nothing to gain from the Chinese as there are no jobs to feed the family, send children to school, raise the living standards and move out of the poverty circle. China cannot provide investments that generate employment for Africa. China and African countries have both labour-intensive industries hence there is competition in a number of fields with the textiles and clothing industry being among the controversial ones. If the Sino-Africa co-operation is a genuine one, then China should respect the little that remains of this industry. We cry the same problems with the European Union in the on-going Economic Partnership Agreements (EPAs) negotiations that if the EU is genuine about development needs of Africa, then it should drop the subsidies they give to their farmers that have a direct bearing on African agro-based industries and the farmers.

There is no doubt that a myriad of factors, both internal and external, are affecting Africa's growth and development. If the US and the EU have caused massive dislocation in the agriculture and industrial goods markets, then the Chinese are wiping out what has been left of this continent. Nevertheless, the Chinese cannot be wholly faulted for their actions. They have long term interests, just like all the other major industrialised countries. While the industrialised countries want to maintain their competitive advantage whether earned or acquired through felony in the different fields, the Chinese want to secure the future of their booming economy at whatever cost, even if it means perpetuating poverty in Africa. However, the Chinese have a different approach to issues compared to the neo-liberal thinking of the West. The Chinese can talk our language, circumvent the international institutions and their policies that have been used by the west but at the end access the resources that we are jealously defending from the vultures of western imperialism. They still get the oil, the minerals, and agricultural commodities at cheaper or no cost at all because yesterday they provided some "aid" or have cancelled $10 billion in bilateral debt from African countries. They have some doctors in many countries throughout the continent, and admit students in many of their educational and training centers. Fair and fine, but that should not be an excuse for pillaging Africa's resources. Some argue, all this is strategic to the Chinese as they have long term interests when a new world economic order establishes itself. China will need the support and co-operation of Africa on many issues of political and international nature.

Be that as it may, Africa should learn from past experiences especially when looking at issues of economic and trade justice. The increased interest by China in Africa's resources should open our eyes and we need to rethink whether foreign aid and "investments" are the panacea to our development deficit. Over the past decades a number of "development" projects have been implemented in Africa packaged in different forms around development finance and investments but the results have been disappointing. Today we still see the same but packaged in a different form. The following broad issues, not in order of any importance, need further interrogation within governments and civil society to reorient our development policy. First, the Chinese strategy in Africa is not that of hard power as we have experienced before. China is using a soft approach in securing their future. Of course there are some gains that Africa is witnessing but do these gains translate into improving the welfare of the people. This is where Africa needs to be active since it appears to enjoy the seemingly flexible ***policy space*** they have with their Asian counterparts. But that policy space will be eroded if they continue relying on “aid” and grants that will not go far in addressing the real problems Africa faces. Directionless aid and investments that do not go towards sustaining productive sectors will encourage rootless, jobless, ruthless, voiceless and futureless growth.

Secondly, the policy space that Africa has is instructive enough to address the productive challenges on its path for it to be on a sound footing in terms of production, trade and development. The continued reliance on extractive industries, trading its raw materials cheaply, has been a vexing question for decades now and it seems there is no progress in this area. Progress will not come from aid and investments. Progress will come from within Africa, first by ***reforming the overall industrial architecture*** which over the many decades of political independence, still exhibit some features of colonial legacies. Africa needs to move away from being branch economies for other countries. That colonial legacy has defined the ownership and production patterns in the different industries and of course the distribution of profits and wealth. This was concretised through the political and economic reforms of the international organisations. By reforming this industrial architecture, more emphasis should be put in ***diversifying the industrial base*** of the continent not only relying on specific industries of diminishing returns.

Thirdly, what is needed is ***full political will*** from Africa’s leadership but given the nature and history of Africa-China relations, it may not be enough to change the economic, industrial and trade policy of African countries. There is need for people power to make their own policies that will govern such issues as investments, including Chinese investments. The fact that Chinese operations in Africa create few employment opportunities for people surely is a major issue and should be a condition on deciding which investments to accept. Given the changing nature of the state in Africa, it is crucial to note that political will now is not only limited to politicians but extends across the political divide of any nation. This suggests an increased role for the peoples of Africa whether in government or not, in private or public sectors. Given this, civil society should seize the opportunity to demand more from Africa’s leadership.

During this crucial phase of self introspection, it is crucial to adopt an inward-looking policy: establishing the institutions and infrastructure necessary for ***internal market development.*** This fortifies and lays the basis for further policy making and development based on domestic needs.

