Between a Rock and a Hard Place: Zimbabwe's Development Impasse

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Shortages of food, pharmaceuticals and petrol, inflation rates hovering between 400 and 600% a year, a drop in tobacco sales to a quarter of the 2000 level,[1] unemployment and poverty at about 75%, as well as documented human rights abuses and press censorship are but some of the indicators of Zimbabwe's current crisis. Many outside observers blame the crisis on an ageing dictator trying to hold onto power by ignoring the rule of law, with solutions resting in the hands of popular opposition forces, merely awaiting free and fair elections to put things right. This simple dichotomy is reiterated by the two main political parties. ZANU-PF presents itself, as the bulwark against Britain's efforts to recolonise the country while it describes the opposition Movement for Democratic Change (MDC) as a-historic, in search of a rapprochement with the forces of globalisation.[2] The MDC on the other hand, offers itself as the way to return to normality, blaming ZANU-PF for 'two decades of misrule and poor governance at the hands of a rapacious clique of power-hungry politicians (that) have transformed the jewel of Africa into a failed state'.[3] This dichotomy reveals the depth of the country's polarisation, but the prolonged nature of the crisis, the difficult search for a way-out and the lack of alternatives reveal a profound impasse stemming from the lack of development options available to the country.

The situation in Zimbabwe resembles that of many countries in Sub-Saharan Africa experiencing increasing conflict and instability after rising debt levels, and the introduction of structural adjustment and governance conditionalities weakened the national economy, narrowed state capacities and political options. The state is left with few tools to meet rising demands from popular groups and others excluded from the benefits of development, especially as they conflict with pressures from business and donors. Instead, the ruling elite, in a bid to protect itself, takes the carrot proffered by donors, along with the stick, drawing economic benefits from its proximity to the state, while entrenching itself politically through state repression. In some cases, conflict generated by the exclusion of the many, contributes to state collapse, particularly if it coincides with regional cleavages, and especially when fuelled by an illegal trade in natural resources. Zimbabwe's experience demonstrates

1. *Business Report*, South Africa (SA), March 29, 2004.
2. T. Ranger, "Historiography, Patriotic History and the History of the Nation: The Struggle over the Past in Zimbabwe", *Journal of Southern African Studies*, vol. 30 no. 2, 2004.
3. *Zimbabwe Independent* (Harare), Jan. 30, 2004.

that it can also result in a social or class-based struggle over the direction of the country's development programme. The lack of development options can result in growing resistance from popular groups and intransigence from the ruling elite, which can also contribute to state collapse.

This paper will demonstrate the failure of both the inward-oriented development strategies adopted in 1980 and the export-driven model in 1990, supported by structural adjustment. It will document the key role played by Bretton Woods institutions in transforming state-led development into a market economy, protecting the interests of foreign-owned mining companies and commercial farmers, and reducing state capacities to intervene against growing economic and social demands resulting from rising unemployment and poverty, at a time when capital and donor agencies pushed for further liberalisation. The inability to meet those demands resulted in the emergence of an opposition, shaped less by regional factors[1] than by the country's labour and urban groups, eventually coming together to challenge ZANU-PF in parliamentary and presidential elections. In 2000, the government, feeling its survival threatened, returned to promises of land reform in an effort to consolidate its economic base and retain what it considered to be its electoral base in the rural areas. It took refuge in greater repression against popular demands and isolated itself from external influences, abandoning all pretence of adherence to fiscal austerity and good governance. The paper will then examine proposals put forward by ZANU-PF, the MDC and Bretton Woods agencies in the light of these failed development strategies, revealing their lack of alternatives, and thus the depth and complexity of the impasse facing the country.

How we got here: The impasse

In ZANU-PF's construction of 'patriotic history', little mention is made of the modernising, reconstruction and welfare agenda of the 1980s.[2] This was an internal response to 'the grossly inequitable pattern of income distribution and predominant foreign ownership of assets' both by promoting economic growth and reducing socio-economic disparities, with the state as engine of growth and development.[3] Yet, the state-used Marxist-Leninist language took a gradual, staged approach

1. Soon after independence, conflict did take on a regional character as government troops sought to quell 'dissidents' in the Matabeleland provinces. This history is highly contested, subjected to partisan and other conflicting interpretations. (See J. Alexander and J. McGregor, Violence & Memory: One Hundred Years in the 'Dark Forests' of Matabeleland. Oxford: James Currey, 2000.) By 1987, ZAPU, whose membership was concentrated in the Matabeleland provinces, agreed to join the government. Joshua Nkomo, ZAPU President, became one of the country's two vice-presidents, and other ZAPU members were given ministerial posts. Tensions did not disappear altogether between ZANU and ZAPU but they now tend to be intermingled and cross-over current conflicts.
2. Ranger, op.cit.
3. Government of Zimbabwe (GoZ), *Growth with Equity*, Feb. 1981

emphasizing the dual objective of growth and redistribution. The 1982 *Transitional National Development Plan*[1] continued this direction, outlining increases in state economic control to be carried out through investment guidelines and public sector investment, aimed at stimulating private investment, improving skills and creating employment. It recognized the role of the private sector, but aimed at reducing the control industry and commercial agriculture had enjoyed during the colonial period and the Unilateral Declaration of Independence (UDI) as it was only state ownership of productive capacity that would guarantee the removal of growth constraints and direct growth benefits towards national and collective objectives.

