

Government and civil society in Zimbabwe's economic recovery

Richard Kamidza, Pambazuka News

March 26, 2009

<http://www.pambazuka.org/en/category/comment/55146>

The two formations of the Movement for Democratic Change (MDC) and the Zimbabwe African National Union – Patriotic Front (Zanu PF) have finally endorsed the Southern African Development Community (SADC) summit's decision to form the government of national unity (GNU). All disputed issues, such as the appointment of a 'Joint-Monitoring Implementation Committee' comprising members of all the parties, the distribution of provincial governors, the appointments of the Reserve Bank of Zimbabwe (RBZ) governor and the attorney general, and the National Security Bill – which ensures the joint monitoring of the country's security apparatus – have been resolved before the passage of the constitutional amendment number 19 in parliament, thereby paving the way for the formation of an inclusive government. But critics are still sceptical about Zanu PF's sincerity with regard to implementing an inclusive government given its past open violation of the spirit of both the memorandum of understanding (MOU) and the global political agreement (GPA) with impunity.

Already, South Africa's President Kgalema Montlanthe, as chair of the SADC, appraised the African Union (AU) summit in Addis Ababa, Ethiopia, as an 'African solution to the African problem', ending the political stalemate since the signing of the GPA on 15 September 2008. Indeed, this stalemate had not only dented regional leaders' moral and democratic conscience in defence of voiceless Zimbabweans, but also the facilitator's résumé as an honest peace broker.

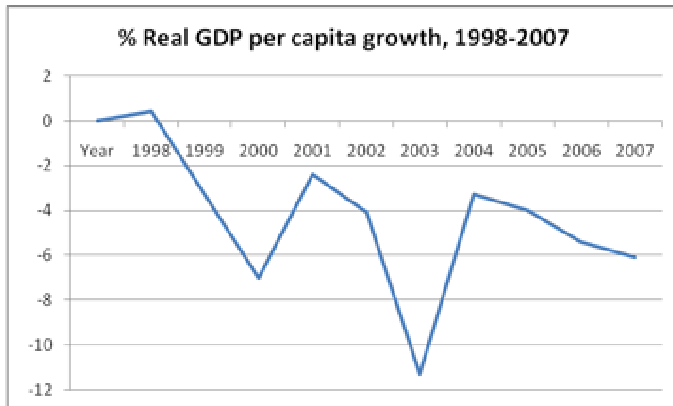
So far, the SADC, led by South Africa, has called for an immediate lifting of 'smart sanctions' targeted at Zanu PF officials and their associates. The AU has also adopted a resolution calling for the withdrawal of sanctions against anti-democratic forces and violators of human-rights to help ease the humanitarian crisis. In response, Western countries, particularly the USA, Europe and Australia, uphold the punitive measures until 'there is clear and practical evidence of sharing of power in Zimbabwe as well as serious commitment to resolve the country's numerous social, economic and policy challenges.'

ECONOMIC SECTOR CRISIS

Zimbabwe is in a state of economic freefall and has since 1999 registered eight consecutive years of negative growth, falling by about 46.9 per cent in the process, as illustrated in figure 1. Over the last decade, the economy has witnessed capital flight and a significant reduction in private sector investment. As a result, capacity utilisation in all the key sectors, especially agriculture, mining, industry, tourism and construction, is now extremely low, while the value of economic output is estimated at US\$3 billion, down from US\$13 billion in 1989. The economy's unemployment is over 94 per cent of the total labour force. Symptoms of the economic crisis are evident in fuel, money and unstable supplies of basic goods and services including

the staple diet of maize-meal. Since 2007, the economy has had hyperinflation,[1] which has impoverished over 80 per cent of its inhabitants, particularly those with no access to foreign currency, as well as forcing millions of Zimbabweans to emigrate.

Figure 1: Percentage real GDP (gross domestic product) per capita growth, 1998–2007 (Source: Steve H. Hanke)



The drying up of foreign investment and donor assistance coupled with severely limited export production capacities has resulted in critical foreign currency shortages and parallel market activities. The RBZ recently allowed the use of foreign currencies as a medium of exchange. Local suppliers of goods and providers of services, including local authorities, shops and traders, are now demanding payment in foreign currency. As a result, the United States dollar-related inflation is currently estimated at 50 per cent, compared to other regional countries. On 4 February 2008, the Finance Minister presented a United States dollar national budget, thereby confirming the process of dollarisation in which citizens are allowed to extensively use multi-currencies alongside the domestic currency. This wisdom is informed by the history of transitional economies such as Argentina (2002), Ecuador (2001), and Ukraine and Kazakhstan (in the 1990s), all of which adopted two currency systems. But the close economic relationship between Zimbabwe and South Africa makes the rand the obvious currency of choice to anchor the Zimbabwean dollar. In fact, the South African president himself suggested the randification process in an interview on 8 February 2009.

The economy is also denied resources to mitigate present the huge social and economic challenges due to growing public and external debt overhang, which in December 2007 was estimated at 218.2 per cent of GDP and US\$5.155 billion, respectively. By August 2008, domestic debt and its interest bill were recorded by the RBZ at US\$33.250 billion[2] and US\$25.719 million, respectively. The present macroeconomic outlook makes it difficult for the economy to claim a stake in the regional economic integration agenda or the globally influenced production and marketing processes.

