ZIMBABWE:
A Pre-election Overview and Recovery Scenarios

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Executive Summary

Zimbabwe, a country which has experienced a drop in GDP of more than 30% in the past three years, has been classified by the United Nations as having the fastest shrinking economy in the world. It has also gone from being a country that boasted one of the most successful economies on the continent to one stalked by famine. It is now ranked 90^{th} on the list of the world's 94 poorest countries. Only one person in 10 still has a formal sector job, half the figure of 1980.

Inflation is rampant, exports have fallen from US$2.3 billion to around US$1.2 billion in 2003, foreign currency remains scarce, domestic debt is at record highs, the black market is still thriving and the land programme has fallen well short of expectations both in terms of people resettled and productive capacity generated. Even optimistic growth projections for a post-Mugabe Zimbabwe suggest that it will take 15-20 years to regain the living standards of the mid-1990s because of the breakdown of the country's economic backbone – agriculture.

The Zimbabwe economy has continued to show its resilience in the face of massive economic problems and in the process has metamorphosed into a different animal. As the well-structured formal economy has contracted, a large informal economy has emerged which includes a thriving, but illegal, black market boosted by trading in scarce commodities – including foreign currency – and by hyperinflation. Remittances from Zimbabweans abroad, amounting to millions of dollars a month, have also served to prop up this 'new economy' and, ironically, served to legitimise claims by the government that things are not as bad as they have been painted outside the country.

Government borrowing – and spending – has continued unabated, despite ballooning domestic debt. Government interventions in the economy have been ad hoc and crisis-driven, although the appointment of a new Reserve Bank governor in December 2003 and his tough monetary policy have offered some relief. During 2004, as inflation starting coming down and the foreign exchange problems began to be managed – albeit with limited success – there were predictions of a slow economic turnaround. It is too soon to say how sustainable that might be.

Despite government's claims to the contrary, the land seizures that began in 2000, were still under way in 2004. While the remaining white commercial farmers continue to be threatened and evicted, a second wave of activity has opened up, with government officials and other beneficiaries of the land seizures now evicting settler farmers. President Robert Mugabe's attempt to persuade the elite to give back land grabbed in violation of the one-man, one-farm regulation has had limited success.

Agricultural activity is still declining, while the provision of inputs for new farmers continues to be a problem. By the middle of the 2003/04 growing season there had been limited planting by new farmers, although some activity continued on the remaining white-owned farms and on farms legally owned by the black elite. However, projections are that production will be at least 30% down on 2002/03. Despite repeated claims by the government that all is well in agriculture and that production will soon reach normal levels again, the country has had to import hundreds of thousands of tonnes of maize and wheat. Even President Robert Mugabe himself admitted on national television in early March 2005 that only 44% of the land seized from white farmers was being utilised.

On the political front, pre-election activity over months leading up to the 31 March 2005 poll indicated an increase in repression, a further tightening of political space for the opposition, a clampdown on freedom of speech and association, violent harassment of opposition supporters, continuing human rights abuses and a skewing of the electoral process, in spite of undertakings made to the region that the election would be free and fair.

Mugabe signed up to the Southern African Development Community (SADC) election guidelines for free and fair elections in August 2004, but has failed to meet almost any of the criteria. However, SADC has not reacted publicly to mounting evidence of this failure and the South African government, long seen as a Mugabe and Zanu-PF apologist, has reacted in true form. Both President Thabo Mbeki and his foreign minister, Nkosazana Dlamini-Zuma, have both, at different times, declared themselves satisfied that the election would be free and fair.

The main opposition party, the Movement for Democratic Change (MDC) decided only in early February 2005, under pressure from many quarters including several SADC countries, to reverse its boycott of the elections, on the basis that not taking part may result in its further marginalisation even though participation might equally serve to legitimise a fraudulent election.

Zimbabwe's current problems stem from bad governance and a breakdown of law and order. Getting rid of Mugabe and/or a change in the overall leadership of the country are necessary but not sufficient conditions for economic and political recovery.

Other key issues that need to be addressed include:

- The holding of free and fair elections, deemed to be so by independent observers from the local, regional and international community, based on their willingness to observe, and not on their selection by the government;
- The running of the election by truly independent institutions;
- Unhindered political participation by opposition parties in the political process;
- A return to the full and unconditional rule of law, under an independent judiciary;
- A constitutional and legal review to overturn and remove legislation introduced over more than a decade and aimed at building a one-party state, suppressing opposition to the government and keeping ZANU-PF in power;
- Negotiations on arrears to the multilateral institutions to unlock new funding flows into the country from the IMF, World Bank and donors;
- Addressing the country's massive domestic debt;
- Introducing proper fiscal management;
- Reigning in and reprioritising government spending;
- Addressing the land issue in consultation with all stakeholders to find ways to legally redistribute land and restore ownership;
- Encouraging commercial agriculture through various measures including incentives, training, extension programmes, provision of equipment and funding;
- Tackling the brain drain and skills shortages;
- Rebuilding deteriorating infrastructure through public-private partnerships;

- Rehabilitating ailing key parastatals and driving forward the privatisation programme;
- Restoring a macroeconomic climate conducive to trade and investment and the encouragement of manufacturing and export-driven growth;
- A total re-evaluation of monetary policy to address foreign and local currency shortages, exchange controls, interest rates and financial stability and growth;
- Building capacity; and
- Rebuilding confidence in Zimbabwe as a preferred investment and tourist destination.

The Current Economic and Political Situation

Despite facing its worst crisis ever over the past four years, the Zimbabwean economy has managed to keep afloat. But its rapid decline has caused concerns about its ability to recover and re-establish itself as one of the continent's most competitive economies. On the other hand, many Zimbabweans feel that the economy's resilience over several decades means that it is still well placed for a reasonably rapid recovery.

During 2003, the political situation showed little positive change and in 2004, if anything, it deteriorated ahead of the 2005 legislative elections. The opposition is still under pressure from the government, human rights abuses continue, the government elite carries on feathering its own nest, the media is under its worst attack ever, the independence of the judiciary continues to be undermined and starvation in the rural areas is getting worse as expectations for delivery by new farmers remain mostly unrealised.

However, there have been some prognoses from different quarters of a slight upturn in the economy. In July 2004, a review by South Africa's Stanbic Bank said a turnaround was on the cards for 2006. 'GDP is expected to decline by 8.5% in 2004, slower than 2003's decline of 13.2%. Steps by the central bank to control inflation and lower lending rates for projects deemed to be economically productive, have paid dividends,' it said. In November 2004, the acting finance minister predicted that the country was on the road to recovery, forecasting growth of 3.5-5% in 2005, driven by a revival of the agriculture sector and lower inflation. Murerwa contradicted most predictions of negative growth in agricultural output, saying rather that production would increase by 28% in 2005, as a result of massive financial incentives to thousands of new black landowners. He also predicted improvements in the mining and tourism sectors.

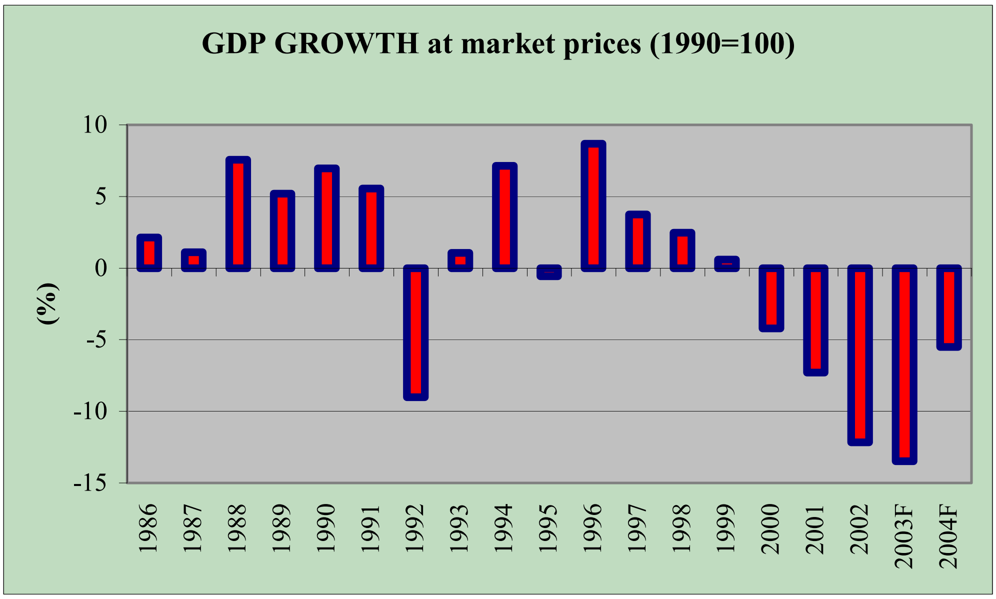
This overview gives an account of the current macroeconomic and political situation before it considers, in the concluding chapter, some recovery scenarios.

The Economy

The management of the economy has been *ad hoc* at best over the past few years, in the face of ongoing crises. All macro-economic indicators are down, production has plummeted, exporters are struggling against foreign currency shortages and high parallel exchange rates, the banking system is facing major difficulties as the authorities try to regulate the sector, inflation is still one of the highest in the world and the cash shortage continues unabated. In 2002, GDP fell by an estimated 24%. According to official figures, the economy declined by 8.5% in 2003 and 2.5% in 2004, with a cumulative decline of 38.4% between 1999 and 2003. However, as mentioned above, the government optimistically predicted economic growth of 3.5% to 5% in 2005.[1]

[1] Budget forecast by Finance Minister Herbert Murerwa, November 2004.

The government has mostly appeared to be without a plan – although the situation improved a little in 2004 through the intervention of a new central bank governor, given the task of cleaning up the economy. Its budgets and recovery scenarios were based on unrealistic, wishful thinking such as an inflation target of 96% in 2003, when inflation was actually nearly 600%, and transactions at the pegged operating rate of US$824 to one US dollar as against parallel rates which soared as high as Z$6,600 to the US dollar during 2003. Though currency auctions, introduced in January 2004, managed to rein in the parallel rate, the provision of foreign exchange remained fairly static and demand rose rapidly. Thus in late 2004 the parallel rate spiralled again, reaching all-time highs of Z$11,000 to one US dollar by February 2005.



A number of government interventions have failed to address the problem and in many cases have driven more of the economy underground. Until recently, the black market was the best place to find anything from basic commodities, which are price-controlled on the official market, to fuel, hard currency and even Zimbabwe dollars.

Statistics 1998 – 2003

Year	***1998***	***1999***	***2000***	***2001***	***2002***	***2003 forecast***
Real GDP growth %	1.5	-0.1	-4.2	-8.5	-11.9	-13.6
Budget deficit %GDP	5.5	7.7	24.1	8.1	11.9	11.5
Agriculture	4.9	3.5	-3.0	-12.9	-20.8	-15.0
Mining	0.5	-3.0	-14.0	-9.2	-7.1	-2.7
Manufacturing	-2.7	-7.0	-10.5	-4.1	-17.2	-9.8
Finance & insur.	0.9	3.5	-1.5	-3.0	1.0	1.0
Hotels & distrib.	0.9	2.0	-4.5	-1.0	-6.5	-12.0
Inflation %	31.7	58.5	55.9	71.9	133.5	600

Source: Rongai Chizema, Economist

In the past few years, government spending has continued to rise while corporate sector viability has been steadily eroded by interest rate manipulation, distorted exchange rates, declining levels of local and foreign investment and supply bottlenecks. To make matters worse, formal sector unemployment now amounts to nearly 70% of the population, the formal economy has rapidly become informal, business confidence is at an all-time low, the brain drain has continued and crucial infrastructure has rapidly deteriorated.

In October 2003, the government announced that it had revised upwards its annual estimate for economic decline, from the 7% projected in the 2003 budget to 14% by year end, reflecting the reduced output from the production sector and the poor performance of the agricultural sector.[2] It said that over the same period, the country's balance of payments position had worsened and the foreign currency deficit stood then at US$ 309 million. Analysts said this was mostly the result of government's skewed exchange rate policy and a sharp decline in exports against a gradual rise in non-productive imports such as luxury vehicles. It added that the **balance of payments deficit** was approximately 23.5% of GDP against initial estimates of 1.5%. This highlights the fact that government's projected targets were out of step with reality and reflected an inability to face the situation head on. Many targets set in successive budgets have been driven primarily by considerations of **self-interest** and **political rationale** rather than actual economic conditions.