Post-independence industrial policy planned for the expansion of the manufacturing sector. It would do this by creating more linkages between sectors and making greater use of domestic inputs. At the same time, it would alleviate foreign currency requirements by reducing the sector's reliance on intermediary imports and undertake import substitution. The energy sector was targeted as a strategic sector. In mining, one of the country's largest export earners, the state took over all mineral marketing with plans to take over the direction of mineral development. Agricultural policy attempted to balance the continued earning capacity of the commercial sector in both domestic food production and export earnings, with increased input and productivity gains in the communal sector. A land resettlement scheme would address issues of landlessness based on a willing buyer-willing seller arrangement with commercial farmers. A socialised sector would be developed through the introduction of producer co-operatives and state farms.[2]

Other reforms did away with many of the colonial restrictions around the movement of people including the exclusion of African workers from the category of employees. Limits were imposed on the hiring of skilled expatriates, and investments made in local skill development and trade testing, all aimed at removing the job colour bar. Labour laws and trade unions were strengthened, along with the establishment of tripartite institutions, including a retrenchment committee requiring employers to seek approval before retrenching, again aimed at protecting employment levels. A national minimum wage was established to increase wages among lowest-paid workers.[3]

These ambitious plans were formulated in the early days of independence, at a time of record-breaking economic growth, reaching 26% over two years (1980 and 1981) largely due to a return to peace and the end of sanctions against the UDI gov-

1. GoZ, *Transitional National Development Plan:1982/3–1984/5*, Harare, Government Printer, Vol I: Nov., 1982, Vol. II: May 1983.
2. D. B. Ndlela, "Problems of Industrialisation: Structural and Policy Issues", pp. 141–164, and C. Mumbengegwi, "Continuity and Change in Agricultural Policy", pp. 203–222, both in I. Mandaza (ed.), *Zimbabwe, the Political Economy of Transition, 1980–1986*. Dakar: CODESRIA, 1986.
3. S. Dansereau, "State, Capital and Labour: Veins, Fissures and Faults in Zimbabwe's Mining Sector", *Labour, Capital and Society*, 33, 2, November 2000, pp. 216–255.

ernment, coupled with record high gold prices. International recession resulting in falling commodity prices, deteriorating terms of trade, a two-year drought and the influence of the Bretton Woods agencies moved the government away from this strategy as early as 1983–84. After joining the IMF in 1980, Zimbabwe borrowed US$30 million in April 1981 and, by 1983, it began to feel the weight of loan conditionalities. The drought shrank the GNP by 1.9% in 1982 and a further 3.4% in 1983.[1] The country borrowed again from the IMF in 1983, this time the loans were higher and conditionalities were heavier. While the contents of the 1983 IMF agreement were not made public, it is widely believed that it required an increase in support for the export sector but a reduction in government spending on infrastructure and food subsidies while holding the lid on the yearly minimum wage increases.[2] Even though Zimbabwe was considered under-borrowed at that time and its economy robust, loan conditions required the government to abandon centralised planning in favour of yearly budgeting.[3] Thus after two years of increases in government spending after independence, the 1982–83 spending reversed that trend with a decline in real terms of 18%.[4]

In 1984, the government was able to avert a more substantial financial crisis by freezing access to foreign currency. It reduced import allocations by 60%, gained access to the blocked external securities pool, including the 'invisibles' such as profits and dividends, paid out largely with foreign currency. These were replaced temporarily by government bonds.[5] The IMF suspended its agreement until the government returned these assets to the private sector and demonstrated its willingness to engage in austerity measures and support the export sector in the *First Five Year National Development Plan* in 1986.[6] Loans increased as did the debt-service ratio, from only 2% in 1980 to 30% in 1983–84,[7] falling to 23.1% in 1990.[8] Debt

1. Economist Intelligence Unit, *Quarterly Economic Review*, 1, 1986.
2. Economist Intelligence Unit, *Quarterly Economic Review*, 2, 1983 and *Africa Research Bulletin*, March 31, 1983.
3. R. Riddell, "Zimbabwe: The Economy Four Years after Independence", *African Affairs,* 88, 333, Oct. 1984, pp. 463–476.
4. *Africa Research Bulletin*, Aug. 31, 1983.
5. GoZ, Ministry of Finance, Economic Planning and Development, *Budget Statement 1984*, Harare, July 26, 1984, pp. 42–44.
6. GoZ, *First Five Year National Development Plan, 1986–1990*, Vol. I, Harare, April 1986.
7. *Africa Research Bulletin*, Aug. 31, 1983.
8. World Bank, *Global Development Finance: Country Tables, 1999*, pp. 600–602.

levels increased with the government's eventual agreement to honour the foreign debt accumulated by the UDI regime.[1]

Support to the export sector demanded by the IMF resulted in currency devaluation of 48% between 1980–84,[2] and higher domestic prices. The government was up against the clout of some of the world's largest mining companies – Rio Tinto, Anglo American and others – demanding grants to offset falling international mineral prices and rising electricity costs. Government provided only loans instead, in order to protect jobs and avert mine closures. Mining was the only sector to receive such support. Austerity measures reduced government's capacity to become significantly involved in the direction of mining development, with it purchasing only a few ailing mines to protect employment. One exception was the purchase of Wankie Colliery, seen as strategic to energy production. Largely foreign owned, the industry responded by limiting investment in exploration, thus reducing the value of reserves. Only one new mine opened during that 10-year period with only Z$7 million raised outside the country. Gross capital formation fell[3] as did employment levels, from 66,200 in 1980 to 51,400 in 1990.[4] The value of production fell by 13% between 1980 and 1990[5] due to falling mineral prices, yet the volume remained somewhat steady[6] reflecting a reluctance to make new investments either through exploration or new production activities, but an apparent willingness to continue existing activities.