Home-grown macroeconomic blueprints have since 2003 failed to slow down the economic meltdown. These include the National Economic Revival Programme

(NERP) (2003), which targeted macroeconomic stability including a reduction in inflation and stimulating national output, productivity and foreign currency earning capacity; the Macro-Economic Policy Framework (2005–2006), whose policy interventions and programmes targeted every economic sector; the National Economic Development Priority Programme (NERDPP) (2006) which sought to mobilise foreign currency in three to six months; and the Zimbabwe Economic Development Strategy (ZEDS) (2007) which sought to consolidate the country's economic development strategies. They all dismally failed to stimulate economic activities and improve the socio-economic conditions of the people. Given the above, can an inclusive government provide the confidence-building measures necessary to harness domestic, regional and foreign economic actors in support of the economic recovery?

SOCIAL SECTOR CRISIS

Most of the country's public infrastructure facilities (roads, railways and bridges) and public utilities (electricity and water) have virtually collapsed, further destroying service delivery capacities amid worsening livelihoods. In particular, the decay in the health sector has not only led to a life expectancy rate of 36.9 years, but has also worsened AIDS-related deaths, now estimated at over 4,500 per week.

This is likely to worsen further given that over 29 per cent of girls are reported to be marrying before the legal age of majority (18 years), often through forced marriages as dictated by humanitarian needs. Despite urban residents' repeatedly reported cases of irregular or completely absent water supplies, authorities turned a 'blind eye to the national health crisis signposts'. The country has no capacity (foreign currency) to import chemicals to treat water and repair burst or ageing water sewerage pipes, pipes which are leaking into each other, or fuel to collect piles of refuse in urban residential areas. The preventative and curative systems have totally collapsed amid poor coordination and comprehensive response in water and sanitation demands. Most public health facilities such as clinics and hospitals have shut their doors after running out of essential drugs, water, sanitation, transport, food and staff. Only private health facilities which have been levying their services in foreign currency remain open, though they are now overstretched. As a result, the outbreak of cholera, which has now claimed over 3,100 deaths and infected over 59,000 people nationally, has not been contained, and has so far spread to regional countries such as South Africa, Botswana, Mozambique, Malawi and Zambia. All the above countries recorded cholera-related deaths. South Africa claimed that the epidemic has affected nine of its provinces. International assistance is ameliorating the situation by providing health facilities and drinking water.

Coupled with poor salaries, the countrywide, politically motivated violence against the teaching fraternity was blamed for inadequate learning last year (2008). For instance, in the majority of schools countrywide, students did not attend classes for the whole year, while tertiary institutions such as the universities and polytechnics only opened for a limited period. It is estimated that over 450,000 children are out of school, while 17.7 per cent of 5 to 14-year-old children have become economically active. Grade 7 examinations were released very late in 2009, thereby affecting

learners' preparedness for their next educational level. Up to date, form four (O level) and form six (A level) results are yet to be marked, a situation that has seriously compromised the educational needs of this generation. Indeed, schools' opening calendar was not only delayed by more than two weeks, but also affected by the continued absence of teachers, many of whom are demanding payment in foreign currency just as most schools, especially private ones, are themselves demanding payment in foreign currency.

SOCIAL REALITIES AND HUMANITARIAN CRISIS

Zimbabwe has over 1 million orphans. Over 80 per cent of the population is living below the poverty datum line, while more than 6 million (about half of the country's population) require food aid between now and April 2009.[3] The continued stalemate in forming an inclusive government has affected preparations in the agricultural season. While the country could not provide seeds and fertilisers to farmers, the lack of an inclusive government forced South Africa, which had pledged resources towards this sector, to hold onto 'its bail-out package'. There are reports that similar humanitarian assistance challenged through the SADC framework has been abused by those in power. Sadly, this presented a lost opportunity for economic stabilisation and recovery following a 10-year period of non-availability and instability of food supplies at both national and household levels amid the rising incidence of poverty and inequalities.

Some farmers were reported to have abused government support in the form of inputs. In October 2008, the RBZ governor complained of 'high level of indiscipline among farmers who access cheap inputs such as diesel, fertilisers and seeds only to divert these onto the illegal parallel market for quick returns'. This means that meagre agricultural output is expected this season compared to last year's, an agricultural season in which the farming community had a modicum of preparedness and less of a social services-related human security threat. For instance, in 2008 maize and wheat output were estimated at a paltry 475,000 and 62,000 tonnes against a national demand of over 1 million and 350,000 tonnes, respectively. Currently, over 40 per cent of the rural population, particularly vulnerable groups such as single-parent-headed, child-headed, HIV affected and infected households are 'chronically food insecure'.

Endorsing foreign currencies as the medium of exchange within the context of growing structural inequalities, automatically excludes the poor majority and vulnerable groups from the goods and services market. This coincided with the collapse of both the state and private sector's social safety nets, the breakdown in informal and community social protection mechanisms such as a chief's grain stores, and the increasing stress placed on traditional family support networks due to pervasive poverty and inequality.