These are broad areas for further debate and discussion within civil society. These could be expanded further and designed into meaningful targets and policy outcomes. Civil society has to play its role. We should go beyond the rhetoric of raising debate with no concrete outputs. The focus has to change from reacting and responding to externally driven policies and focus on domestic reforms aimed at meeting these external challenges. For sure the Beijing tsunami is a reality and only domestic policy reforms and responses can save the day for Africa.
(*Rangarirai Machemedze, on sabbatical leave from SEATINI, is pursuing a Masters programme in Globalisation and Governance at the University of Hull, UK.)*

Zimbabweans to tighten their belts again: The Social Contract *By Ntando Ndlovu*

On January 31 2007, Zimbabwe's Central Bank Governor, Dr. Gideon Gono announced that Zimbabweans have to brace up for more economic hardships as he unveiled a year –long program to 'stabilise' the economy. In his pronouncement of the 2006 year-end Monetary Policy Statement, the RBZ Governor called on stakeholders to enter into a 'Prices and Incomes Restraint Social Contract' warning that the people of Zimbabwe have to get prepared for more hardships and sacrifices.

The Social Contract assumes that Zimbabwe has a truly "citizen body" or some collective structure and hence shared responsibility for every citizen. Dr Gono rightly observes 'there are great opportunities for success in Social Contract, *as long as stakeholders see the same vision*" (section 8. 57 (b). The questions that beg answers are- do Zimbabweans today share a common vision even before entering into this contract? Are the rich and well connected eager to share their ill gotten wealth with the majority poor estimated to be as much as 80% of the population? Does the under paid factory worker share the same vision with the company owner who is keen to keep operational costs low by putting a cap on salaries or the chief executive officer with pecks 10 times the floor workers' gross wage? What happens to government departments given the seriously under funded national budget against calls for salary reviews by civil servants across the board? Is it possible to freeze selling prices when companies have a huge foreign exchange cost?

Although the Governor has warned the nation of the huge costs and hardships that will accompany the healing process, the main cause of pessimism is that the burden will not be shared equitably, if anything the already poor would bear an disproportionately higher social cost than the richer members of the community. While the Governor talks about reduced "luxuries" for government, "profit margins" for the private sector (section 8.60), he does not admit that most workers will not "forego high wage" and consumers grapple with 'artificial shortages" but that wages are already far below the poverty datum line and the shortages are real in most instances and are already a big challenge!

Let it be noted that the Monetary policy statement has also placed renewed urgency on the need to ***privatize the cash cows within the public /parastatal sector*** to ensure that "*significant foreign exchange inflows will be unlocked, while supply side rigidities currently being imposed on the fiscus by parastatals are relieved*" (section 9.60). It is common knowledge that even under prudential banking principles, one is advised to avoid forced sale at all cost because of the implied low negotiation powers. We are currently a high-risk country and the premium will be measurable in the low prices that our critical/ strategic assets will fetch in the market. It may also not be ruled out that the poor performance of most parastatals is due to a host of other factors beyond state ownership, amongst which is endemic corruption, under funding, brain drain due to poor conditions of service and excessive political intervention. What benefit would it be to have a foreign company taking over all our potentially viable utility providers only to push the services of such beyond the reach of the majority Zimbabweans?

While we need a change and need it now, only time will tell whether the monetary policy will firstly get the buy in of Dr. Gono's principals- the cabinet, and/or party beyond the President's office, the private sector and the rest of the population. Without being prophets of doom, one would have thought that the government should have sponsored the initiative rather than having to comply with schedules set by its adviser- in the person of the Central Bank. For the ordinary Zimbabwean, one wonders whether this is an objective move in the interest of the majority or a case of the minority seeking to force a "social pact" on the masses. While there are numerous success stories, one will bet that there are even more uncelebrated failed attempts with the social contract. As we watch the space- to register our successes and failures with the experiment- let us remain vigilant that we do sell whatever viable/ bankable parastatals we have in Zimbabwe today for peanuts.

(Ntando Ndlovu is the Programs Director at ZIMCODD)

IMF reaffirms sanctions against Zimbabwe

Reuters, 23 February

By Lesley Wroughton

Washington - The International Monetary Fund on Friday maintained its suspension of financial and technical assistance to Zimbabwe, saying the government had failed to clear its arrears and address a worsening economic and social crisis. The southern African country again averted expulsion from the Washington-based IMF by making small payments toward clearing its arrears, which currently amount to $129 million. The IMF however extended its suspension of Zimbabwe's voting rights and agreed to revisit the issue at a later date. The IMF's actions come amid increasing political tensions in Zimbabwe where inflation is about 1,600 percent, unemployment above 80 percent, and the country is suffering from acute shortages of food, fuel and foreign currency. "The board expressed deep concern over the deteriorating economic and social conditions and regretted that the authorities have not undertaken the policies recommended by the IMF," the fund said in a statement. "The board urged Zimbabwe to resolve its remaining arrears ... promptly, and agreed that it will again consider Zimbabwe's arrears in six months," the IMF added.