The government continues to blame sanctions and a conspiracy against Zimbabwe by western powers for its problems even though existing sanctions only target the political elite. It continues to find scapegoats outside its own ranks for the problems. However, in early 2004, in what was believed to be part of the government's campaign to take a more reformist stand ahead of 2005 elections, Mugabe announced that the country could not continue to have a two-tiered economy. 'The coming year should see a vigorous enforcement of well-designed turnaround programmes across all sectors, with emphasis given to key industries in both the primary and secondary sectors.' [3]

But even optimistic growth projections for a **post-Mugabe** Zimbabwe estimate that it will take 15-20 years to return to the living standards of the mid-1990s. The economy remains buoyant on many levels, driven primarily by hyperinflation and the related boom on the stock exchange and in the property and retail sectors, the parallel exchange rate as well as profiteering on the black market. However, the backbone of the economy – agriculture – is in serious decline and cannot be turned around rapidly to anywhere near its previous levels.

A pivotal factor in the economy has been **hyperinflation,** which reached a peak of 522% in 2003 (up from 58.5% in 1999; 55.9% in 2000; 76.7% in 2001; and 137.2% in 2002) and slowed to 381% in 2004. The Reserve Bank attributed lower inflation to tighter fiscal policies. However, the official inflation rate excludes prices on a wide range of services and imports that have continued to soar throughout the year. Medicines, vehicle repairs and agriculture prices have risen by over 600% while the state-owned telephone and postal service has hiked fees by 1,000%.[4]

Inflation is expected to drop to around 100% year-on-year in 2005, but monthly inflation began edging up in January 2005 over the previous month on the back of pronounced

[2] *Business Day*, 24 October 2003.
[3] *This Day* (SA), 3 December 2003.
[4] *Business Report*, 15 December 2004; Stanbic Bank CPI Alert, 18 January 2005.

seasonal increases in food and even non-food products, raising fears that the downward trend may be reversing as the economic turnaround, said by analysts to be unsustainable without significant restructuring of the economy, begins to flounder.

The hyperinflationary environment has affected every facet of the economy and has caused major **distortions** that, while keeping economic activity brisk in some areas, are unsustainable in the long term and will make recovery more difficult. The government has depended heavily on inflation to finance public spending. In the private sector, quick fortunes have been made on the back of inflation and currency trading. Profiteering has become the new economy. Many government officials have their fingers in the pie, reducing the incentive to tackle the economic problems.

Foreign Exchange

Trading currency on the parallel market was a key economic activity from 2000 to early 2004. Foreign exchange shortages led to the rapid devaluation of the Zimbabwe dollar on the black market to highs of Z$6,500 at the end of 2003. Although the official rate of Z$55 to one US dollar, which the government pegged in 2000, still exists, the government, under pressure from the private sector, eventually allowed an 'operating rate' of Z$824: US$1 in February 2003. This was originally aimed at exporters, but has now become the generally used rate, except by government, which uses the lower rate whenever it is expedient.

Mugabe has steadfastly refused to devalue the currency. He even fired a finance minister, Simba Makoni, for suggesting this. He argues that tighter controls, not devaluation, will overcome the foreign currency crisis.

Instead of re-examining the economic **fundamentals** that led to the problem, the government began outlawing black market trading, closing down money-changers offering the parallel rate and conducting random body and car searches to confiscate cash.[5] In November 2003, it appointed a task force of nine cabinet ministers to resolve the country's foreign currency crisis. The task force called for 'whistleblowers' to report those who were withholding foreign currency or selling it illegally.

In January 2004, the government introduced a further measure – controlled **currency auctions** — in an attempt to beat down the parallel market and encourage more foreign currency to flow through official channels. This was largely funded by exporters, who were allowed to retain 50% of their foreign exchange earnings in foreign currency accounts, but had to sell 25% to the market at the ruling auction rate.

Since the first auction at the beginning of January 2004, the amount of currency sold has gone up and the average weighted currency value has gone down. At the first auction, out of US$5 million on offer, only US$477,557 was sold with a weighted average auction rate of Z$4,196.58.[6] On 15 February 2005, just over a year later, the amount on offer was

[5] In January 2004, Reserve Bank officials attended the annual Safari Club Convention in the US for the first time ever, keeping an eye on local safari operators who were there to sign lucrative hunting deals. The Bank's presence was aimed at closing loopholes which allow foreign currency leakages, as the government suspects that the safari industry is not remitting its considerable foreign exchange earnings. Commercial hunting has also been hit by the land invasions and is less lucrative than before.

[6] Zfn Realtime Financial Intelligence, Harare, 26 January 2004.

US$11 million and the auction rate of the day was Z$6,048 to the US dollar. On the same day, 4,218 bids for foreign currency were accepted while nearly as many — 4,113 — were rejected. The high number of bids, and of rejected bids, reflect both the demand for foreign currency and also the inability of the state to meet that demand. As a result, the **parallel rate** began rising rapidly again in late 2004, reaching Z$11,000 in February 2005 — much higher than it had been before the auction.

Governor Gono has created fear in the private sector. Business people, who are often forced into the black market because of shortages of currency available through official channels, dread the phone call that summons them to his office for questioning, a move that often precedes **detention** on charges of violating foreign currency regulations. Top party officials are only targeted for such action when they have fallen foul of the party or Mugabe in some way.

The **brain drain,** coupled with political repression, has resulted in nearly a quarter of the population — an estimated 3.4 million Zimbabweans — living outside the country, according to a central bank advisory board formed to find ways to harness income sent back to families inside the country in the form of **remittances**, unrecorded in official channels. These transfers are believed to amount to millions of dollars each month and are fuelling much of the economic activity. The board found that there were 1.1 million Zimbabweans working in Britain, of whom some 800,000 were illegal immigrants, more than 1.2 million in South Africa and at least 100,000 in Australia. The rest are in Canada and scattered throughout Europe, the US, Southern Africa and other parts of the world. The central bank has estimated that up to US$400 million in remittances could be paid annually into the bank for onward payment in local currency to families in Zimbabwe.[7] During 2004, Gono made several unsuccessful visits to the UK and SA to appeal to Zimbabweans to repatriate funds through official channels. It was a mission doomed to failure, given that most of those he was appealing to live outside Zimbabwe because of the policies of the government Gono represents.

Cash Crisis

During 2003, the government faced a serious local currency cash shortage. In mid-year, the shortage was so severe that banks limited the amount the general public could withdraw to Z$5,000, only enough to buy a few loaves of bread.

The cash crisis was precipitated in part by the thriving, cash-driven, black market but also by government's failure to anticipate the huge **demand for money** resulting from spiralling inflation. There was also some truth in the government's official reason for the shortages – that the currency was being traded across the border for goods that were either cheaper or unavailable locally.

In 2003, the shortage was so severe that banks themselves began paying a premium of up to 50% for the value of cash they were able to buy in the market. Cash then joined the list of products that were best accessed on the black market.

Bearer cheques, which come in denominations of tens of thousands rather than the small official bank notes, were introduced in 2003 to overcome the cash shortage. They are still

7 Associated Press, 15 February 2004.

in circulation and their lifespan was extended from December 2003 to December 2004 and again recently to December 2005. The crackdown on the hoarding of cash has continued, and at the end of 2003, Parliament passed the **Anti-Money Laundering Bill,** which makes it illegal for any person other than traders, parastatals, money-lenders or financial institutions to have more than Z$10 million in their possession. The government has been selectively tough in applying the measure, and as with foreign currency violations, political heavyweights are only sanctioned for what could loosely be called **'political violations'** that upset top government people.

Debt

Zimbabwe's domestic debt ballooned to Z$1.7 trillion by October 2004, and was expected to rise above Z$3 trillion by the end of the year. The public debt was incurred mostly through treasury bills, government stocks and a central bank overdraft which the government was unable to service because of financial constraints and the foreign currency crunch, combined with dwindling external inflows in the form of balance of payments support and donor aid. During the first six months of 2004, foreign exchange inflows amounted to $778.6 million, compared with $160.7 million in the corresponding period of 2003. It is estimated that these inflows will rise to $1.4 billion in 2005,[8] many of them attributed to investments in the mining sector.

Unable to acquire finance offshore, the government has relied on local banks to keep at bay a restive public service demanding inflation-linked pay rises, to prop up ailing **parastatals** and to keep its land programme alive.

Money supply growth rose to 490% in January 2004, fuelled by hyperinflation and the introduction of the bearer cheques, most of which were used for speculative and consumptive purposes. However, Gono said in his Q3 monetary policy statement in October 2004 that annual money supply growth had dropped to 320.6% in August that year. The main sources of **monetary growth** had been expansion in credit to government and the private sector, which peaked at 452.9% in January and 682.1% in February 2004.

The government's need to borrow money cheaply has meant borrowing rates have been kept well below inflation, which has encouraged serious over-borrowing by the private sector. High lending rates coupled with high inflation have acted as a major disincentive to saving.

The Financial Sector

The growth of **off-balance sheet profits** has become a feature of the banking sector. The number of financial institutions has grown in recent years and questions have been raised about how much the small market can bear. The number of asset management companies, for example, has grown to more than 30, owing to a long run of bullish demand for stocks and other attractions of the capital markets. Many of these companies are not registered or monitored, posing a threat to the soundness of the financial system. A number of indigenous banks have sustained themselves through

[8] *Business Day*, 22 October 2004.

illegal and informal trading activities and made huge profits on the large disparity between deposit and lending rates.

At the end of 2003 it looked as if a **systemic crisis** in the country's financial sector was imminent. A crackdown on banks trading illegally in foreign currency and other unlawful activities precipitated a major wobble in the system. By the beginning of 2004, more than a third of the country's 17 banks had liquidity problems, including the government's recently restructured Agribank, which had been coerced into lending to new farmers who had not been able to repay loans. In December 2003, the central bank announced that it would no longer lend money to banks engaging in speculative activities. Gono said that he would insist on banks restructuring their top management and treasury operations and even their boards if they were unable to justify repeated requests for liquidity support to cover short positions.

In his third quarter monetary policy statement made in October 2004, Gono said that of the about 40 banking institutions, 20 were already compliant with the new capital requirements and 11 faced challenges in meeting new requirements and had no concrete recapitalisation plans. Of these, seven were under **curatorship**, two were under provisional liquidation and the other two had been granted dispensation. Many company directors and bankers were arrested on assorted charges, and several fled the country.

Seven banks have sought financial assistance under the Troubled Banks Fund, set up in 2004 to restore some stability to the banking sector.[9] The closure of banks has left many depositors with uncertain futures: the prospective loss of millions of dollars in **savings** has further undermined confidence in the banking sector.

The Budget

The government's crisis management of the economy has been clearly demonstrated by its past few budgets, which have been largely dismissed as statements of intent rather than plans of action. Successive finance ministers have had to juggle the demands of the economy with the more pressing demands of the ruling party, resulting in **skewed priorities** and vast **overspending**.

In the **2003 budget**, **defence** spending was given the highest allocation, despite the withdrawal of troops from the Democratic Republic of Congo, while land, agricultural and rural resettlement came fifth on the list with an allocation of Z$40.5 billion compared to defence's Z$76.4 billion. The President's Office was allocated more than five times that given to tourism and the environment, despite the former having been identified by the government as a key foreign currency earner.

The June 2003 **supplementary budget** of Z$657 billion was only Z$113 billion less than the 2003 national budget. Almost half went towards unbudgeted salaries and wages of civil servants, particularly in the defence ministry and the President's Office and Cabinet, and to pay Zimbabwean diplomats at foreign missions.

In the 2004 budget, defence and security, along with education was again the big winner. The Zimbabwe Congress of Trade Unions, in its budget critique, pointed out that the

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9 Zfin Realtime Financial Intelligence, 28 October 2004.

allocation for wages and salaries alone in the defence budget outstripped the entire health budget. Only Z$25 billion was put aside for agricultural inputs, a sum below previous budgets and well below the ministry's stated requirement of Z$60 billion in 2003 alone.

Relations between the Public and Private Sectors

Relations between the private and public sectors have traditionally been **hostile**. Government's lack of delivery and failure to implement agreed measures over many years has resulted in mistrust. Traditionally, the government has ignored recommendations from the private sector on economic policy. Although a tripartite National Consultative Forum was set up several years ago, business leaders have complained that the government continues to act unilaterally and ignore agreements reached in the forum.

