

ZIMBABWE AND THE IMF:

TIME FOR SHIFTING FROM NEO-LIBERAL PARADIGM TO PEOPLE CENTERED DEVELOPMENT ALTERNATIVES

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Zimbabwe today faces political and economic crises as a result of multifaceted chain of events ignited by the early 1990s structural adjustment programmes that were forced on the country by the International Monetary Fund and the World Bank. To say the IMF and the WB are solely responsible for these crises would be a misrepresentation of facts but their policies have played a huge part in triggering the problems the country is facing.

When Zimbabwe started implementing the Economic Structural Adjustment Programme (ESAP), a number of sectors of the economy were affected and this led to ordinary people suffering the consequences. In implementing ESAP, the government adopted the so-called Washington Consensus (WC) principles, which in effect reversed the otherwise steady growth of the economy that Zimbabwe was experiencing. The principles included:

- Cost recovery for social services
- Minimal role for the state
- Financial liberalisation
- Competitive exchange rates
- Trade liberalisation
- Openness to foreign direct investments
- Privatisation
- Deregulation

The augmented WC includes the above plus many others like legal and political reform and the World Trade Organisation Agreements.

In the midst of implementing some of these principles, the government encountered multiple problems from different fronts, including from its own people, labour unions, the private sector, civil society from multilateral and bilateral donors, including the IMF and the WB. Donors squeezed the country to enforce further changes to the economy that was rather protected from foreign manipulation before the 1990s.

In mid 1990 Zimbabwe agreed with the WB to implement a home-grown five year phased programme towards a freer market. During the first year, Zimbabwe was to lift many restrictions on imports, meaning drastically reducing tariffs on products coming into the country. At a donors' conference in Paris in March 1991, the WB and western countries promised US\$690 million to fund the first year of the programme.

The donors however backtracked, demanding much more rapid changes than originally agreed. Little of the promised funds have been given, and donors said they would not come into the country until the government negotiated a much freer market deal with the IMF and the WB. But of course the reasons that are being given today by the donors are that Zimbabwe has a very bad human rights and governance record.

In our own interpretation these rapid changes that the donors wanted entailed free fall financial, capital and trade liberalisation. The free fall liberalisation exposed the country to foreign products and control thus mortgaging the nation to the dictates of foreign commercial interests at the expense of their social and moral well-being.

The re-orientation on public spending meant that the government had to remove subsidies on socially important sectors like health, education and agriculture. Today the cost of health care is beyond the reach of many because the IMF required the government to cut expenditure and stop subsidising health care provision. People, including the poor were supposed to pay for their own health in the form of user fees or cost recovery.

Zimbabwe's food security has been compromised because the IMF and WB required farmers to switch from traditionally food crops to cash crops to supply the export market. After independence in 1980, the government provided infrastructural facilities, inputs and credit to encourage communal areas to produce maize for the market.

These were, however, drastically curtailed during the 1990s. There was substantial reduction in the subsidies on farm inputs. The centralised crop purchasing system of the early eighties was gradually abandoned, and the farmers were left to locate their own markets. Because of communal farmers' immediate need for cash, they thus became hostage to middlemen, and were forced to sell at market-dictated low prices which, in turn, reduced their incomes and purchasing power. On the other hand, mostly white commercial farmers gradually shifted away from maize production for domestic consumption to export crops, especially horticulture.

When Zimbabwe liberalised its trade to the "opportunities" of Globalization in the early 1990s, it was acting under the advice of IMF "experts" whose general mandate is to open up developing countries' economies to the global market. Also a section of the private sector in Zimbabwe put pressure for trade liberalisation. Some of them are now complaining about *premature* liberalisation, or badly sequenced liberalisation. They are now calling for protection against the entry of "foreigners" (especially those from South Africa) taking over the domestic market.

After ESAP came the Poverty Reduction Strategy Papers (PRSPs) as the new pre-conditions for loans and debt relief. PRSPs were supposed to mark a major shift from the previous SAPs that have impoverished millions of people throughout the world. Borrowing countries were to design

their own development strategies through a participatory process that was expected to include civil society, and these, above all, were to be more focussed on poverty reduction.

The rhetoric in the strategies is poverty-focussed. However, the actual policies do not have clear poverty reducing consequences. Although Zimbabwe does not qualify to access these as they are aimed at Highly Indebted Poor Countries, the strategies focus on economic growth without addressing how this growth is to be redistributed to the poor. The core macro-economic elements have changed little from the old SAPs with a continued adherence to privatisation, liberalisation and a reduced role of the state, still the aftermaths of the Washington Consensus.

The 1999 United Nations Development Programme Human Development Report for Zimbabwe notes that:

“The adoption of an orthodox structural adjustment programme (ESAP) in 1991 entailed a fundamental shift from the state intervention system to one largely driven by market forces. (Sachikonye, 1997; Kanyenze, 1999; Loewenson, 1999). The reform programme referred to as ESAP was first announced in the Budget Statement and an accompanying statement, *Economic Policy Statement: Macroeconomic Adjustment and Trade Liberalization* (GOZ, 1990), in July 1990. A more elaborated statement, *Zimbabwe: A Framework for Economic Reform 1991-95* (GOZ, 1991), was published in early 1991 as an input into a meeting of donors held in Paris in February that year. It was only after the Paris meeting that there were pledges of financial support from donors.