The extent of hunger and breakdown in the social service sector has left the country with the most serious humanitarian crisis in its history. This has manifested itself in the levels of medical assistance, water and food. Indeed, both hunger and the cholera epidemic are widespread throughout the country due to poor policy

response, planning, coordination and strategic collaboration and mutual working relationship with other domestic and foreign key stakeholders. Only recently has the healthcare system been placed under international receivership. Presently, the humanitarian effort has not yet benefited all the needy people in the country. There are also politically motivated distribution challenges. All along, the authorities have been thwarting full-scale humanitarian assistance. The situation will continue to be gloomy next year. Only this week was there an undertaking to allow the United Nations (UN) to visit the country and assess the humanitarian requirements following a bilateral meeting between the UN Secretary General Ban Ki-moon and Zimbabwe's President Robert Mugabe in Addis Ababa.

RE-ENGAGEMENT WITH THE INTERNATIONAL COMMUNITY

Given the above social and economic challenges facing the country, the new administration in Harare has limited choice in terms of resisting conditions accompanying external financial and technical assistance. The fear though is that any form of re-engaging with the international community, including a regional powerhouse like South Africa, will result in tough terms for the vulnerable and weak state. Already, donors, foreign governments and civil society have developed principles for re-engagement [pdf: 76kb] as a measure of commitment to pluralist, democratic processes in line with relevant statutes of the AU and the SADC. There is 'no cherry picking', meaning that 'all the principles' should be treated with equal importance. In addition, there is a strong call for national ownership of the economic reform agenda, a development that entails consulting key constituencies such as civil society, business and consumers. Proponents of pluralist democratic processes link outcomes to accessing donors' resources to support-sector projects, technical assistance and budgetary expenditures.

THE ROLE OF CIVIL SOCIETY

Given the country's decade-long inability to regenerate its economy and tax revenues through its own resources, it is certain that Zimbabwe's economic transition will be bankrolled by 'a comprehensive financial package' from the international and regional communities, hence the call for civic groups to prepare, develop and engage strategically with the nature, content and scope of such an eventuality. As noted above, such a bail-out financial package resonant in the nature, content and scope of the proposed political transition benchmarks as a measure of full compliance with pluralist democratic processes. Indeed, any success in economic reconstruction process will depend to a large extent on the depth of internal political adjustments. It is therefore quite clear that 'some quarters within GNU' will resist such benchmarks even though the options available to the country are very limited. It is also clear that civil society groups favour such a benchmarking process, which is poised to deliver the true political transition that the decade-long struggle espouses. However, the fear though is summarised by the following questions: What will be the nature, content and scope of re-engaging with the international community and collaborating with different stakeholders in support of the economic transition? What are the chances of unlocking both foreign investment flows and multi-donor resources? What is the likelihood of mobilising unconditional

foreign capital investment and multi-donor resources? Given that donors and foreign countries have already tabled their conditions of engagement, is the new administration ready to play ball or galvanise the collective wisdom of all stakeholders? Where does the ordinary citizen fit in this process?

These questions reinforce the role of civil society in monitoring both compliance to the GNU and the dictates of the international community in policy-making frameworks. It is imperative also to note that the economic collapse has its roots in the decade-long management of fiscal and monetary policies, which unfortunately succeeded in reducing the productive capacities of all the sectors in the economy while increasing monetary disbursement to finance public expenditures.

This reflects not only civic groups' weak monitoring strategies on the management of public resources, but most importantly, the repressive nature of the regime which succeeded in adopting unorthodox macroeconomic policies which defied all people-centred wisdom. Thus, the advent of the GNU and the proposed benchmarking process provide acres of space for civil society's monitoring of both fiscal and monetary policies. Indeed, any success in the economic transition will be measured by the manner in which various constituencies will be consulted by the new Harare administration, particularly the ability of Zimbabwean civic groups to respond to such a call. Therefore, it is imperative for civic groups to form extensive strategic networking with partners and other like-minded institutions working on issues of both political and economic transition. This is necessary to sustain both the 'new political dawn' and the 'economic recovery path'. In this way, civic groups and networks in Zimbabwe and beyond will show commitment to monitor pluralist democratic processes as well as the moral fibre of donors funding. Central to this is the desire to ensure that donors' conditionalities should not crowd out social development, that is, increase borrowing amid tight repayment schedules and worsening poverty and inequalities. This must not worsen both the colonial era and the decade-long repressive regime's related social and economic injustices. It is essential also to ensure that the policy space is not constrained by the huge presence of donors. All this requires an alert civil society that is capable of raising pertinent intervention questions, develop advocacy strategies and that is courageous enough to lobby the corridors of power in support of the new Zimbabwe.

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* Please send comments to editor@pambazuka.org or comment online at <http://www.pambazuka.org/>.

NOTES

[1] Hyperinflation is defined as a rate of inflation per month that exceeds 50 per cent.

[2] This was calculated using official exchange rate of US\$: Z\$32, based on revised currency. The parallel exchange rate was US\$: Z\$2,500.

[3] April is the harvesting period, assuming that the weather conditions have been kind and farmers produce.