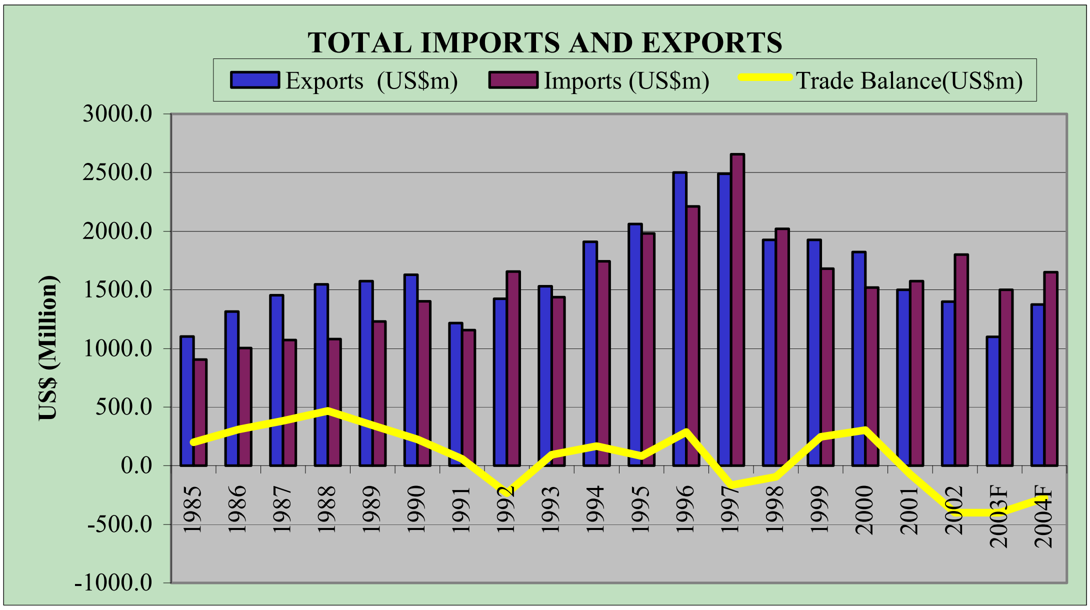
A major collaborative effort between the public and private sectors, the National Economic Revival Programme (Nerp), an **economic blueprint** launched in February 2003, has also fallen by the wayside. In drawing up the document, the government acknowledged some input from the private sector but insisted on retaining several unrealistic goals and keeping the pegged exchange rate. It also failed to keep to its review targets and developed cold feet about implementing some of the proposals.

However, the rapid **indigenisation** of the economy has also changed this relationship. Thirty-four out of around 70 companies on the stock exchange are owned by black Zimbabweans. Many of these are run by prominent business people aligned to the ruling party and the government. Business organisations, primarily the Zimbabwe National Chambers of Commerce, have been undermined by political divisions in their membership base between pro- and anti-government business leaders.

Manufacturing and Exports

According to the official figures, manufacturing output fell 8.6% in the first four months of 2003. In 2004, it declined by 8.5% and was expected to decline by 5% in 2005, according to the finance minister's budget address in November 2004. An industrial survey of 2002, carried out by the Confederation of Zimbabwe Industries (CZI) and released late in 2003, revealed that more than 1,300 workers were retrenched in Zimbabwe's manufacturing sector in 2002 alone and 249 companies closed nationwide. In October 2004, the CZI announced that more than 750 companies had closed since 2002. **Industrial output** during the period under review increased by just 0.7%, reflecting the dramatic drop in productivity. Exports in the manufacturing sector fell 17% in 2004, as the fixed exchange rate system reduced the country's export competitiveness.

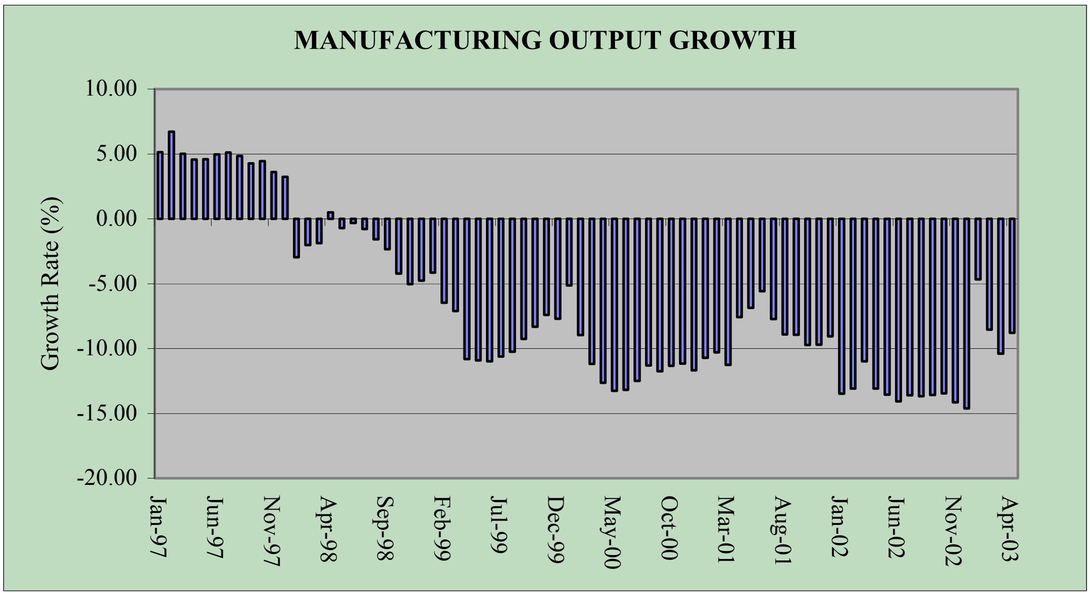
The CZI said there had been a considerable decline in investment at company level, with 60% of the sampled businesses reporting that they had not made any form of investment during the period under review.



Zimbabwe's exports have declined by around 70% since 2000 as a result of the overall macroeconomic climate. Over this period, **employment** in the sector was down by 20%, investment by 50% and capacity utilisation by 55%. Foreign currency earnings from merchandise and service exports amounted to about US$3.1 billion in 1996. The corresponding figure for 2003 was US$1.4 billion – a drop of 55%.

The agricultural and mining sectors, the main contributors to the manufacturing sector, have both undergone a major **decline** in productivity, which has had a negative effect on exports. Before the economic crisis of the past few years, at least 60% of local agricultural input found its way into the manufacturing sector, while 20% of manufacturing output was absorbed by agriculture. The massive decline of commercial agriculture has all but removed a major market for manufactured goods.

Fuel shortages, power cuts, coal shortages and rail network problems have also



contributed to the decline in manufacturing and exports.

Exporters have had some relief through the **Export Processing Zones,** where they are not subject to exchange control regulations. However, the government extended these controls to domestic exporters operating in EPZs because of reports that the latter had contributed to foreign exchange leakages.

The government has introduced special rates for credit, foreign exchange and other inputs to try to boost exports, but exporters are nevertheless losing money through the various exchange rate mechanisms under which they are forced to operate.

The Land Issue

The land reform programme, and its associated disruption to both agriculture and to law and order, continued into 2005 despite the government's claims that land redistribution had been completed at the end of 2002. Throughout 2003 and 2004, the government published lists of commercial farms to betaken for resettlement in terms of the **A2 programme**, which is aimed at creating a new class of black commercial farmers, and the **A1 programme** for peasant farmers.

A land audit at the end of 2003 showed that more than 4,300 out of 4,500 white-owned farms had been taken by the government. In October 2004, the Commercial Farmers Union estimated that about 500 of its members remained on the land, and were either fully or partially operational. Of the few white farmers still on their land, many are running their operations from urban areas to avoid **harassment** and violence by invaders, while others have become managers on farms bought legally by the black elite which remain productive. Yet others have moved abroad or have taken up opportunities offered to them by governments elsewhere in **Africa,** notably Zambia, Mozambique, DRC and Nigeria.

State media claimed in early 2004 that more than 300,000 peasant farmers and 54,000 commercial farmers had been settled on 11 million hectares of formerly white-owned land. However, the Presidential Land Review Committee appointed by Mugabe in 2003 and headed by Charles **Utete,** gave figures of 127,000 and 7,260 respectively, settled on 4.2 million hectares.[10]

Part of the Utete commission's mandate was also to look into violations of the one-man, one-farm principle that had been made public through the media. Nearly 200 influential individuals, including cabinet ministers and the president's wife, were found to be occupying more than one farm in 2003. One provincial governor had nine prime commercial farms. Some had abandoned seized farms after selling the crops grown by the farmers, moving on to other, more profitable farms. Others displaced resettled farmers.

These individuals were slow to return the land and some went on to seize protected game areas and conservancies, also in violation of the programme. Many of the multiple owners eluded the presidential directive to keep only one farm by registering properties under different names. However, the government began a serious crackdown during

[10] *Business Day*, 21 October 2003.

2004, which was more successful. At the same time there was increasing resistance by new settlers to being evicted from farms to allow ministers to occupy them.

In January 2004, Special Affairs Minister John Nkomo admitted that the land programme had failed to benefit large numbers of poor black farmers, as many of them had not taken up land on offer. He said that in some areas, fewer than half of the black farmers who had been allotted land had started farming it.[11] In March 2005, Mugabe admitted that only about 44% of the millions of acres seized from white farmers and given to black commercial farmers (under the A2 scheme which includes ministers and government officials) had been properly used. Paving the way for more **disruptions**, he said that the government would not hesitate to redistribute land that was not being properly utilised.[12]

A bilateral agreement between South Africa and Zimbabwe is supposed to protect South African citizens' property from confiscation. But this has not been enforced, despite claims to the contrary. In 2003, a group of South African farmers whose land has been seized in Zimbabwe, formed a **lobby group,** Concerned Investors in Zimbabwe, to put pressure on their government to do something about the seizures. They claim that of the few farms not seized, most belong to citizens of EU countries, which have put diplomatic pressure on the Zimbabwean government. The government has rejected compensation claims for land, but has agreed to fund improvements on the land. However, evicted farmers have described offers made so far as paltry.

In January 2004, the government issued a **decree** – the Presidential Powers (Temporary Measures) Acquisition of Farm Equipment or Material Regulations – that allows it to take from all farms any equipment and material it believes is not being used for agricultural purposes. Anyone who resists or tries to sell the equipment privately faces a two-year jail sentence. The legislation is aimed at white farmers who, dispossessed of their homes and land, have been selling **equipment** to raise money.[13]

The government has also introduced legislation to prevent white farmers who still hold their title deeds from going back to seized farms and has begun issuing new deeds to resettled farmers. Many commercial farmers have refused demands to hand over the deeds until they have been adequately compensated.

Meanwhile, the decongestion of the **communal lands**, which was supposed to be the cornerstone of the land reform programme, has yet to take place and thousands of applicants for land under the A2 programme have yet to receive it several years after their names first appeared on the list of successful applicants.

Violence continues in the farming areas, both against the remaining white farmers and against new settlers who are being evicted to make way for government officials.[14] In some cases, the government has reclassified tracts of land from A1 to A2 to satisfy the demand from Zanu-PF and government officials for farms. This has required the

[11] *The Observer* (UK), 4 January 2004.
[12] Sapa-AFP, 3 March 2005.
[13] *The Herald*, 17 December 2003.
[14] For example, 'war veteran' activist Mike Moyo obtained a court order in September 2003 barring Mines Minister Edward Chindori-Chininga from occupying a farm in northwest Zimbabwe, saying he already had two other properties. Reuters reported on September 9 2003 that a number of similar cases were being resolved at provincial level to avoid publicity.

eviction of new farmers who have settled on the land. In some cases, the evictions have been accompanied by destruction of property and violence. Settlers trying to erect permanent structures for themselves on land allocated to them have been thrown off the land. The government says this is because there a decision still needs to be taken on who will stay on the land on a permanent basis now that the political objective has been achieved. This caused political dissatisfaction among settlers, who are now starting to view the land distribution programme as a political tool of the government.

Few of the estimated 350,000 farm workers who were on farms in 2000 have benefited from the land programme, and are homeless and jobless instead. Fewer than 100,000 farm workers in total are believed to be still on farms.

Agriculture

Productivity in the farming areas continues to decline. Farming experts said in October 2004 that the tracts of land expected to be planted in the 2004/05 season would reach record lows. Only 32% of land normally planted was being prepared for crops. The government is struggling to finance the land programme: It has had some success in persuading the private sector to provide unsecured loans and buy **agribonds.** It has also borrowed money on local markets.