State intervention in other sectors was also limited. Government's Industrial Development Corporation had bought only a 4.6% share of the manufacturing sector by the end of the 1980s, concentrated mostly in pharmaceuticals, food processing, and Zimbank, with a majority holding in the Zimbabwe Iron and Steel Corporation but with little control over management decisions.[7] Nor was headway made in the agricultural sector as the entrenched interests of white commercial farmers, clearly opposed to reforms, but benefiting from falling exchange rates, especially the large number of tobacco growers, made them unwilling to sell their land for resettlement, resulting in rising land prices and an incomplete resettlement programme.[8] Greater inputs into communal agriculture increased its share of crop

1. P. Bond, "Zimbabwe's Economic Crisis: Outwards vs. Inwards Development Strategy for Post-Nationalist Zimbabwe", *Labour, Capital and Society*, 33:2, Nov. 2000, pp. 162–191, p. 172.
2. GoZ, *Quarterly Economic and Statistical Review*, No. 1, 1986.
3. GoZ, *Quarterly Digest of Statistics*, Sept. 1991.
4. GoZ, *Quarterly Digest of Statistics*, March 1985, and *National Accounts 1985–1998*, Jan. 2000.
5. *Financial Gazette*, June 15, 1990.
6. GoZ, *Quarterly Digest of Statistics*, Dec. 1988 and Sept. 1991.
7. P. Bond, *Uneven Zimbabwe: A Study of Finance, Development and Underdevelopment*. Trenton, N.J.: Africa World Press, 1998, pp. 161–162.
8. Mumbengegwi, op.cit. p. 212.

and livestock sales from 5% in 1980 to 18% in 1989.[1] By the end of the 1980s, the World Bank also imposed the end of government support to the socialised sector, including agricultural cooperatives.[2]

The combination of international recession, drought, the opposition of important sectors of the domestic economy – in mining and commercial agriculture – and the vulnerability of the economy to outside shocks, imposed serious limits on economic transformation. Economic problems soon after independence prompted the early intervention of the IMF whose conditionalities diverted the government away from more ambitious aspects of its early inward-looking development strategies, replacing government attempts to exert control through state-led planning with incentives to the export sector and reductions in spending on social programmes. By the end of the decade, the country was faced with economic stagnation, lack of investment, rising debt levels and shortages of foreign exchange. Social transformation was replaced with rising unemployment while real wages sank below 1979 levels, from Z$2,756 to Z$2,091 in 1987.[3]

In 1990, the government adopted a structural adjustment programme, essentially an externally-driven 'development' model. The objective was to 'stimulate investment activity and remove existing constraints on growth' while purposefully moving away from the redistributive policies of the first decade of independence. Large-scale public sector investment was to be replaced by incentives to investment in the country's lagging productive capacity by doing away with many economic regulations, allowing market forces to operate in directing the pace and course of economic activities. Changes to the financial system were particularly targeted, aimed at making it more flexible.[4]

The programme, labelled as homegrown, was nonetheless 'encouraged' by the World Bank, arguing that Zimbabwe's growth was impeded by the lack of foreign exchange generated by the primary sector alone. For development to take place, the World Bank claimed, manufacturing would have to become export oriented, and this could only be achieved by liberalizing the whole economy, including a currency

1. Calculated from the Summary of Sales of Principle Crops and Livestock, *Quarterly Digest of Statistics*. Harare: Central Statistical Office, Various years.

2. P. Bond, "Zimbabwe's Economic Crisis: Outwards vs. Inwards Development Strategy for Post-Nationalist Zimbabwe", *Labour, Capital and Society*, 33, 2, Nov. 2000, pp. 162–191, p. 173.

3. P. G. Kadenge et al., *Zimbabwe's Structural Adjustment Programme: The First Year Experience*. Harare: Sapes Books, 1992, p. 9.

4. Republic of Zimbabwe, *Economic Policy Statement and Budget Statement*. Harare: Government Printer, 1990. Interestingly, this new direction follows proposals found in a 1989 World Bank study, which concluded that the biggest constraint to growth and foreign investment in Zimbabwe was the state itself. The state needed to create a more favourable environment for investment decision making and intangible perceptions of future risks. M. Dailami and M. Walton, *Private Investment, Government Policy, and Foreign Capital in Zimbabwe*. Washington: The World Bank, Country Economics Department, Working Papers, August 1989, pp. 1, 16, 20, and 47. www-wds.worldbank.org/servlet/WDS, 18 March 2002.

devaluation of 25%.[1] The programme included the usual package of macro-economic adjustment and trade liberalisation, currency devaluation, export promotion and cutbacks to social services and food subsidies. Liberalisation of the financial sector reforms was aimed at facilitating new entrants, with a support programme for the indigenous business sector. Labour relations and wage controls were deregulated, allowing greater independence of collective bargaining, a move welcomed by both labour and management but the teeth were removed from the retrenchment committee, making it easier to retrench workers.

State policy shifted away from intervention in production, reforming policy so that it supported the 'creation of an enabling environment'. As part of governance conditionalities, ministries adopted a stakeholder approach to economic management, requiring partnership between government and economic agents in agriculture, mining, industry and other sectors, 'based on mutual trust and understanding '. Decisions would now be made in consultation with public representatives, economic agents, employers and workers, public officials and the general public.[2] The state was removed as principle economic agent, returning this role to the private sector which was now the new 'partner in development'. The state would now provide broad regulations on economic activity and reduce its role almost to a service-delivery and support function. 'Service to ... ' had replaced 'control of ... ', alongside cuts to social services.

Mining industry growth would be undertaken by private sector producers who would now benefit from incentives such as tax credits. The government retained control of mineral marketing but reduced its involvement in production to the ownership of the same 5–7 smaller mines. Instead, the state now sought to commercialise ministry services in view of eventual privatisation.[3] Mining further benefited, as did the entire exporting sector including agriculture, especially the large tobacco sector, from currency devaluation throughout the 1990s, allowing it to offset rising local costs. Mining responded to the changed investment climate by increasing investment throughout the 1990s – gross capital formation from Z$ 166 million in 1990 to Z$666 million in 1996 (constant 1990 prices).[4] Exploration prospecting applications increased steadily from 43 in 1990 to 289 in 1998. The unit value index increased as well, from a base of 100 in 1990 to 682.3 in 1998, with the volume of production index rising from 20.2% between 1990 and 1998.[5] The number