The IMF again urged Zimbabwe to action to stop the economic slide by immediately implementing a comprehensive stabilization package that includes fiscal tightening, and price and foreign exchange liberalization. It also called for fundamental reforms of public enterprises and the civil service, improvements to property rights and governance. The IMF and other key Western donors, including the World Bank, suspended aid to Zimbabwe more than six years ago over President Robert Mugabe's economic policies that are blamed for the economic meltdown. Mugabe, who has ruled for 27 years and turned 83 this week, has accused the IMF of treating his country unfairly and saying Zimbabwe was unlikely to clear the arrears without guarantees that aid and its voting rights would be restored. Western donors withdrew aid and other assistance to the country, accusing Mugabe of widespread human rights violations and for seizing white-owned farms, which has turned the country from a regional bread basket to a nation barely able to feed itself.

World Social Forum Snippets

The 7th session of the World Social Forum (WSF) was held in Nairobi from the 20th to 25th January 2007. Below we publish clips of different views on what transpired at the world event extracted from Patrick Bond's article titled *'NGO trade fair' to left politics?*

* **Kenya Social Forum coordinator Onyango Oloo** listed grievances that local activists put high atop the agenda: 'colonial era land edicts and policies which dispossessed their communities; the impact of mining and extraction activities on the environment and human livelihoods; discriminatory policies by successive governments that have guaranteed the stubborn survival of pre-colonial conditions of poverty and underdevelopment among many pastoralist and minority communities; the arrogant disregard for the concerns raised by Samburu women raped over the years by British soldiers dispatched on military exercises in those Kenyan communities; … and tensions persisting with neo-colonial-era settler farmers and indigenous Kenyan comprador businessmen in hiving off thousands of hectares of land while the pastoralists and minority communities are targets of state terror, evictions and denunciations.'

*** WSF organiser Wahu Kaara**: 'We are watching [global elites] and this time around they will not get away with it because we are saying they should cancel debts or we repudiate them. We refuse unjust trade. We are not going to take aid with conditionality. We in Africa refuse to be the continent identified as poor. We have hope and determination and everything to offer to the prosperity of the human race.'

* **Firoze Manji, the Kenyan director of the Pambazuka** : 'This event had all the features of a trade fair - those with greater wealth had more events in the calendar, larger (and more comfortable) spaces, more propaganda - and therefore a larger voice. Thus the usual gaggle of quasi-donor and international NGOs claimed a greater presence than national organisations - not because what they had to say was more important or more relevant to the theme of the WSF, but because, essentially, they had greater budgets at their command.'

* **Nairobi-based commentator Tajudeen Abdul-Raheem**: 'The WSF show up Africa's weaknesses whether they are held outside or inside Africa. One of the critical areas is our level of participation and preparedness. A majority of the African participants - even many from Kenya itself - were brought by foreign paymasters or organisations funded by outsiders. Often they become prisoners of their sponsors. They must attend events organized or supported by their sponsors who need to put their "partners" on display, and the "partners" in turn need to show their loyalty to their masters.'

* **New Internationalist editor Adam Ma'anit:** 'The sight of Oxfam-branded 4x4s cruising around flauntingly, the many well-resourced charity and church groups decking out their stalls (and even their own office spaces) with glossies and branded goodies, all reinforce the suspicion that perhaps the WSF has become too institutionalized. Perhaps more worryingly has been the corporate sponsorship of the WSF. The Forum organizers proudly announced their partnership with Kenya Airways. The same company that has for years allegedly denied the right to assembly of its workers organized under the Aviation and Allied Workers Union.'

* **Blogger Sokari Ekine ('Black Looks') on the final WSF event**: 'Kasha, a Lesbian-Gay-Bisexual-Transgender and Intersex activist from Sexual Minorities Uganda went up to the stage and asked to make a statement. She was asked for a copy of what she would be speaking about and gave them her piece. The organizers threw her piece on the floor and refused to allow her to speak. Kasha stood her ground saying she, like everyone else, had a right to speak here at the WSF. Despite the harassment by the MC and organizers, Kasha took the mic and spoke. She spoke about being a lesbian, about being a homosexual. She refuted the myth that homosexuality was un-African. She spoke about the punishment and criminalization of homosexuals in Kenya, in Uganda, and in Nigeria. She said homosexuals in Africa were here to stay. Homosexuals have the same rights as everyone else and should be accepted and finally that even in Africa Another World is Possible for Homosexuals. Kasha was booed and the crowd shouted obscenities at her waving their hands screaming: "No! No! No!" But she persisted and said what needed to be said.