Despite mounting evidence of food shortages and starvation in rural areas, the government denies that any food aid is required and asserts that Zimbabwe is producing more than enough for its needs. A UN-led assessment mission says about five million of the country's 12 million people will need food aid before the next harvest in March 2005. Yet the government has repeatedly stated that Zimbabwe will not need any food assistance this year and relief agencies have started scaling down their provisions to the country. The matter came to a head in September 2004 when it emerged that the state-run grain monopoly, the **Grain Marketing Board** (GMB), and the Central Statistical Office were unable to provide figures to the Parliamentary Portfolio Committee on Land and Agriculture to prove the government's claims of a bumper harvest of 2.4 million tonnes of grain in 2004. Instead, the board, which is the only organisation allowed to buy maize directly from farmers, admitted it had collected only 298,000 tonnes of maize. Zimbabwe requires about 1.8 million tonnes of maize for consumption, and for its strategic reserves every year.

The government has been trying to plug the food gap with imports allegedly being brought into the country covertly – **convoys** of maize trucks have been seen crossing the border from South Africa – to create a stockpile ahead of the elections as part of Zanu-PF's widely publicised 'food-for-votes' campaigns. In October 2004, *Zim Online* reported that the government planned to import 300,000 tonnes of maize from Zambia and Malawi over October and November. Citing a Harare transport firm, the report said the company had, over August and September, ferried close to 200,000 tonnes of maize to Harare.

The government predicted that agriculture would recover by 2.3% in 2003, while farming organisations predicted a 20-30% decline. In reality, production over that period fell by more than 50%, weighed against a five-year average, and the large-scale farm sector produced only about **one-tenth** of its 1990s output.

Statistics on agriculture include:

- A fall of nearly 44% in **milk output** for 2003, following a decline in the national dairy herd from 6.5 million in 2002 to an estimated 200,000 in 2003. Most farmers de-stocked because of the land programme, while the herd was also affected by a shortage of vaccines and an increase in stockfeed prices – by up to 84%.
- A decline of more than 22% over four years to 2004 in horticulture exports, Zimbabwe's biggest foreign currency earner after tobacco. The sector contributes around 5% of total agricultural output and about 8% to the agricultural sector's export earnings. The industry had registered growth rates of 15% annually in the 10 years up to 1999.
- An anticipated tobacco crop in 2005 that will be the country's smallest ever. In 2000, tobacco underpinned the economy, producing 238m/kgs of tobacco. In the 2005 summer season, it is expected to produce less than a quarter of that. In 2004, the industry experienced a record low of 64m/kgs, earning US$120 million, down from 81m/kgs in 2002. The further slump occurred despite major support from the government, which has bankrolled thousands of new farmers on seized commercial farmland. Gono has underwritten up to 20,000 small-scale tobacco growers on land still legally owned by evicted white farmers. He has predicted a crop of 165 million/kgs, while farming spokesmen say it will be more like 55m/kgs. More than 80% of the crop will still be produced by the 300-odd white commercial farmers still farming tobacco on their land.[15]
- The near extinction of the **beef herd**, which stood at around 1.4 million animals in 2000 and earned around US$2.4 billion a year in foreign currency. The number of animals was below 125,000 at the end of 2004, according to the Cattle Producers Association. More than 10,000 cattle have died from foot-and-mouth disease, spread by the breaking of fences between game and cattle areas and the free movement of infected herds. Numbers have also been reduced as a result of farmers selling off their stocks, as well as by slaughter and neglect by land invaders. The main export market, the EU, has banned Zimbabwean beef as a result of the foot-and-mouth outbreak and other markets such as Malaysia have also been affected.
- A sharp reduction in both **wheat and maize** production. In 2002, commercial wheat producers reduced production by nearly 50%, while maize production fell from 810,000 tonnes in 2000 to an estimated 80,000 tonnes in 2003. Zimbabwe's requirements are around two million tonnes per annum.

[15] *Business Report*, 18 January 2004.

The Energy Sector

Zimbabwe's power utility ZESA continues to experience major problems, resulting in erratic **power supplies** and reduced services. South Africa and Mozambique export power to Zimbabwe to supplement ZESA's supplies. However, both have experienced payment problems and there are sporadic reports of threats to cut supplies because of non-payment, which are always denied. All three countries form part of the Southern African Power Pool.

The utility relies on imports for about 85% of its equipment, and struggles to get foreign exchange to buy them. To alleviate foreign currency shortages, ZESA introduced a statutory instrument forcing exporters to pay bills in **foreign exchange**. However, in January 2004, the High Court declared the instrument illegal after a private company brought action against ZESA.[16] The parastatal has started negotiating loan facilities with banks and other financial institutions in Malaysia and China.

ZESA is earmarked for **privatisation** by 2007. The government has agreed to unbundle the utility into generation, transmission and distribution divisions, with generation due to be privatised first. Currently, 49% is under consideration for sale to a strategic investor.

Fuel is another factor in Zimbabwe's energy crisis. After several years of major fuel shortages due to foreign exchange scarcity and diminishing lines of credit, the situation improved markedly in 2003, when the government loosened its grip on **procurement**. However, there are still periodic shortages.

Mining

Mining's contribution to GDP has declined from 8% in the 1980s to around 3%. Employment figures are down to around 40,000, from 55,000 in the mid-1990s. In the past few years a number of mines have closed down while others have **reduced production** to minimise losses in the difficult macroeconomic climate. The main problems include high costs of production, foreign currency scarcity, unfavourable exchange rates, erratic power supply, fuel and equipment shortages and transport problems related to the deterioration of the railway network. The situation eased somewhat in 2004 after the central bank allowed mining companies to retain more of their earnings and made available to the industry more foreign currency for imported inputs. Some mines have also benefited from cheap funding set aside by the central bank for the revival of distressed industries.

Concerns have also been raised in the mining industry about **nationalisation**. In 2004, the government introduced a controversial draft law that would have compelled companies to sell up to 49% of their shares to black Zimbabweans. It was withdrawn following an outcry from the industry. The figure still under negotiation is now around 30% of shareholding over 10 years.

In September 2004, Mugabe suddenly announced that the government would demand 50% of shares in all private mines. No mention was made of compensation. He accused mining companies of contributing to the country's foreign exchange losses via illegal

[16] *Daily News*, Saturday 24 January 2004.

transactions. The Chamber of Mines in Zimbabwe has been in protracted talks with the government over draft new mining laws and spokesmen for the Chamber said they knew nothing of plans to nationalise half of all mines. Many attributed Mugabe's comments to political grandstanding, but he has still raised concerns because of the precedent set by the land grab. Nevertheless, many companies, particularly foreign-owned companies, are actively pursuing empowerment objectives.

However, despite these difficulties, the sector has experienced considerable activity in the past year, mostly related to new investments in **platinum** which is gaining ground rapidly over gold as a top export and hard-currency earner. Zimbabwe has the biggest reserves of platinum in the world after South Africa. In the first four months of 2003 alone Zimbabwe produced 40,020 ounces of platinum worth US$27 million, trebling the previous year's figures.

Output at Zimbabwe's **nickel** mines was up 42% in the first eight months of 2004, compared with the same period in 2003, as a result of improved viability in the mining sector.

Gold has suffered in recent years, despite being a top foreign currency earner. It accounts for around 52% of total mineral production but the figure has steadily been declining as the industry struggles to survive the harsh operating environment. About 12 gold mines have been forced to close in the past three years, while others have put new projects on hold. The Chamber of Mines reports that 50 mines across the sector have closed since 1996 because of viability problems. Gold has also been hit by widespread **smuggling,** exacerbated by low prices paid by the Reserve Bank.

The government has allowed certain **concessions** to the mining sector, such as the holding of offshore accounts for transactions outside the country in certain instances, and incentives for investment in big projects. It has also offered the gold industry a lifeline by increasing the price of gold paid to producers from US$13 a gram to US$16.[17]

Tourism

In 1999, tourism was one of the three top foreign currency earners, accounting for 12.4% of GDP and 8.5% of employment. Since 2000, this figure has shrunk by about 15%. In the first half of 2004 alone, tourism revenue dropped 44% over the same period in 2001, and tourist arrivals fell by 48%.

As a result of the land resettlement programme, drought and starvation, as much as 80% of **wildlife** on commercial game farms have been poached. Huge tracts of land on conservancies have been slashed and burned, resulting in widespread **deforestation** and erosion. Some rare species are threatened with extinction.

Environment and Tourism Minister Francis Nhema was accused of handing lucrative hunting and photographic concessions to Zanu-PF heavyweights and members of the political elite who are related to him. This has affected the estimated Z$20 billion in

[17] "Gold regains its glitter for Zimbabwe's mines", *Business Day*, 28 July 2004.

hunting contracts for the 2004 hunting season, signed at hunting conventions in the US at end 2003.[18]

Also affected by problems in these areas is Zimbabwe's highly successful Campfire (Communal Areas Management Programme for Resources) programme, which shared the **commercial gains** of hunting and tourism with communities around game areas. In 2002 it raised Z$20 million.

The government, in line with its new foreign policy thrust to the east, has been given Approved Tourism Destination by **China**. This allows Zimbabwe to market its tourism attractions in China while the latter encourages its citizens to visit Zimbabwe. The country is promoting tourism in non-traditional markets, notably Asia, because of the slump in its main markets – the US, UK and Germany. In the first six months of 2004, the number of Chinese visitors rose by 245%. However, most overseas visitors still came from the US and Britain, with China in third place. Regionally, most visitors came from South Africa followed by Mozambique.[19]

Apart from image and security problems arising from the political situation, Zimbabwean tourism has been affected by the fact that its **prices** are higher than those of other countries in the region.

Health and HIV/AIDS

Zimbabwe's health care system, once considered among the best in sub-Saharan Africa, is collapsing because of a severe shortage of money for medical equipment and essential drugs. The country has been hard hit by a combination of AIDS, the spread of poverty (which has exacerbated the AIDS problem) and the **decay** of its public health system. Life expectancy is currently 42.9 years, down from 56 years in 1975. In 2001, the proportion of adults infected with HIV/AIDS was 33.7%.

Despite, this, Zimbabwe's allocation for health dropped from 12.7% of the national budget in 2002 to 8.3% in 2003. The government has not prioritised health in successive budgets. Even **private clinics** have been unable to buy supplies and drugs because of foreign exchange shortages. Besides experiencing a major funding shortage, the sector is one of the worst hit by the **brain drain** and the medical school intake has almost halved in a few years. Doctors from Cuba, the DRC and other countries have been employed to fill the gap.

In December 2004, the government introduced a new bill into parliament to stem the tide of medical professionals leaving the country. According to UN news agency IRIN, the Health Services Bill allows for public sector health workers' salaries to be set separately from other civil servants. Government has hailed the bill as a breakthrough in its bid to improve conditions of service and remuneration in the health sector, but analysts expressed concern that this may not be enough to improve the situation.

Foreign humanitarian aid, largely from global charities and the US and Europe, has saved Zimbabwe from running out of drugs and medical supplies entirely. However, in 2004,

[18] *Financial Gazette* (Zimbabwe), 12 February 2004.
[19] Agence France Presse, 23 September 2004.

donors became increasingly wary of giving money for AIDS patients because of concerns that it would be channelled into **government coffers** and not be used for antiretroviral drugs. In mid-2004, the Global Fund to Fight AIDS, Tuberculosis and Malaria decided to exclude Zimbabwe from benefiting from its resources because it did not want to channel funding to an 'untrustworthy' government and was concerned that the money would not be used for its designated purpose. The government had applied for US$218 million from the Fund.

In 2003, the US government also **excluded** Zimbabwe from the president's five-year US$15 billion emergency AIDS plan, which focuses on 12 African countries among other parts of the world. The British government gives about US$11 million a year and has promised more if political and economic reforms are effected.[20]

Meanwhile the government has revised **infection figures** downwards, saying the incidence has dropped by nearly 10% in three years. In August 2004, the government said 24.9% of adults were infected with the virus, down from 33.7% recorded in 2000 by the UN agency, UNAids.[21] Although Zimbabwe has had some success in arresting the spread of the disease, mostly through the efforts of NGOs, analysts have expressed scepticism at the government's figures when around 3,000 people a day are dying of the disease and independent estimates suggest infections are increasing at a rapid rate.