1. P. Carmody, "Neoclassical Practice and the Collapse of Industry in Zimbabwe: The Case of Textiles, Clothing and Footwear", Economic Geography, 74, 4, Oct. 1998, pp. 319–343.
2. *Budget Statement*, 1990, pp. 15–17.
3. Dansereau, op. cit., 2000.
4. GoZ, Central Statistical Office, *National Accounts 1985–1998*, Jan. 2000.
5. GoZ, Central Statistical Office, *Quarterly Digest of Statistics*, March 1999.

of workers remained low between 1990 and 1993, but rose thereafter, peaking at 61,200 in 1998.[1]

As evidenced by the growth of the mining sector in 1996 and 1997, advantages remained in the export sector, including mining and agriculture, in part because of the growing differential between the value of domestic and foreign currencies. Yet they continued to demand improved economic conditions, including lower domestic costs in the face of rising labour demands and a greater share of foreign currency earnings. By contrast, the manufacturing sector collapsed in spite of World Bank calculations that it would generate additional foreign currency, resulting instead in massive deindustrialisation[2] including the textiles, clothing and footwear industries, after growing at 12% a year in real terms during the 1980s. Between 1990–1995, employment fell in clothing from 24,000 in 1991 to 17,000 by mid-1996. Textile output fell by 61% in 1995 alone while output fell by 20% in clothing and footwear, with important closures in all three sectors.[3]

Patrick Bond attributes the end of structural adjustment to the 74% drop in Zimbabwe's currency caused by speculators withdrawing foreign currency from the country on November 14th 1997, made possible largely by the deregulation of financial sectors. Government action returned a little of the currency's value but the long term result was the import of unprecedented inflation,[4] creating further economic difficulties. The Mugabe government began to face pressure from many sides as persistent inflation was added to price increases throughout the period of structural adjustment. Food prices rose by 516%, medical care, transport and education by 300%, between 1990 and 1995 at which time 62% of households could no longer afford all the basic necessities of food, clothing, shelter and transport.[5] Real wages declined by 36% between 1990 and 1996 and unemployment rose by 35 to 45%.[6] Government responded by unbudgeted spending increases, the most important of which was the compensation package to increasingly vociferous war veterans.[7] Persistent job actions resulted in wage increases in the private sector and a

1. GoZ, *National Accounts 1985–1998*, Jan. 2000.
2. Bond, op. cit., 1998.
3. Carmody, op. cit., 1998.
4. Bond, op. cit., 2000, p. 182.
5. GoZ, *Poverty Assessment Study Preliminary Report*. Harare: Government Printer, 1995.
6. Standard Chartered Bank findings reported in *Southern African Press Agency* (*SAPA*), 14 Jan. 1997.
7. Again we have to see the war veterans as a diverse group. Those demonstrating in 1997 were clamouring for increased support and compensation but not all became involved later in land invasions. There are many war veterans who claim that the land invaders are in fact an extension of ZANU-PF and represent only a small portion of all veterans. (Interview, War Veteran – name withheld, Harare, 30 July 2002). Another group of war veterans have constituted themselves as the Zimbabwe Liberators Platform, a non-partisan group advocating good governance and especially a transparent land reform programme. See their advertisement placed in *The Standard*, 28 July 2002.

public sector strike in 1996 resulted in wage increases to public sector workers, yet neither group could keep up with inflation.

Deepening poverty among the peasantry prompted spontaneous land occupations precipitated by rising prices and land hunger in areas bordering some of the more congested communal areas. Government had not been successful in bringing about promised land reform, a promise made during the independence struggle and again in the first independence decade in the form of a land resettlement scheme. These promises were re-iterated during each election campaign, with the tone becoming more forceful after the adoption of structural adjustment. Yet significant constraints had slowed down the land reform process. Requirements in the Lancaster House Agreement bound the state until 1990, requiring that land, obtained by government for resettlement, be obtained on the basis of a willing buyer, willing seller, at a fair market price. Few white commercial farm owners made their land available even on this basis. International experts said it would cost US$40 billion to redistribute land at 'market price' and provide input to farmers. Nor was money, promised by donors to make the purchase possible, forthcoming. The US pledged US$1.5 billion in 1976 but delivered only US$45 million.[1] In all, only 44 million of the promised hundreds of millions have been forthcoming, promised by donors to reassure whites as a guarantee of compensation abroad if property rights were abused. Promises of loans to purchase land were also made to the leaders of the liberation forces, Mugabe and Joshua Nkomo, and these are widely believed to have allayed their concerns over these clauses protecting owners of commercial farms from widespread land reform.[2] In 1983, the World Bank insisted the government slow down the resettlement plans as it argued this would result in a slow-down in output and employment in the commercial sector. By contrast in 1998, at the International Conference on Land Reform and Resettlement, donors began supporting land reform, linking it to the new requirements of poverty alleviation as access to land would create income opportunities for those on overcrowded communal lands, farm workers and women. Yet they continued the same pattern, offering only US$6 million to do this.[3]

1. Carol Thompson argues that only the Republic of Ireland and Zimbabwe, and now Namibia and South Africa, have been required to undertake land reform on this basis. See "Zimbabwe: Intersection of Human Rights, Land Reform, and Regional Security", *Foreign Policy in Focus*, Commentary, Nov. 2000, 4 pages. www.foreignpolicy-infocus.org/commentary/zimbabwe_body.html. Downloaded March 8, 2004.
2. M. Holman, "A Shaky Grip on Zimbabwe's Moral High Ground", *Financial Times*, April 13, 2000; as referred to in N. H. Thomas, "Land Reform in Zimbabwe", *Third World Quarterly*, 24, 4, 2003, pp. 691–712, p. 697.
3. L. Sachikonye, "From 'Growth with Equity' to 'Fast Track' Reform: Zimbabwe's Land Question", *Review of African Political Economy*, 96, 2003, pp. 227–240.