The political dynamism for development henceforth shifted from Harare to Paris, from the people to the donors. The assumption was that ESAP would raise investment levels, thereby facilitating higher growth rates, employment creation and uplifting the standard of living of the majority of the people (GOZ, 1991).

The key targets of ESAP were to:

- achieve GDP growth of 5% during 1991-95;
- raise savings to 25% of GDP;
- raise investment to 25% of GDP;
- achieve export growth of 9% per annum;
- reduce the budget deficit from over 10% of GDP to 5% by 1995;
- reduce inflation from 17.7% to 10% by 1995;

To achieve these, the Economic Reform Programme (ERP) had as its main components, competition enhancing measures including trade and exchange rate liberalisation, domestic deregulation and financial sector reform and institutional reforms pertaining to fiscal reform. The fiscal reforms encompassed fiscal and parastatals' deficit reduction, privatisation and commercialisation of public enterprises.”

The way forward

Time has come for Zimbabwe to shift the political, economical and developmental debate from neo-liberal economic discourse to the people centred developmental alternatives in a more sophisticated, historical, structural and humanist manner.

The IMF delegation will be in Zimbabwe soon and they are coming under Article IV consultations, which basically mean they are coming to check whether Zimbabwe is now adhering to the conditions suitable for the resuscitation of Balance of Payments talks. Zimbabwe in its present situation may be forced to talk to the IMF, but it should set its own conditions that it feels are suitable for the development of the people of Zimbabwe. We concur with the UNDP 1999 Human Development report on Zimbabwe. We suggest that government should seriously consider the following in negotiation with the IMF not only for this reason, but in future negotiations:

- **Supporting productive sectors:** The domestic market has been more or less destroyed by ESAP. It has to be practically re-generated. Creating a critical mass of effective purchasing power in order to *re-create* the domestic market means negotiating with the workers unions and the employers for substantial real wage increases to restore to the workers a life of dignity. In return for concessions from the employers, the Government should protect them from foreign competition in basic industries that produce wage goods, such as food and food products, clothing and textile, shoes, household products and basic services such as transport, health and education. If this involves the provision of subsidies, then this should be done. There is no country in the world that does not use subsidies as a tool of social policy. If this also involves raising of tariffs to protect local industry from outside competition, then Government should negotiate with industry on how best to do this. If there is a conflict with the provisions of the WTO, then Government should ask for either waivers or special and differentiated treatment that is allowed under the WTO.
- **Tier trade regime:** The government should give incentives to local producers and manufacturers especially in the agro-processing industries for value added goods. There should also be a beneficiation mechanism for the mineral resources the country is endowed with.
- **Imports:** The Government should also closely look at its import bill and its contents. It should cut down on all inessential imports, but be liberal with providing credit facilities for necessary imports of machinery and technical know-how to local industry.
- **The question of Debt:** An audit should be carried out on the external debt to analyse which of them are legitimate debts and which are not. If there are debts left over from the Smith Government then these are, technically speaking, “odious” debts. The precedent Zimbabwe should use is the US Supreme Court decision in 1896 in which it determined that the US did not have to pay the debts that it owed to Spain following the take-over of Cuba because Spain was a colonial oppressor of the Cubans. Then there are debts that were created on account of fulfilling Zimbabwe’s obligations to the United Nations in respect of the resolutions passed on the liberation of Mozambique, Angola, Namibia and South Africa. It is the world body that should pay those debts and not Zimbabwe. The audit should also find out if there are debts incurred as a result of fraudulent deals with multinational companies, and if increases in debt service charges have been a result of speculation in currencies and in interest rates. After all this, the

Government should discharge its debts to its foreign creditors on the basis of sharing the responsibility with the creditors, for in law the creditors are as much to blame for making bad loans as the debtors. This should release a fairly substantial sum of money for investment as not to require Zimbabwe to extend a begging hand at donors with all their conditionalities.

- **Compensation from IMF:** The IMF together with the WB is responsible for the worst forms of structural violence and impoverishment of the Zimbabwean people through their wrong prescriptive policies. The Government of Zimbabwe, Parliament, Media, Private sector and the NGOs should demand compensation from the IMF if they are serious in seeing the reduction of poverty in the country.
- **Empowerment for indigenisation:** Government should look at the deprived and marginalised sections of the society not just from a welfare perspective but from an empowering one. The Government owes it to the people to provide adequate access to food, health, education, housing, cheap transport and other wherewithal of life. Therefore, whilst the Government should provide the means in the budget by which to assist those that do get deprived by market forces, the real way forward is to build on the **creativity and energy of the people**. Concretely it means putting effective resources (knowledge, money, institutions, infrastructure, etc.) in the hands of small farmers, small and medium scale enterprises, indigenous business-people that produce for the domestic market, indigenous scientists and technicians, and so on.
- **Regional Integration:** It would be necessary for Zimbabwe to negotiate with its neighbours in order to work out a regional strategy along the above lines. If this can be done within the SADC framework then this should be pursued, but if not, then Zimbabwe should simply work with all those who can agree to a joint programme of action.

The Zimbabwean people and its leadership have now an understanding of what happened under the IMF policies. There should now be national consensus involving all stakeholders in shaping the future of the country. Civil society organisations should play a key role in this process. And as the IMF is heading towards Zimbabwe the government should consult with all relevant stakeholders to ensure ownership of the negotiating process by the people. It is of the utmost importance that the national Parliament is involved in discussing the broad policy direction, and in surveillance.

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