The Political Situation

During 2004 the prospects for a political solution to the country's problems became increasingly remote. Reports emerged from time to time of talks between Zanu-PF and the opposition MDC, mostly emanating from a seemingly hopeful President Thabo Mbeki. Formal talks broke down in 2002 and since then the MDC claimed that nothing more than infrequent informal engagements had taken place. Despite Mbeki's pronouncements, in mid-2004, Mugabe announced that he was not prepared to talk to Tsvangirai and the MDC because they were 'agents of (Tony) Blair'.

Tsvangirai said that in any case talks in isolation served no purpose; they needed to be conducted by a **coalition** of democratic forces such as civic leaders, churches, labour unions, student bodies and human rights movements. However, Mugabe has accused the churches of being MDC stooges, and NGOs have been all but silenced by repressive legislation.

The MDC is fighting to keep its political momentum, which has been lost to some extent through state repression, lack of funds, a lack of vision on key issues, poor spin doctors, and, some say, too little in the way of engagement with key parties inside Africa, including SADC leaders and opposition and labour groups. However, in 2004, after treason charges were dropped against Tsvangirai and his passport returned, he immediately embarked on a whistle-stop tour of African nations and European countries to put his case and to look for funding. The MDC's announcement in August 2004 that it may boycott the 2005 election also gave it some leverage, particularly in the region.

[20] "AIDS crisis as Mugabe scares off donors", *This Day* (SA), 17 August 2004.
[21] "Zimbabwe revises its AIDS infection figures downwards", Agence France Presse, 21 August 2004.

The boycott decision was taken because the MDC believed the election would not be free and fair and the party's participation would simply legitimise a fraudulent poll. However, the MDC was persuaded to reconsider, on the basis that having a meaningful opposition in the race would allow outside parties to keep the pressure on Mugabe's government to level the playing field. Not taking part would also further undermine the party's political relevance.

In February 2005, the MDC, after much prevaricating, decided to reverse its decision even though it believed the government was still a long way from implementing the SADC election guidelines (adopted in Mauritius in August 2004) and despite the fact that the short time to the proposed March 31 election date would compromise its election campaign. Mugabe refused to change the date.

In another potentially key development in Zimbabwean politics, Zanu-PF itself was split over Mugabe's appointment of Water Resources Minister **Joyce Mujuru** as Zanu-PF vice president and Zimbabwean second vice president at the party congress in December 2004. This move was widely seen as his nomination of a successor for his retirement in 2008. Mujuru, wife of retired army general Solomon Mujuru, was believed to have been chosen to garner the women's vote and to upstage the 'big men' who had been vying for the post, which appeared to anger Mugabe. Her appointment was supported by top party heavyweights.

The succession debate has been causing problems in the party for nearly two years. In early 2003, Mugabe, without giving an exit timetable, declared the debate on succession to be open. When this resulted in massive infighting, he withdrew his support for debate, even keeping it off the agenda at the party's December 2003 congress. Those who raised it at the event soon got punished for their 'subversive' behaviour. The succession debate served to smoke out those in the party seen to be challenging the leadership and posing a potential threat to Mugabe's own plans for succession, which, until Mujuru's appointment, remained a closely-guarded secret.

But the party really split wide open in the run up to the 2004 party congress as candidates jostled for the job of second vice president. Front-runner **Emmerson Mnangagwa**, speaker of parliament and party secretary of administration, who had been long tipped as Mugabe's successor was sidelined by the president. The former State Security Minister, who is said to have close links with the army and the intelligence service, failed to win a parliamentary seat in the last elections. Mnangagwa's reversal of fortune was swift once Mugabe decided to act against him. He was put under investigation by the police for gold smuggling, corruption and currency violations and his party supporters drew back, compromising his ambitions for political advancement.

Ahead of the December 2004 congress, at which Mujuru's appointment was announced, Information Minister Jonathan Moyo held a 'breakaway' meeting at his rural constituency to garner support for Mnangagwa. Interestingly, notice of this meeting evaded Mugabe's spies, but when he eventually learned of the 'betrayal', heads began to roll.

Six party provincial chairmen were expelled for plotting against the Zanu-PF leadership, while a seventh top member was sacked over spying charges. Moyo was a key casualty, along with Justice Minister **Patrick Chinamasa**. Moyo was expelled by Mugabe from the party's politburo and central committee and eventually fired as minister in February 2005. He immediately stated his intention to stand in the election as an independent candidate. Police have subsequently thrown off Mnangagwa's supporters off acquired farms. John Nkomo, Zanu-PF chairman and Special Affairs Minister for Lands in Mugabe's office, who is in charge of repossessing farms from senior government and ruling party officials, belongs to a faction led by Solomon Mujuru which is opposed to Mnangagwa. But, surprisingly, in January 2005 Mugabe is said to have ordered the police investigation into Mnangagwa's activities to be stopped. Analysts believe that it is no longer necessary to hound the speaker as Mugabe has got what he wanted.

The party has also been racked by squabbles over the imposition of some election candidates and the exclusion of others.

The Judiciary

The **defiance** of court orders by government and its agencies has been a major cause for concern. Over the past few years, court orders have been openly defied and the courts have also been used to overturn unpopular judgements. Laws relating to the land programme, the electoral process and the media are the most prominently abused. The government also resorts to foot-dragging on unpopular legal challenges keep certain cases out of court.

Mugabe has steadily pushed out independent **judges**, often using overtly threatening tactics, and replaced them with those known to support the ruling party. Since 2000, eight of the High Court's 17 judges have resigned. Two judges who had handed down judgments out of favour with the ruling party were arrested. The current Chief Justice, Godfrey Chidyausiku, is an avid party supporter.

Mugabe made it clear several years ago that the courts would not be able to stand in the way of his agrarian reform programme. He has been backed up by his ministers, who have openly said they would disregard court judgements **unfavourable** to the government.

However, in the latter half of 2004, there have been some interesting developments. In one, the newly appointed Attorney General Sobuza Gula-Ndebele forced the government to drop an appeal against the acquittal of MDC leader Morgan Tsvangirai on treason charges which were brought by his predecessor, Bharat Patel. And the High Court stopped the lands ministry from **evicting new farmers** on the grounds that the State had not followed the proper legal channels. The government was also ordered to find alternative land for the occupiers before evicting them. These are no longer isolated examples and increasingly the courts are supporting new farmers against illegal evictions by party bigwigs.

The Media

In June 2003, Zimbabwe's parliament passed two new **media bills** – the Access to Information and Protection of Privacy Amendment Bill and the Broadcasting Services Amendment Bill. A parliamentary committee ruled that aspects of the latter were unconstitutional and amendments were made to keep it on the statute book. The Act requires journalists to be licensed through the Media and Information Commission (MIC) appointed by the minister of information. A later amendment to the Act decreed that journalists found working without a licence would be sentenced to two years in jail. One of the problems with the Act is the very broad definition of 'journalist'. Scores of journalists have been **detained** under the law but the government has yet to win a prosecution. Reporters who work for foreign media have to pay the MIC a hefty fee of about US$800.

The registration of media houses is also mandatory. A Supreme Court judgement in February 2004 dismissed an application brought by the *Daily News*, Zimbabwe's only independent daily newspaper, for the repeal of sections of the law on the basis that they **infringed freedom of speech** and were unconstitutional. The ruling gave the government the weapon it needed to deal with independent and critical media.[22] The *Daily News* was effectively banned in September 2003, when the Media Commission refused to grant it a licence. Newspapers and publishers are also required to register with the MIC.

The Broadcasting Services Amendment Bill introduced minor changes to the Broadcasting Service Act of 2001, which has also been heavily criticised by media and human rights groups for its **restrictions** on independent radio and television and for the total power it gives the minister of information to determine who can start up radio stations, the country's most powerful medium.

The independent research group, the Media Monitoring Project Zimbabwe, has identified an upsurge in **'hate speech'** in the state-owned press which it likened to the strategy used by government-controlled radio in Rwanda during the 1994 genocide. Through their monopoly of the airwaves, the state media air a constant deluge of news bulletins, commentaries, talk shows and jingles that heap praise on Mugabe while scorning and ridiculing the British government, the MDC, whites and other groups.

Corruption

A few years ago corruption was prevalent only at the top levels of government departments and parastatals in Zimbabwe. For more than a decade, corrupt deals involving looting by government officials and their cronies, such as the Willowvale car **scandal**, the VIP Housing Scheme and the War Victims Compensation Fund, always made headlines. The corruption extended to prominent business people but had hardly filtered down to the lower levels of society.

However, in just a few years, as a result of the breakdown in law and order, corruption is now pervasive across the entire society. People at all levels resort easily to **bribes** to secure goods such as fuel, bread and even public transport. Bureaucrats in courts, customs posts and passport offices among others, are now withdrawing their services until bribes are paid, in order to make ends meet. In a few years corruption has become

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[22] One of Zimbabwe's top Supreme Court judges, Justice Wilson Sandura, gave a dissenting judgement saying mandatory accreditation violated Section 20 of the Constitution which gives journalists, as well as other citizens, freedom of expression that includes the liberty to "hold opinions, receive and impart ideas and information without interference" except where state restrictions are reasonably justifiable in a democratic society.

the norm, rather than the exception, as people struggle to survive in the harsh economic environment. The situation has been exacerbated by the culture of **non-accountability** at the top levels of business and government.

At the beginning of 2004, the government began to crack down on corruption and made hard-hitting statements in this regard. However, analysts dismissed these measures as an expedient ploy designed to win favour before the 2005 elections and to deal with those who had fallen foul of the ruling party.

The 2005 Elections

Zanu-PF has been preparing for the 2005 elections almost since the last (presidential) elections of 2002. It became clear early on that Mugabe was not prepared to consider defeat for his party in 2005, no matter what it took to ensure this did not happen. He kept up the pressure on the MDC and continued to court regional leaders.

Since the 2002 elections, a climate of fear and repression has surrounded all election activity in Zimbabwe. This has been plain in the many by-elections held over the past few years, where the opposition has not been allowed to campaign freely and opposition supporters have been violently treated by the armed forces and Zanu-PF cadres. Most objections brought to the courts by the MDC, including those dating back as far as 2000, have yet to be considered. Any attempts at peaceful protest have been violently put down and media repression has intensified in the wake of increasingly harsh legislation and **harassment of journalists** working for foreign media.

While the SADC election guidelines for free and fair elections launched at the Mauritius summit in August 2004 have become an important benchmark for the Zimbabwean election, the document does not provide for actions against countries that violate the guidelines. Mugabe was quick to sign up and even introduced some **electoral reforms** ahead of the meeting to avoid censure. These included the use of transparent ballot boxes in place of wooden ones, the counting of votes at polling centres instead of centralised counting centres, voting over one day instead of two and the introduction of a new electoral commission.

However, he has kept to neither the letter nor the spirit of the agreement and there is virtually no part of the electoral process that is free from government interference.

Mugabe has appointed a pro-government judge, George Chiweshe, to head the new electoral commission and has a say over who else sits on it. Zanu-PF rejected MDC proposals that an independent electoral body be appointed by an inclusive parliamentary committee, with no involvement from the president. Chiweshe also runs the body charged with drawing up new **constituency boundaries**, a role in which he has already eliminated three opposition seats and created three others in Zanu-PF strongholds.

Election observers in 2005 will have to be accredited by a committee dominated by nominees of government ministers and the President's Office, and only those invited by a minister or by the partisan Electoral Supervisory Commission will be eligible for accreditation. Commissioners can also be summarily fired by the justice minister, should they be deemed to have stepped out of line. The new regulations also allow Mugabe to amend electoral laws as and when he sees fit by using his absolute power under the Presidential Powers (Temporary Measures) Act.

The **Electoral Act**, signed into law by Mugabe in January 2005, gives the military a legal role in national elections for the first time in the country's history. They will be in charge of polling stations. The SADC guidelines stipulate that polling stations be set up in neutral places. Yet the Electoral Act requires only that they be in "convenient" places, determined solely by electoral officers, who are appointed by the president.

The opposition has been allowed minimal time on the **state-owned media**, compared with the many broadcasts that focus on the ruling party. The MDC is also not allowed to raise funding from outside the country, nor is it eligible to get funding from government coffers – this is reserved for Zanu-PF. The Political Parties Funding Act, which prevents outside financial support of parties, has been ruled unconstitutional but is still enforced.