At the same time, further unbudgeted items were incurred as government continued its costly involvement in the Democratic Republic of the Congo,[1] a move that was highly criticized by multilateral agencies and is widely believed to have benefited Zimbabwean businesses engaged in agriculture and mining activities, long after the fighting stopped.[2] The government found it difficult to meet donor conditions to reduce budget deficits and the IMF suspended aid in 1999.[3] It insisted in 2000 that major economic reforms be undertaken in exchange for economic aid such as a further significant dollar devaluation and drastic cuts to the government budget deficit, all of which the government refused to do until after parliamentary elections scheduled for later that year.[4]

Rising opposition and crisis

The failure of two independence strategies – an inward-oriented one and an externally driven one, left government in an economic policy vacuum with higher debt problems and heavier loan conditionalities and especially unable to curb inflation and address problems of growing poverty, unemployment and land hunger. The government now faced increasingly vociferous labour groups who continued to face deteriorating real wages. Government's lack of response to their problems eventually turned their dissatisfaction to resistance and then opposition.

Early development documents, saw labour characterised by the state as a small and privileged urban wage-income elite in contrast to hardworking peasants, though both remained under the protection of the state. Workers' opposition began with disenchantment with state actions against the strike wave in 1980–81 and grew with the introduction of the labour bill in 1984 that limited the right to strike, giving the Minister of Labour significant power to intervene in disputes and establish minimum wages. By the end of the decade, the labour movement had distanced itself from the ruling party and the protest grew after the introduction of structural adjustment as working and living conditions deteriorated.

Large-scale strikes aimed at individual employers had begun in 1994, eventually becoming politicised with the 1996 public sector strike. The level of politicisation increased with government's heavy hand, laying off entire sectors of workers, including doctors and nurses. Winning wage increases and the right to return to work by public sector workers, after their strike, gave workers a political victory even though high rates of inflation meant few real wage gains, further politicising the struggle as labour saw the need to demand changes at the macro-economic

1. World Bank, *Zimbabwe-Enhanced Social Protection Program*, Project ZWPE68947, 29 June 2000. www.worldbank.org, 16 March 2002.
2. "Mugabe's Costly Congo Venture", BBC News Online, 25 July 2000.
3. *The Star* (SA), 9 Feb. 2001.
4. *Financial Gazette*, 24 Feb. 2000.

level.[1] Labour groups demanded participation in the Tripartite Negotiating Forum, alongside business and government in order to negotiate a new social contract. Government's refusal prompted the Zimbabwe Congress of Trade Unions (ZCTU) to organise a national three-day stay-away in 1998. Labour was finally invited to participate in February 1999 but pulled out in protest when government allowed further price increases but especially because of government's imposition of a ban on mass actions, imposed in response to labour's threat of a further five-day stay-away.[2]

Limits on labour's capacity to organise and express its opposition imposed by the ban on mass actions pushed it into an alliance with groups demanding constitutional change. Demands for constitutional change had been on the increase since the failure to bring about change through the electoral route in spite of the government's decision to abandon the one-party state in 1990 and the adoption of governance conditionalities. Yet the increased use of intimidation and violence against opposition parties in successive elections, as well as the use of government resources to finance ZANU-PF campaigns[3] led to a growing belief, especially after the 1995 elections, that constitutional change was a necessity, aimed particularly at limiting the powers of the President. The alliance now included a broad coalition of labour and citizens groups such as churches, cooperatives, human rights organisations, and student groups, organised into the National Constitutional Assembly (NCA).[4] In May 1999, the coalition then created a broad-based people's movement, the National Working People's Convention. Four months later, it became the Movement for Democratic Change (MDC), organised with the intention of mounting a political challenge to the ruling party by contesting the 2000 parliamentary elections.

Faced with this growing opposition, ZANU-PF organised a constitutional review culminating in a referendum in February 2000. This failure, ZANU-PF's first electoral defeat since independence, precipitated a crisis. The government took refuge in drastic measures in order to retain its hold on power. It abandoned even the appearance of compliance with donor governance requirements in the face of

1. S. Dansereau, "Rebirth of Resistance: Labour and Structural Adjustment in Zimbabwe", *Labour, Capital and Society*, Vol. 30, No. 1 (April), 1997.
2. S. Dansereau, "Labour's Search for a New Emancipatory Project in Zimbabwe", *Socialist Studies Bulletin*, 59, Jan.–March 2000, pp. 39–60.
3. Welshman Ncube documented problems during the 1985 elections in "Constitutionalism, Democracy and Political Practice in Zimbabwe", in I. Mandaza and L. Sachikonye (eds), *The One-Party State and Democracy: The Zimbabwe Debate*. Harare: Sapes Trust, 1991, pp. 155–178. In the same volume, John Makumbe documented similar problems with the 1990 elections; see his article "The 1990 Zimbabwe Elections: Implications for Democracy", pp. 179–193. J. Makumbe and D. Compagnon documented problems with the 1995 elections in *Behind the Smokescreen: The Politics of Zimbabwe's 1995 General Elections*. Harare: University of Zimbabwe Publications, 2000.
4. J. Makumbe and D. Compagnon, *Behind the Smokescreen: The Politics of Zimbabwe's 1995 Elections*. Harare: University of Zimbabwe Publications, 2000.

growing protest and its own inability to provide solutions. Measures included an increase in security and limits on political freedom to buffer itself against growing opposition and electoral challenge as well as the institution of a far reaching land reform programme in which the ownership of all but a few farms belonging to white commercial farmers was transferred to government for redistribution.