These sobering observations were reflected in a statement by the Social Movements Assembly at a January 24 rally of more than 2000: 'We denounce tendencies towards commercialization, privatization and militarization of the WSF space. Hundreds of our sisters and brothers who welcomed us to Nairobi have been excluded because of high costs of participation. We are also deeply concerned about the presence of organisations working against the rights of women, marginalized people, and against sexual rights and diversity, in contradiction to the WSF Charter of principles. The full article by Patrick Bond can be accessed at http://www.sarpn.org.za/documents/d0002320/index.php

Integrating gender considerations into mainstream policy analysis: Does Gender Inequality Lead to Poverty? *By Jacqueline Mambara*

Gender and Poverty

The United Nations Committee on Economic, Social and Cultural Rights, in its statement on poverty, defined poverty as "a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights." However, poverty is not only deprivation of economic or material resources but a violation of human dignity too. Gender inequality means women and men's experience of poverty is different, and so are the solutions.

Why is Poverty Different for Women and Men?

Most women do not have legal or traditional rights to land or other assets. They can not get loans or credit because they have no collateral. Other resources needed for success in business include skills training, time, and information on markets. Women are less likely to have these resources than men, and hence they tend to engage in low-return, insecure, informal occupations. Lacking alternatives, many can't leave abusive men because they are wholly dependent on them for their survival.

In most societies, women are grossly under-represented in government. No parliament has equal representation of women and men. In many societies, women are also excluded or under-represented from local decision-making bodies. Economic and financial policies are developed without recognising women's economic contributions in the unpaid and informal parts of the economy.

Therefore the question boils down to does poverty cause larger gender disparities, or does gender inequality lead to poverty? This relationship goes both ways. Reducing poverty will go some way towards reducing harmful gender disparities. But neither gender disparities nor poverty can be eliminated without addressing gender issues directly. Recognizing that poverty and gender inequality are intertwined can help policy makers formulate more effective development strategies. Countries with the largest gender gaps in schooling and urban employment have experienced the fastest growth of HIV infection rates. Unchecked, the AIDS epidemic will spread rapidly over the next decade in several countries of Sub-Saharan Africa.

Gender inequality and Public policy

Gender inequalities exact high human costs and high costs to development—and because the factors that cause gender inequalities to persist are difficult for individuals alone to change-there is a strong case for public action to promote gender equality. "Engendering Development through Gender Equality in Rights, Resources, and Voice" co-authored by Elizabeth M. King, (an economist in the Development Research Group of the World Bank) and Andrew D. Mason a senior economist in the Gender and Development Group of the Poverty Reduction and Economic Management Network of the World Bank) outlines a three-part strategy to promote gender equality:

- Reform institutions to provide equal rights and equal opportunities for women and men
- Foster economic development to strengthen incentives for more equal resources and participation
- Take active measures to redress persistent disparities in command of resources and political voice

According to the report establishing a level institutional "playing field" for women and men will promote gender equality. Legal, social, and economic rights provide an enabling environment in which women and men can participate productively in society, attain a basic quality of life, and take advantage of the new opportunities that development affords.

At the same time, when economic development raises incomes and reduces the number of people who are poor, gender inequalities often narrow e.g. by making employment opportunities available and this in turn allows families to invest in women's and girls' health and education. In order to promote gender equality, it is important that institutional reforms and development policies take into account existing gender differences and disparities. Because institutional reforms and economic development can take some time to implement and to their impact felt, active measures to redress persistent gender disparities are needed in the short- to medium-term whether in the home, the community, or the workplace.

Decisions about specific policies and programmes need to be based on a clear understanding of gender systems and gender inequalities at the local level. Since policymakers have to make their decisions in the face of limited budget and administrative resources, they must be strategic and provide the largest benefits both in terms of gender equality and development more broadly.

According to King and Mason there is considerable scope for both increasing gender equality and development effectiveness by taking gender considerations into account in the design of public interventions-on a wide range of issues. Indeed, the evidence makes a compelling case for policymakers to integrate gender considerations into mainstream policy analysis as well as into the design of policies and programmes and in doing so, capturing the significant benefits associated with greater equality between women and men.

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