In a move to further eradicate any opposition or **independent scrutiny** of its pre-election moves, the government has also introduced a raft of repressive legislation designed to cripple human rights and governance groups by putting them under state control and cutting off their foreign funding. This effectively removed the last monitors of government abuses.[23] There are around 3,000 NGOs working in Zimbabwe, employing an estimated 25,000 people.

There is no **free political activity**, another violation of the SADC guidelines, and the opposition has to apply for permission to hold public meetings, which is not always granted. In February 2005, with the elections just a few weeks off, police arrested the MDC's elections director for convening an allegedly illegal meeting, and held 14 members of the National Constitutional Assembly, an MDC ally, after they staged a protest against the manipulation of the election.

As early as May 2004, Mugabe allocated Z$25 billion (about R32 million) in unbudgeted funds to buy new vehicles for and increase payments to hundreds of traditional chiefs to win their support for the elections.[24] In December 2004, it was reported that spending on the country's feared security police was due to rise from the approved US$11 million to US$16.3 million without parliamentary approval. This move is believed to be related to the election.

The MDC also recently discovered around 2.5 million '**ghost' voters** on the roll. It says there are at most three million people in Zimbabwe eligible to vote, and about the same living outside the country who are not allowed to vote. But the voters' roll contains 5.6 million names.

On 16 February 2005, MDC spokesman Eddie Cross wrote in an MDC press release:

> This whole election process is developing into an absolute farce! We are expected to contest an election in 45 days. We do not have the voters roll (the one sold to us last week is out of date), we cannot advertise in the State controlled media, we are subjected to **propaganda** 24 hours a day on radio and TV. Our meetings are

[23] In the run-up to the 2000 poll, an NGO called Zimbabwe Human Rights Forum, recorded 37 political murders and 18,000 other abuses, ranging from assault and torture to rape, and blamed the ruling party for more than 90% of this.

[24] *The Sunday Independent*, 23 May 2004.

> being banned or disrupted, campaigners cannot distribute flyers on the street, we have to have permission to put up posters! Our vehicles are being confiscated and held at police stations. We have over 400 court cases pending against MDC candidates and activists and there are more arrests every day. Returning officers have still not been appointed and we have no idea of where polling stations will be. Zanu-PF is handing out food at its rallies and forcing people to attend rallies. No observer missions have been invited and there are arrests of remaining international journalists working as stringers.

Regional and International Politics

Not much has changed in the course of 2004/05 in terms of international reaction to the Zimbabwean situation. The lines are still fairly clear – western, developed countries such as Britain and the US are highly critical of the current regime and its policies while most SADC countries are not. The stand taken by the **rest of Africa** varies, with countries such as Ghana and Kenya criticising Mugabe. South Africa, considered to the most important regional player, has continued its policy of quiet diplomacy but the world has yet to see results. Time and again, Mbeki has put himself on the line by declaring that talks were taking place between Zanu-PF and the MDC, only to find both parties publicly denying this. He predicted at the end of 2003 that there would be a political solution in Zimbabwe by mid-2004. Around that time, Mugabe announced that he had no intention of talking to the opposition.

SA ministers have openly sided with Zanu-PF against the MDC, going on fact-finding visits in which only ruling party members were present and refusing talks with the opposition. In late 2004, this began to change, possibly because of the lack of success of quiet diplomacy and pressure on South Africa to become a more **responsible broker**. In November 2004, Deputy President Jacob Zuma denied that South Africa had ever had a partisan stance towards the parties and even Tsvangirai began toning down his anti-South Africa rhetoric, hinting at some meaningful contact. The South African government announced in October 2004 that it had intensified contact with both parties ahead of the 2005 elections.

The most momentous event in the South Africa-Zimbabwe relationship has been trade union federation **Cosatu**'s breaking of the official silence over Zimbabwe's human rights record. Cosatu, one of the ruling party alliance partners, was quickly supported by the second ANC alliance partner, the SA Communist Party. The move, despite publicly voiced objections by the ANC itself, is the first major criticism of Mugabe's policies and behaviour by black South Africans. Support for Mugabe by a large segment of South African voters is believed to have informed the 'softly softly' approach of the South African government towards Zimbabwe. The SA government is also terrified of being branded a 'puppet of the west', a favourite description used by Mugabe for those who criticise him.

Cosatu's two fact-finding visits to Zimbabwe in October 2004 and January 2005, both of which were banned by the Harare government and Cosatu officials summarily deported, drew the ire of the ruling party in SA and broke out into a spat in the media. The issue was eventually resolved, but there is less solidarity over the policy of quiet diplomacy towards Zimbabwe, with some voices being raised against the lack of a level political playing field. The South African foreign minister and the president insist that all is on track.

In early March 2005, Mbeki unleashed a political storm by virtually declaring the election free and fair because he could not find anyone to tell him how Zimbabwe's electoral law had flouted the SADC guidelines. His views were widely interpreted as foreshadowing the conclusion to which the SADC observer team, headed by South Africa, would come regardless of the evidence. This has raised serious questions about South Africa's mediation role in Zimbabwe's political crisis and its bona fides in the highly controversial election.

The African Union (AU) continues to keep the Zimbabwean issue off the agenda, as it has done at successive summits. Zimbabwe was not discussed at the July 2004 Addis Ababa summit and a report criticising the country's human rights record was stifled with – it was alleged in several South African newspapers – the help of the South African government. The Zimbabweans claimed they had not seen or had a chance to respond to the report, prepared by the AU's Commission on Human and People's Rights, and demanded that it be withheld from the assembly to allow them to study it. They were supported by SA's foreign minister Nkosazana Dlamini-Zuma. However, it later emerged that copies had been delivered to the government in Harare several months before. Interestingly, after all the hype about the report, its adoption by the Executive Council of the African Commission on Human and People's Rights in February 2005 went almost unnoticed.

The incident highlighted the AU's continuing reluctance to deal with Zimbabwe because of what it has described as major differences of opinion among its members on whether there was actually a problem in the country at all. It was kept off the agenda of 2003 Maputo summit for the same reason.

SADC has not proved effective in any way in resolving the Zimbabwean problem. It has proved to be easily **intimidated** by Mugabe and reluctant to do more than complain behind the scenes about his behaviour. In December last year, there was talk of a visit to Zimbabwe by a SADC troika comprising the presidents of South Africa, Lesotho and Namibia, to examine the preparations for the election and to persuade the MDC to take part in the poll. In January, Mugabe turned the troika down on the basis that he was still preparing for the poll, and they accepted what was widely interpreted as a snub.

In February 2005, concerns were raised that Mugabe had yet to invite a team of SADC lawyers to Zimbabwe to independently assess the climate for free and fair elections, nor had he issued an invitation to SADC to send an observer team for the poll itself. According to the SADC guidelines, this was meant to take place 90 days before the election. With fewer than 40 days to the election, concern began to be expressed among SADC members, including South Africa, about the absence of any invitations. One media report then quoted SADC as saying that, after discussions with SA, it was decided that the visit was no longer necessary.[25]

Meanwhile, a newspaper report on February 20 said that Mugabe, rather than let people in to inspect his electoral reforms, was **lobbying neighbours** to declare that he was complying with the region's rules governing elections. He sent his Anti-Corruption Minister Didymus Mutasa to seek outgoing Namibian President Sam Nujoma's backing,

[25] *Business Day*, 21 February 2005.

while Special Affairs Minister John Nkomo went to meet Botswana's President Festus Mogae. The report quoted diplomats saying that Mugabe wanted SADC leaders to whitewash the result of an election likely to be won by his party.[26] The choice of Mogae was interesting, given his outspoken criticism of Zimbabwe over the past few years.

Zimbabwean Foreign Minister Stan Mudenge said in February 2005 that Russia was the only European country to be invited to **observe the elections**. The rest were deemed to be too hostile to Zimbabwe. Of the 32 invited countries, 23 are from Africa, five from Asia, three from the Americas and Russia. The AU, SADC, the Common Market for Eastern and Southern Africa (COMESA), the Non-Aligned Movement and the United Nations are among the regional and international organisations to which invitations have been extended. Liberation movements invited include South Africa's African National Congress, Tanzania's Chama Chama Pinduzi and Mozambique's Frelimo. Foreign diplomats based in Harare wishing to observe the poll will 'be accredited upon request' by the foreign ministry.[27] The SADC Parliamentary Forum has not been invited, no doubt because it was the only African team to criticise the outcome of the 2002 elections.

SADC's position has been undermined by support of Mugabe by many of its members. These include Tanzania's Benjamin Mkapa, Nujoma, Zambia's Levy Mwanawasa (although he was pivotal in persuading the MDC to take part in the election) and Mozambique's former president Joaquim Chissano. Even Uganda's Yoweri Museveni, long seen as a **fence sitter** on the Zimbabwean issue, praised Mugabe and his land programme during an official visit there in 2004. Mugabe, well pleased by the praise from an elder statesman, promised Uganda 100,000 hectares of prime agricultural land for farmers from East Africa. Yet Zimbabwe and Uganda were bitter foes in the Congo's civil war.

Much of the African position on Zimbabwe is based on **anti-West sentiment** precipitated by colonialism, which appears to outweigh considerations of right and wrong, as well as ignorance of the real facts outside Zimbabwe itself. Most leaders interact in public forums and conferences, where they are only in contact with other government officials who are pro-government. It is also in the interests of African leaders to maintain the status quo.

However, changes of government in some key countries such as Kenya and Ghana have started to alter Africa's positions on a range of issues. This was highlighted by the endorsement, at the December 2003 **Commonwealth** meeting in Abuja, of Zimbabwe's continued suspension from the organisation in a vote that divided Africa. The fact that Nigerian President Olusegun Obasanjo did not invite Mugabe to the meeting also highlights the increasingly nuanced approach by African countries to continental problems. The suspension was upheld by Kenya, Botswana, Ghana, Gambia, Malawi and Sierra Leone. African countries were also split in their voting on the re-election of Secretary-General Don McKinnon, despite South Africa's attempts to unseat him. Mugabe's angry reaction to the Commonwealth decision – withdrawing Zimbabwe from the organisation – was predictable as this was the first time his anti-Western and racist rhetoric had not caused African countries automatically to back him.

Meanwhile, the US has joined European countries in taking a strong line against Mugabe. Former US Secretary of State Colin Powell has been particularly outspoken. 'How many

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[26] *Sunday Times* (SA), 20 February 2005.
[27] News24 (SA), 19 February 2005

good Zimbabweans will have to lose their jobs, their homes or even their lives before President Mugabe's violent misrule runs its course,' he asked in an article published in the *New York Times* in June 2003. **President George Bush**, during his mid-year visit to Africa, put his weight behind Mbeki's efforts to resolve the problem. Meanwhile, During her Senate confirmation hearings in January 2005, US secretary of state-designate Condoleezza Rice labelled Zimbabwe 'an outpost of tyranny', one of six targeted by the US government, signalling continuance of the Bush administration's hard-line attitude towards Mugabe's government. In late February 2004, the US ambassador to South Africa, Jendayi Frazer, said SADC's inaction on the Zimbabwe issue was putting future aid increases from the US at risk.

The Zimbabwean government has turned its attention to the **East**, courting China and Malaysia in particular for investment, tourism opportunities and stronger political ties. The response seems to have been mixed, with many promises of investment but little in the way of concrete action forthcoming at this stage.[28] Moreover, Malaysia was one of the countries that voted for Zimbabwe's suspension from the Commonwealth. Iran also recently paid a state visit to Zimbabwe and promised aid and investment.

Donors and Multilateral Organisations

The **IMF** has moved to expel Zimbabwe, citing a lack of co-operation and arrears of more than US$300 million, about 53% of the country's **IMF** quota, dating back almost three years. Zimbabwe has been in arrears to the IMF since February 2001.

In December 2003, the IMF decided to enforce the country's compulsory withdrawal from the IMF after concluding that Zimbabwe had not actively co-operated. The IMF, which closed its office in Harare in 2004, also concluded that there was no immediate likelihood of Zimbabwe being able to pay its arrears. In February 2005, the organisation once again moved to expel Zimbabwe but finally gave the country a last chance to meet its obligations. The IMF's executive board decided to **postpone** the expulsion for six months because the country had made some progress toward meeting its obligations and stabilising its economy. The board cited the dramatic lowering of the exchange rate, greater financial sector stability and the reining in of the black market.