Parliamentary elections took place a few months after the February 2000 referendum. The MDC won an unprecedented 57 seats, the first significant win by an opposition party since ZAPU's amalgamation with ZANU in 1987. The campaign was marred by intimidation and the MDC was barred from campaigning in the rural areas as voters and organisers were attacked by the land invaders and ZANU-PF youth. It was during this campaign that ZANU-PF intensified its nationalist language, vowing that it would never be recolonised. Britain was presented as the enemy, responsible for the original land theft and with white commercial farmers and the MDC now acting as its agents. One hundred people were estimated to have been killed between February 2000 and the presidential elections in 2002, largely MDC supporters.[1]

In the run up to the presidential elections in 2002, the government hurriedly passed two bills, significantly limiting press freedom and dramatically increasing government's powers of detention and seizure. Welshman Ncube said of these two bills that they '... when taken together, ... complete the transition from a form of democratic society to a total dictatorship and fascist state'.[2] The new security bill was used extensively against the MDC, and had a significant impact on the party's capacity to organise both in towns and in the rural areas. The police broke up training sessions for polling agents and even small gatherings in private homes. 1400 MDC polling agents and election observers from civil society organisations were detained in the pre-election period.[3] The MDC reported several problems with both the campaign and the voting process in the 2002 Presidential elections, contested by Morgan Tsvangerai, formerly General Secretary of the ZCTU and now President of the MDC. Several international observers considered the elections neither free nor fair.[4] Mugabe claimed victory nonetheless and the MDC refused to recognize the results,[5] petitioning the Zimbabwe courts to order the elections be re-held.

1. The Southern African Development Community (SADC), *Analysis of Zimbabwe's Presidential Election, March 9th, 10th, and 11th 2002, in terms of SADC Parliamentary Forum*, Electoral Recommendations, Report dated 27 March 2002.
2. *The Times* (UK), 7 Jan. 2002.
3. *Financial Gazette*, 14 March 2002.
4. SADC, *Analysis of Zimbabwe's Presidential Election, March 9th, 10th, and 11th 2002, in terms of SADC Parliamentary Forum*, Electoral Recommendations, Report dated 27 March 2002.
5. Movement for Democratic Change (MDC), *Restart: Our Path to Social Justice. The MDC's Economic Programme for Reconstruction, Stabilisation, Recovery and Transformation*, Harare, MDC, Jan. 2004, p. 2.

Since the elections, intimidation and harassment continue. Morgan Tsvangerai and Welshman Ncube face two separate accusations of treason. Several journalists have been charged and some expelled from the country. By-elections continue this pattern of intimidation, violence, manipulation and now bribery, with an MDC supporter killed during a by-election in April 2004.[1] Negotiations between the two parties have been brokered by Nigeria and South Africa but these have not broken the political impasse. ZANU-PF requires the MDC to recognize that Mugabe won the elections, and insists on contrition before agreeing to talks.[2] At the same time, Mugabe is expected to announce his retirement in the near future, while divisions within ZANU-PF are becoming clearer. In the run-up to the 2005 parliamentary elections, the MDC has decided not to take part until there is significant electoral reform. It did not contest a by-election in September 2004, leaving ZANU-PF currently one seat short of the two-thirds majority in parliament needed to amend the constitution.

Now called the fast-track land reform programme, war veterans began spontaneous invasions of commercial farms owned by white farmers soon after the loss of the constitutional referendum. The war veterans are considered to have been allied to government since 1997, and the invasions and occupations were sanctioned by government, claiming the war veterans were really protesting against Zimbabwe's colonial heritage.[3] The government indicated it would soon step in to subdivide and distribute the large commercial farms.[4] The situation deteriorated into a constitutional crisis when the Supreme Court judged the farm invasions to be illegal. The government refused to abide by the Court judgment[5] and the war veterans stormed the Supreme Court to protest the ruling. Two judges were called upon to resign and were replaced. In December 2001, the newly refurnished Court judged the government had restored the rule of law on commercial farms, concluding that land reform was a "matter of social justice and not, strictly speaking, a legal issue". One judge dissented.[6]

Where to go from here?

In the current run-up to the 2005 Parliamentary elections, the crisis continues. Government strategy is to continue operating in isolation from foreign influence. In the face of what they consider to be non-compliance with governance requirements,

1. *The Mail & Guardian* (SA), 7 April 2004.
2. *Financial Gazette* (Harare), 23 April 2004.
3. *Daily Mail* & *Guardian* (SA), 20 March 2000.
4. *Financial Gazette*, 16 March 2000.
5. *Financial Gazette*, 8 Feb. 2001.
6. Reports from *Daily Mail & Guardian* (SA), 16 Feb. 2001; *BBC News*, 10 Feb. 2001; *South African Press Association (SAPA)*, 5 Dec. 2001.

the rule of law and especially a non-recognition of private property rights, donors have ended most aid and loan programmes to the country, limiting themselves to humanitarian aid and HIV/Aids-related programming. The IMF refused to resume funding until the government put an end to the fast-track land reform programme and cooperate with the United Nations Development Programme to find a peaceful solution to the land problem. The government is further increasing its isolation by requiring the registration of NGOs, and banning foreign and local NGOs engaged in human rights and governance issues.[1]

This isolation is presented by the government as a national strategy undertaken independently of the Bretton Woods agencies. The government claims the land reform programme is a success and local farmers have produced sufficient food, so that food aid will not be required in the coming year (2004–05). It claims that about 300,000 small farmers, with another 54,000 mostly medium and large-scale black commercial farmers have been selected to receive land[2] and the next stage is to provide inputs to farmers to solve production problems, thereby restoring the country's agricultural strength and consolidating support among the country's largely rural population. To this end, the Reserve Bank has been put in charge of re-distributing idle equipment from commercial farms to resettled farmers in an import substitution strategy for wheat that ultimately aims to mechanise the agricultural sector.[3]

There have been persistent rumours that many of the choicest farms have gone to ZANU-PF members, fuelling a mistrust in government intentions around land reform but more significantly indicating that the strategy is actually aimed at consolidating the position of an economic class close to ZANU-PF by providing it with economic opportunities. This would build on economic activities undertaken at the end of the 1990s in the Democratic Republic of the Congo – both in mining and agriculture. It is also linked to recent statements made by President Mugabe that mining companies would now be required to cede 49% of their investments to black empowerment groups,[4] yet, the initial legislation supporting this move has been withdrawn by the Ministry of Mines.[5] This is especially important as there have been new mining investments since 2003 – in platinum, coal and diamonds.[6]

1. *Integrated Regional Information Networks (IRIN),* United Nations (UN), 22 Sept. 2004.
2. Sachikonye, "From 'Growth with Equity' tp 'Fast Track' Reform: Zimbabwe's Land Question", *Review of African Political Economy*, 96, 2003, pp. 227–240.
3. *The Herald* (Harare), 24 April 2004.
4. *Zimbabwe Standard* (Harare), 19 Sept. 2004. A similar statement was made by the Minister of Mines, namely that it would embark on a black empowerment policy similar to the South African model. *Business Tribune* (SA), 24–30 July 2003.
5. A. Robinson, "Zimbabwe Aiming for 50% Black Ownership of Mines", IDEX (US) cited on ZWNews. www.zwnews.com, Oct. 5, 2004.
6. S. Dansereau, "Win-Win or New Imperialism?: Public-Private Partnerships in Mining and Development", *Review of African Political Economy*, forthcoming 2005.

To uphold the notion that it is pursuing a well-thought-out national strategy, and dispel the sense of crisis, a new Governor of the Reserve Bank, Gideon Gono, was appointed to address the two principal problems of inflation and currency stabilisation. He introduced a foreign currency auction system[1] aimed at reducing the hold of the parallel currency system. He also launched a crackdown on some of the smaller private banks. This was the product of the liberalisation of the financial sector, which had been suffering the effects of cash shortages, high inflation, a weak local currency and under-capitalisation, all of which were threatening the collapse of several banks.[2] Gono has also been meeting with ambassadors and donor representatives, appealing for new lines of credit and balance of payment support. He has resumed some payments to the IMF, remitting US$4.5 million in the past 3 months, out of a total of $273.9 million owed to the IMF.[3]

The government has also launched an anti-corruption campaign, presented by Mugabe as the centrepiece of the next election drive, along with a cabinet shuffle creating the Ministry of Anti-Corruption and Anti-Monopolies, and targeting some prominent businessmen and politicians, even those close to Mugabe.[4] At the same time, however, the cabinet shuffle revealed a disturbing trend with the appointment of military personnel to key government positions; military personnel were also appointed to positions within the National Oil Company of Zimbabwe, the Grain Marketing Board, the Ministry of Employment Creation and Youth, and a person from this same category was appointed as the Governor of Manicaland. John Makumbe calls this the 'militarization' of the government.[5]

As a strategy to dispel the sense of crisis, it is limited. While Gono makes overtures to the IMF and others, Mugabe is condemning the organisation in his recent speech to the United Nations, accusing it of lying about the situation in Zimbabwe, especially as regards food requirements and re-stating the commitment to the land reform programme as well as the anti-corruption campaign.[6] As a development strategy, it offers little to the country as a whole. The IMF calculates that the GDP has fallen by 30% while inflation continues at high levels. While there is no independent assessment of the benefits derived by peasants through the land reform programme, large numbers of farm workers have been reduced to squatting. The regional Famine Early Warning Systems Network claims that food scarcity is emer-

1. *Zimbabwe Independent* (Harare), 12 March 2004.
2. *IRIN* (UN), 19 March 2004.
3. *Business Day* (SA), 26 March 2004.
4. *Mail & Guardian* (SA), 5 March 2004.
5. Interview with J. Makumbe on SW Radio Africa (SA) and reported on *ZWNews*, 10 Feb. 2004.
6. Statement by R.G. Mugabe, President of the Republic of Zimbabwe to the 59th Session of the United Nations General Assembly, 22 Sept. 2004.

ging, while maize is actually being imported from Zambia and Malawi.[1] Unemployment remains high for urban workers and, increasingly, families have resorted to sending at least one family member out of the country to earn foreign currency so they can survive on remittances. The exodus of the best and the brightest produces a brain drain that further saps the country's skills, already sapped by the Aids pandemic estimated to have reduced life expectancy to 33 years, according to the United Nations most recent development report. The drain is aggravated by families sending their young people out of the country to avoid participation in the Green Bombers, ZANU's youth wing. Cynically then, it would seem the government has taken refuge in a strategy that benefits the few, supporting it with increased repression while it rewrites the history of its own development strategies.

Does the MDC offer any alternatives that could contribute to a way out of this developmental impasse? The MDC's most recent policy statements are articulated in *Restart: Our Path to Social Justice* (2004).[2] In keeping with previous statements, it continues to reflect an emphasis on economic growth, while maintaining principles of governance, constitutionalism, the rule of law, participatory democracy and sustainable development. It promises a massive growth-oriented recovery programme, designed to restore price and exchange-rate stability, generate jobs and alleviate poverty, rebuild social and humanitarian programmes and build a physical infrastructure. It will undertake an audit of previously concluded privatisation deals, land distribution and debt, with the intention of repudiating 'odious' debt and negotiating a rational repayment schedule for remaining portions.

There are no promises to establish a distinct job creation programme. Instead jobs will result from the return of normal production levels and economic growth and from entrepreneurship in the informal sector. Labour rights will be enhanced through a tripartite labour market commission and a new framework for labour laws and standards.

Production will be encouraged in mining by giving first priority to enhanced production in the hands of the private sector while minimising government intervention, reducing it to a stable legal and fiscal regulatory framework. It will also improve indigenous participation as a way of integrating marginalised groups, doing it through skills development and joint ventures, to encourage the participation of the small-scale sector, and enhance local mineral resource utilisation.

The proposed land policy respects individual property rights, as well as the need to revitalise the economy for the public good. It will not return to the pre-2000 status quo, or even the current status quo, but will undertake an audit to review cur-

1. Voice of America (VOA) News, 22 Sept. 2004 and *Zim Online* (SA), 22 Sept. 2004. www.zwnews.com 22 and 23 Sept. 2004.
2. Movement for Democratic Change (MDC), *Restart: Our Path to Social Justice*. Harare: MDC, Jan. 2004.

rent holdings and provide 'reasonable' compensation for the loss of property. It favours security of tenure even in communal areas, removing distinctions between private and communal holdings, so as to create an integrated model based on viable small and medium-sized family farms, with enhanced productivity and incomes, while creating rural industrialisation through a growth pole strategy.