The **World Bank** and the International Finance Corporation have suspended project finance and balance of payments support as a result of Zimbabwe's payment arrears and the government's refusal to adhere to the principles required for the resumption of lending. The Bank's role is now limited to technical assistance and analytical work focusing on macroeconomic policy, food security issues, social sector expenditures, social service delivery mechanisms and HIV/AIDS. A resumption of disbursements is contingent upon the clearance of arrears.

The Zimbabwe government has, since the end of 2003 when relations reached a new low, been better disposed towards donors, especially at multilateral level, in response to a tightening of the foreign currency net.

[28] In February 2003, the Zimbabwe government gave 100,000 hectares of land in Nuanetsi to a Chinese company, China International Water and Electric Corporation, to grow crops to solve the country's food crisis. In August, the company pulled out of the deal over differences with government.

Other **donors** and agencies have limited their activities to social concerns, including HIV/AIDS, social protection, and human rights. The European Union, for example, has continued giving humanitarian aid to Zimbabwe in an amount of US$330 million over 2002/03.

The EU has extended sanctions for another year against Zimbabwe and has increased the number of people on whom sanctions is imposed from 72 to 90. The measures, put in place in 2002, restrict the travel of those targeted for human rights and governance abuses.

UN and other food relief agencies, trying to meet food aid requirements for an estimated 5.5 million Zimbabweans, have been through hard times in Zimbabwe, trying to keep food distribution on a neutral basis while the government has tried to take **control** of food to distribute to its supporters.

Recovery: Scenarios and Conclusions[29]

Debate around the recovery of the Zimbabwe economy, and the country as a whole, has tended to focus on the removal of President Robert Mugabe and a possible regime change. Although Mugabe's exit is a necessary condition for reform of the political and economic structures of the country, it is not sufficient. Neither is the changing of power from Zanu-PF to the opposition MDC, as many have suggested. These solutions do not take into account the political nuances in the country and the changes on the ground over the past year or so. Indeed, it is quite possible that, in a normalised environment, the MDC, which is viewed primarily as a protest party, might lose a free and fair election.

The party is regarded by many as a force whose strength and purpose is related to unseating Mugabe's government rather than to being a government in waiting. It has also lost momentum, because of its failure to capitalise sufficiently on the disgruntlement in the population and its reactive rather than proactive approach to issues. While the notion of a reformed Zanu-PF is unpalatable to many, it must be regarded as a strong possibility. It is also simplistic to assume that there are no reformist elements in Zanu-PF. The stranglehold on the party's general direction and behaviour by Mugabe and his old guard has served to mask a desire for change by many **new Turks** in Zanu-PF, particularly in the business sector.

The economy has undergone some radical changes in the past few years, as people and companies have found new ways to survive. The scale of the changes in the economy may not be that easy to reverse and will require a fairly thorough restructuring of the formal economy and a change in popular expectations. The increase in corruption, patronage for an expanded elite, a brain drain, the informalisation of the economy, skills shortages and land hunger are among the major changes experienced in the past few years. A **desire for change** on the part of the broad mass of the people will need to accompany political and economic transformation.

The recovery scenario needs to focus less on **personalities** and more on a return to normality across the board, the opening of political space – which may or may not generate regime change – and on putting in place political safeguards that will provide checks and balances for any future government.

Steps for political and economic recovery include the following.

Political Change

The election of a freely elected, democratic government committed to respecting basic human, social and economic rights and with the ability to formulate and execute coherent economic policies, will mark the **clear break with the past** that is needed to change perceptions and expectations. Having a government that restores the rule of law, clearly understands the requirements of managing a modern economy, takes bold steps to map out and implement a path to recovery and to establish positive relations with the regional and international communities, will boost confidence.

[29] The recovery scenarios were drawn up with input from a large variety of sources including interviews, media reports, contributions from business, the MDC's economic recovery programme RESTART and analysts.

This confidence will grow as a package of co-ordinated and long-term macro-economic measures start producing anticipated improvements. The tangible results will be an increase in export activity and investment.

Although most non-partisan observers believe that the 2005 election in Zimbabwe will not be free and fair for reasons outlined above, the outcome will point the way forward in some respects. Key determinants of how relations between the two parties should move forward include:

- The winner of the election (although Zanu-PF is expected to win);
- The size of the win; and
- The prognosis by observers as to the credibility of the result.

Should Zanu-PF win, even in an internationally unrecognised poll, there is almost no chance it will reconsider its position on negotiations with the MDC. Should there be a need for such negotiations, these are only likely to happen as a result of considerable **external pressure** by African leaders acting in concert under the auspices of the AU or Commonwealth, which in itself is unlikely.

Two main post-election scenarios can be contemplated: First, that the election is declared 'substantially free-and-fair' by the majority of African observer teams. The second scenario is that African observer teams, notably that representing SADC governments, do not recognise the election as being free and fair, an unlikely outcome.

As with the presidential election three years ago, it is difficult to envisage a circumstance in which the African teams do not close ranks around Zanu-PF. Some economic recovery may be possible under the 'close ranks' election scenario, but it will not result from wider, non-African international assistance and involvement, apart perhaps from China. But this outcome will depend, too, on what response the MDC adopts.

The MDC is key to the legitimacy of the results, but the party has already raised strong doubts about the freeness and fairness of the election. Yet this is not a 'zero-sum' game. The outcome of the election also depends to an extent on how the MDC responds. Its key political leverage is the legitimacy it will accord, or not accord, to the process. This, in turn, depends on how the party handles itself and its campaign in the weeks before, during and, especially, following the election.

The MDC cannot, now that it has decided to enter the race, continually cry foul over Zanu-PF's tactics. This strategy inevitably wears thin on even the most ardent of Zimbabwe watchers and sympathetic of MDC supporters. The party, rather like the ANC in South Africa's 1990-94 period, has to learn to play to its strengths and, in so doing, highlight the comparative weaknesses of Zanu-PF. These strengths include sound, youthful and pragmatic leadership, a culture of non-violence, broad-based party support, and sensible policies. More than anything, the MDC has to offer a reasonable, sensible alternative to the internecine, eccentric, egocentric and increasingly costly behaviour of Mugabe's party. This demands a clear and continuous articulation of its core principles of inclusiveness not elitism, economic recovery not continued collapse, and popular support, not party centrism.

Presuming that the election follows the predictable path of a hollow Zanu-PF victory plagued by intimidation and gerrymandering, it will be interesting to see what role the

MDC chooses to play after the election. It has a number of possible strategies to consider.

First, there is the 'obstructionist parliamentarian' option in which the party fights for its cause from inside parliament. This type of role may simply serve to grant a stamp of approval to Mugabe, the electoral process and Zanu-PF misrule. A second option is not to enter parliament and publicly contest the election result, using party structures and its union base to mobilise mass protests – the 'Ukrainian option'. This route would certainly highlight the MDC's sentiments towards the electoral process and result, and display mettle comparable to that of Zanu-PF. But the MDC has hitherto shown little capacity or stomach for this type of action, and it is uncertain whether Tsvangirai can muster the courage to lead a mass insurrection.

Yet the MDC should ask itself what the ANC would have done in the circumstances of 1994? It is impossible to contemplate Nelson Mandela and Mbeki legitimating a fraudulent election result that marginalised their party. Fortunately, they were dealing then with reasonable partners, and all sides realised that there was more to be gained by compromise than conflict. Nonetheless, a factor in that calculation was the spectre of the South African Defence Force facing down mass public protests in the townships and cities, and the threat of international isolation and opprobrium.

Thus far from rendering the party powerless, Mugabe's excesses could actually serve to empower the MDC further.

In terms of the **second scenario**, it would be imperative for the region to insist on formal MDC-Zanu-PF talks under an interim multiparty government, to solve the political crisis. This would form part of a constitutional review and a fresh poll under an electoral process that keeps strictly to the letter and spirit of the SADC guidelines.

Mugabe's exit is crucial to a changed political landscape. He has shown no willingness to reform and continues to consolidate his power through patronage and fear. International engagement is not likely with him at the helm. There are several ways he can leave office: through negotiations with the opposition, standing down voluntarily and appointing a successor to take part in a transitional arrangement ahead of a new presidential election, or holding out for a face-saving exit strategy executed by an international, preferably African, mediating group. There could be a strong role for the SADC or the AU to play here.

The next presidential election is only in 2008 and although the constitution can be changed to bring it forward, Mugabe will not lose under the current electoral dispensation, which makes him both player and referee. Even if he stands down, questions have to be asked about what kind of change a **diehard Zanu-PF politburo member** who comes from the militia e.g. Mujuru, will bring to the country.

Other suggested political options for change are the following:

- A **government of national unity –** an option often put forward by outside observers and analysts. However, it was not favoured by the MDC, which believed that such a move would be regarded by supporters as consorting with the enemy. Neither was it favoured by Zanu-PF, which wanted to increase its power, not share it. People still remember that Joshua Nkomo's opposition ZAPU party was swallowed up and emasculated by ZANU in just such an arrangement. The MDC fears a repeat performance. And should Zanu-PF win a clear victory in March, this will not be a viable option.

- Parliamentary elections conducted on a level playing field. If Zanu-PF wins an election widely regarded as **rigged**, pressure will need to be brought to bear for the full reform of the electoral system, monitored by independent regional monitors while the country prepares for a rerun of the elections.

- In the event of a widely disputed election, there could be space to establish a **transitional government**, through negotiations, ahead of fresh elections within a predetermined timetable. This option forms part of South African opposition leader Tony Leon's road map for Zimbabwe.[30] He believes that such a plan, worked out along the lines of the Palestinian-Israeli road map, is a viable way forward. This would require the AU to adopt a concrete plan for progress in Zimbabwe, with timeframes, and to present it to both the government and opposition for consideration. This would exert tremendous pressure for reform. In order to ensure compliance, there would have to be rewards for progress in the form of increased foreign aid and debt forgiveness, as well as sanctions for failure to move forward. These rewards and punishments should be agreed upon by the AU and incorporated into the road map.

- The **South African approach,** which involves broad multiparty negotiations. However, talks should be underpinned by a basic willingness among the parties to deal with each other, which is not the case at present. There is also little serious political pressure from other African states for change in Zimbabwe.

- The **Georgian approach**, using the model from Georgia in the former Soviet Union, where demonstrations led by opposition parties were successful in encouraging President Eduard Shevardnadze to resign. This is unlikely to happen in Zimbabwe, where the government has tight control of the security apparatus and has used it many times to quell protests in the urban areas where anti-government sentiment is at its strongest.

- The **Indonesian approach**, apparently favoured by South Africa. In 1998, President Suharto of Indonesia stepped down voluntarily after three decades of autocratic rule, making way for his chosen successor, vice-president B. J. Habibie. However, Mugabe is not likely to stand down before the date he has given, 2008, which means another three years of political and economic decline and governance by patronage which is likely to make Zimbabwe's eventual recovery more difficult.

- The **Liberian approach**. One way of dealing with Mugabe's growing insecurity at home, should the election not run according to his plan, would be to offer him safety in exile, as Nigeria did with former President Charles Taylor of Liberia. As Taylor's safety in exile has looked shaky at times, Mugabe may view the fate of former Ethiopian leader Haile Miriam Mengistu as a more favourable example. Mengistu, wanted for crimes against humanity in his country, has been given shelter by Mugabe for many years.

[30] As stated in his address to the SA Institute of International Affairs, 2 December 2003.

However, the following is most likely to happen in the short term: SADC, led by South Africa, and most likely the AU, will recognise the election as being free and fair. The **Mauritius accord** will be in tatters but regional leaders, notably Mbeki, will tell world leaders they were wrong to doubt Mugabe's word that the election would be free and fair. The international community outside Africa will criticise the election outcome, and possibly use aid as a stick with which to beat Zimbabwe and its supporters, while African countries will, in turn, criticise them for doubting the efficacy of **African democracy.**

The MDC will object to the election outcome and possibly bring new legal challenges to the results, which will be tied up in court until the next election. The **party's relevance** will decrease even if disgruntlement with the government increases. To date, Zimbabweans have shown that they will not go the distance to unseat their unpopular government, and they will most likely wearily bear the burden of further economic decline.