It is committed to the principles of governance, promising to create an anti-corruption commission, requiring asset disclosure while the state is restructured to be fiscally responsible, with strong, relevant public institutions capable of delivering adequate services, but without a large bureaucracy. Decision-making will be participatory, and decentralised to include local government and the community.

The platform is articulated in socio-democratic language, with an emphasis on participation and sustainable development. It proposes the creation of several new tripartite institutions in which social partners will participate in developing a negotiated social contract based on a balance between growth and equity, wealth creation and the enhancement of the lives of the disadvantaged, including women and youth. To achieve this, balance will be maintained between the provision of economic opportunity and social and humanitarian programmes, between economic development relying on foreign investment and the development of domestic capacity, including the enhancement of backward and forward linkages.

Parties in opposition, and especially parties with no governing experience, usually present their platform as all things to all people, as this one does. It is nonetheless disconcerting to see the extent to which many of the World Bank's governance principles shape its overall approach. This includes a state, reduced to a regulatory role, leaving the market as the prime engine of development. The state will provide little more than a stable monetary and fiscal policy as well as support services to industry and the public, while decentralising to the local and community levels. Especially surprising in a party with such an extensive labour participation, is for job creation to be left as a fallout from general economic growth and entrepreneurship in the informal sector, reiterating a long held World Bank position. More recently the World Bank has also chosen to emphasize sustainable development and the participation of indigenous groups in the productive sector, especially in mining. Most telling and problematic is the proposal to remove distinctions between private and communal holdings, with security of tenure, even though the proposal is to maintain a balance between the need to use land as security as well as for collateral for credit.

Some authors portray the MDC's position as a '...typical advocate of market-based methods...(that) have accepted neoliberal terms... '.[1] The emphasis on governance and the extent to which many elements of World Bank development policy

1. S. Moyo, "The Land Occupations Movement and Democratisation: The Contradictions of the Neoliberal Agenda in Zimbabwe", *Journal of International Studies*, 30, 2, June 2001, pp. 311–330.

can be found in their platform might justify such a conclusion, yet it draws on many elements present in ZANU-PF's early development strategy – *Growth with Equity (1981)* – which is revealing. It has dispensed with the Marxist-Leninist language and state economic control but has retained the socio-democratic content in terms of a balance between growth and well-being, between the rights of the private sector and the state, between private wants and public needs, and especially between support for the export sector and the need to develop domestic capacities. It even proposes a balance between domestic interests and the Bretton Woods agencies in its commitment to honouring the debt but only after a process of determining what might be 'odious' debt, though it does not explain the process.

The MDC platform recalls many elements of early development strategies and includes many of the demands of good governance – as defined by donor agencies such as the World Bank and IMF, including support for the export sector and austerity measures – revealing the full depth of Zimbabwe's impasse. There is no reason to believe that the MDC or even a renewed ZANU-PF would fare any better in bringing about a balanced approach in development strategies especially since debt levels remain high. The IMF continues to demand austerity measures, the reduction of inflation levels, improved exchange rates and even less state control, including the deregulation of the Grain Marketing Board.[1] Again the emphasis is on stimulating exports through exchange rate devaluation while limiting the demand for imports. In keeping with the governance approach, it indicated the need to restart tripartite discussions and involve all social partners in discussions over ways to improve the economy.[2] Other donor agencies have responded that the government should provide a conducive environment for political dialogue, a debt repayment plan, the creation of a viable economy and a return to the rule of law, with a culture of accountability and credibility. They insist on a return to the decisions reached at the 1998 donor conference on land and its specific recommendations, meaning they do not accepting the current mode of agrarian reform.[3] At the heart of the IMF position is the need to respect property rights 'in a way that would resolve investor confidence including observing commitments under bilateral agreements'.[4]

Early development strategies quickly ran up against the same IMF demands, diverting the state away from the balance between growth with equity and especially between support for domestic development and the export sector. Requirements of the structural adjustment programme made it impossible to maintain a social contract, especially once poverty levels contributed to significant social unrest. The

1. *Business Day* (SA), 26 March 2004.
2. International Monetary Fund (IMF), *IMF Statement on the Conclusion of 2004 Article IV Consultation Discussions with Zimbabwe*, March 31, 2004, in ZW News March 31, 2004.
3. *Zimbabwe Independent*, (Harare), 5 March 2004.
4. IMF report cited in *Zimbabwe Independent* (Harare), 24 Sept. 2004.

reduction or elimination of redistributive, equity-driven programmes resulted in growing political opposition as workers and citizens reacted to increasing economic hardship. These demands could not be met within SAP's confines and the current government retreated into repression, isolation and a strategy aimed at the support of an economic elite close to the ruling party, using the state to eliminate barriers to its expansion. The sought-after balance between competing objectives was replaced by a deep impasse.

It can be argued that the economic and political measures advocated by the Bretton Woods institutions contributed to the very impasse we are in today. The situation cannot be reduced then to the simple dichotomies that require merely the replacement of one group of politicians by another, through freer and fairer elections. Instead it seems that either political party will have to contend with the significant role of the Bretton Woods institutions as the impasse is a product of a larger struggle shaping the country's political economy. Zimbabwe is caught in a dilemma similar to many developing countries, between a rock and a hard place, the struggle between an internally-oriented development strategy aimed at strengthening domestic forces through local accumulation on the one hand, and the requirements of Bretton Woods institutions to externalise the economy towards global economic interests, on the other. The failure to recognize this as the backdrop to Zimbabwe's problems might speed the country along a path towards an even more profound impasse and perhaps further conflict. The results from pressure the demands for reform of the international financial institutions and dept cancellation are unpredictable. In the mean time, donor agencies would do well to reduce the squeeze on the country if they are truly interested in moving out of the impasse.