Zanu-PF, with its new mandate, will continue to keep a **stranglehold** on all aspects of economic and political governance while making some cosmetic reforms to try to lure foreign investment and aid. But ironically, an overwhelming Zanu-PF victory might also be what is needed to unlock reform and political change. Chris Maroleng, a research with the Institute of Security Studies, suggests that the powerful faction in the newly divided Zanu-PF, led by Solomon Mujuru, has a more pragmatic and moderate stance than the other faction, until recently supported by Mugabe, headed by Mnangagwa, and may be the catalyst for change. He maintains that with a **two-thirds majority** in parliament, this group could move to change the constitution and create an **executive prime minister**, with Mugabe taking a more ceremonial role. Taking advantage of this relatively fresh start, this new prime minister might then be able to form a government of national unity with the MDC and change economic policies, attracting a return of donor funding and starting to turn round the economy.[31]

A **wild card** in this scenario might be a division in both the region and the continent about whether the elections were free and fair, given that a number of the SADC old guard have gone or are about to step down, and the fact that a number of powerful African governments outside the region are no longer prepared to support Mugabe. A strong enough question mark over the election may lead to a call for either a recount or a proper examination, post-election, of the factors that led to the result. This may precipitate both parties being forced into talks to find a compromise solution to the electoral crisis.

Restoring the Rule of Law

A full and unconditional return to the rule of law is crucial to restoring normality, confidence and legitimacy to any course of action that Zimbabweans decide to take. With the repressive legislation introduced over the past few years still in place ahead of the 2005 elections, the post-election period will continue to be one in which the rule of law is not observed.

- The **army and police**, which have long benefited from Mugabe's patronage and which serve him, rather than the country, need to be re-directed to serve the broader

[31] BBC News, 10 March 2005.

state. An MDC government would be a major test of the professionalism of the armed forces. However, although the old guard still regards struggle credentials as being central to leadership, many soldiers were born after 1980 and have a more modern view of the military. The handling of the Congo debacle and the decline of the economy have also served to disillusion many young soldiers.

- **Legislation** must be reviewed. Not only do many of the provisions introduced into law over more than a decade violate certain constitutional provisions, they have also progressively reduced the protection of people's rights. Mugabe has also legislated the use of **decrees** for any actions he deems necessary. These bypass both parliament and the courts and may not be challenged for six months after being announced. Among the more draconian and controversial laws are the notorious Access to Information and Protection of Privacy Act, the Public Order and Security Act as well as the battery of legislation relating to the suppression of free speech and the fast-track land programme that violate the constitution.

- A **review of existing judicial officers** will be necessary, as most of the independent judges have been driven out by Mugabe and replaced by hand-picked judges who favour the party line over the judicial process. The serious case-backlogs in courts, the result of corruption and staff shortages, will also have to be dealt with.

Constitutional Review

Zimbabwe has not had a popular constitution since gaining independence from Britain in 1980, when it adopted the Lancaster House agreement. The latter has been amended more than 15 times. It has become the source of the ruling party's political authority and is the very instrument that makes it impossible to effect political change through purely democratic processes. Much of the legislation in place in Zimbabwe has been ruled unconstitutional, but remains on the statute books. Some of the legislation that has been challenged has not been declared constitutional when it should have been, because of government control of the judiciary.

A representative and inclusive constitutional review is necessary, among other things, to set up the structure for good governance, open up space for free political activity and create an environment for free and fair elections. The longer-term review must be part of a mandated set of agreements that cannot be reneged on later by Zanu-PF, the MDC or any other party down the line.

The Creation of a Sound Macro-economic Environment

Zimbabwe requires a comprehensive package of co-ordinated fiscal, monetary, exchange rate, sectoral and trade policies designed to address the macro-economic fundamentals. However, it is important that these be introduced in such a way as not to cause a systemic crisis. One option is to establish a committee or specialised task force to head the economic recovery programme.[32] However, it needs to be accepted that certain developments of the past few years have ushered in a different type of economy, some

[32] The MDC has proposed setting up, through an act of Parliament, the Zimbabwe Economic Development Council, as a key co-ordinating agency to implement recovery programmes.

aspects of which are not likely to change. These include the widespread 'informalisation' of the economy, the creation of a new layer of entrepreneurs, a proliferation of get-rich-quick schemes, a reliance on patronage by the now wealthy political elite, greater corporate indigenisation and a more broad-based, although potentially not less productive agricultural sector.

Suggested measures are:

- Restoring confidence to the **national budgetary process.** This includes greater (meaningful) consultation with other parties, particularly business, and re-ordering priorities to address national problems, not the government's immediate interests.

- Significantly reducing the **budget deficit** through decreased government expenditure, management of the high accumulated debt and a return to productive rather than consumption spending. Tackling the accumulated social problems and food emergency will make reducing government spending difficult, but the latter could be achieved in part by reprioritising spending and acquiring soft loans or grants for 'emergency' short-term recovery measures. Reducing the massive defence budget, for example, would free up funds. Besides spending on social issues, the government will need to fund **public works programmes** to create employment as well as boost the agrarian reform programme.

- Streamlining the **public service**, contracting the number of ministries and refocusing development functions to ensure that the state apparatus is fiscally sustainable and capable of adequate service delivery.

- Re-engaging the **multilateral institutions**. This needs to be backed up by bilateral agencies and donors. A large injection of foreign currency will unravel many of the problems related to budgetary deficits, foreign exchange unavailability and **domestic debt.** It will also stimulate exports, help to generate revenues for settling **foreign debt arrears.** A hard currency loan could form the seed capital for Zimbabwe's full recovery if the required changes were made to overcome the recent collapse in confidence. Working through the banking sector and foreign currency market, most of the hard currency would quickly find its way from institutional investors into the productive sectors, where a substantial proportion of it would help strengthen Zimbabwe's export drive. However, it is necessary for the government to ensure that, while accepting foreign loans, it continues to boost revenue generation to avoid a debt trap further down the line.

- Restructuring the **Reserve Bank** to make it autonomous. Tinkering with the bank, as was done by Mugabe at the end of 2003, is not sufficient: the Bank has acted as the government's personal banker. Restructuring is necessary to restore credibility to monetary policy.

- Introducing a realistic and clear **exchange rate policy,** which, together with measures to increase the supply of foreign currency, will stamp out the black market and provide comfort to exporters. The rate needs to be removed from government control and returned to market forces. However, it may be necessary to introduce an interim dual arrangement for commercial and government transactions with a finite timetable while the rate adjusts, in order to minimise disruption to the economy.

- Tackling **interest rates and inflation** in a co-ordinated way to reduce the current negative real interest rates, over-borrowing and reduced savings. It may be an option to set inflation targets for each managed stage of recovery.

- Increasing **national savings** to boost local investment. Currently, almost no saving is taking place – in 2004, savings was a mere 4% of GDP – for reasons which include negative real interest rates, high inflation and the government's capture of an estimated Z$540 billion of the public's savings through prescribed assets and other constraints on pension and insurance funds.

- Linked to the point above, freeing **pension funds** from government interference. Currently these funds are subject to a 40% prescribed asset ratio, while the pension industry contributes to more than 65% of government stocks. Given high inflation and low interest rates, pension payouts have become almost worthless and the number of contributors is declining.

- Improving **tax collection,** in order to increase government revenues from a tax base that has been eroded by rising unemployment, an increase in black market activity and growing informalisation of the economy. Creating greater confidence in the system should increase tax compliance.

- Reinstituting the existing **tripartite forum**, or drawing up a new and binding social contract between labour, government and business on issues such as prices, wages and macro-economic policies.

- Persuading **labour** to help steer the economy away from the edge of the precipice.

- Finding ways to encourage **domestic investment** and investor confidence to kickstart economic activity and act as a spur to greater international investment.

- Restoring **property rights.**

- Encouraging **emerging business** and small- and medium- enterprises through incentives and government support programmes.

Recovery of Manufacturing and Exports

The recovery of the manufacturing sector would be premised on the concurrent recovery of the agriculture sector – a long-term prospect. In 2000, Zimbabwe's manufacturing sector was dependent on agriculture for at least 60% of its output while 20% of manufacturing output was absorbed by agriculture. In the same year, agricultural exports made up 40% of export earnings.

Macro-economic normalisation and the streamlining of bureaucratic processes will go a long way towards helping exporters become more competitive, although specific taxation and fiscal policies that are more sympathetic to industrial growth are also needed. The requirement for exporters to surrender export incomes needs to be dropped and greater compliance encouraged for exporters to bring in export incomes through official channels. Zimbabwean exporters need to regain the international markets they have lost and further expand into the region.

The authorities also need urgently to address problems in the energy, power and transport sectors, and to introduce supportive policies for mining and agriculture in order to reduce costs of production that will have a knock-on effect on manufacturing and exports. The recovery of these sectors, particularly agriculture, will also provide a bigger domestic market for manufacturers.

Land and Agriculture

Zimbabwe must adopt a land redistribution programme that will address historical imbalances and support **equitable access** to productive assets, while enhancing the sectors dependent on agriculture, food security and the sound management of land and water resources. It will be impossible to reverse the land programme, but the latter can be made more workable and ownership made legal.[33] Although the conclusions of the 1998 land conference have been suggested as the way forward, subsequent developments and expectations may require flexibility on this issue.

Suggested measures for recovery include:

- The **reinstatement of legal property rights**. A full audit needs to be undertaken of both A1 and A2 land settlement programmes as well as commercial agriculture in order to ascertain the physical and legal status of all land holdings. The constitutionality and legality of measures in the fast-track land programme need to be reviewed. **Compensation** of dispossessed commercial farmers must be dealt with in consultation with donors.[34] Ownership issues need to be co-ordinated with any reversal of constitutional and legislative provisions relating to the land programme to avoid having a vacuum that may lead to law and order problems and years of litigation.

- The establishment of a framework for negotiation and arbitration.

- The provision of legal tenure to new farmers who are deemed suitable candidates for resettlement. A new process of ownership, which includes payment for land, needs to be looked at. Because of the poor financial status of most of the new settlers, different **payment options** should be examined such as, for example, a phased-in process starting with a lease with an option to buy.

- The **restriction of ownership** to one farm per person in terms of individual ownership. Another scheme may have to be devised for corporate ownership of large commercial holdings for export that also ties into Export Processing Zones.

[33] The MDC has proposed establishing an impartial, independent and well-resourced professional agency known as the Land Commission to formulate, plan and co-ordinate an all-inclusive resettlement programme.

[34] In August 2004, British Foreign Secretary Jack Straw said about £45 million was still on the table to fund land reform in Zimbabwe if a political settlement were found.

- The removal of all **racial issues** from land ownership. While there should be support from financial institutions and the government for financially challenged or start-up farmers, commercial agriculture needs to remain market-driven and not compromised by issues of race.

- The valuation of **subdivisions** of large properties and the establishment of farm sizes, particularly with regard to commercial agriculture.

- The awarding of security of tenure to farmers on the **communal lands** to enable them to borrow money for the proper development of their land or for expansion of their enterprises.

- The addressing of the problem of the destruction of forests and trees and the serious problem of soil erosion. Considerations of **sustainable development** must be a prerequisite of any new land programme.

- The establishment of a fund for small-scale farmers from which they can source long-term **capital** to buy land and equipment and short-term working capital to buy seed, fertiliser and other inputs. Such a fund could be created initially by banks, with the support of international institutions and invited donors.

- The introduction of massive **extension services** to educate farmers on growing crops and maximising yields. Currently the yield is 1,5 tonnes per hectare on small-scale farms and 10 tonnes per hectare on commercial farms. Such services should enjoy marketing support from the government and the private sector, with the longer-term view of producing for export. This could include a land inspection service to check for bad farming practices and advise on redressing them.

- The mandatory erecting of **fences** on cattle farms and game areas and the rebuilding of those torn down. **Veterinary services** must be upgraded and private **abattoirs** strictly monitored.

- The re-establishment of Zimbabwe's **seed production** and its work on hybrid cultivation for the country's harsh climate.

- The regeneration of large tracts of **state-owned land** that have been lying fallow while the government has focused on driving commercial farmers off their land.

External Assistance

Economic recovery will depend upon a massive injection of donor funds and funding mechanisms from the IMF and World Bank, which will be crucial to growth prospects and will unravel many of the distortions in the economy. It is likely that strong financial support will be forthcoming in the wake of a well-articulated, long-term programme of stabilisation and recovery. Higher inflows of international assistance and generous debt rescheduling would allow for the more rapid attainment of reconstruction and stabilisation goals.

Although Zimbabwe was rejected several years ago as a candidate for the HIPC initiative, perhaps this needs to be reviewed in light of the economic decline since then. The country's track record with the multilateral institutions over the years does not bode well for preferential debt relief, but the international community's willingness to assist Zimbabwe may help.

Donor countries also need to extend their assistance from humanitarian aid to a broader package that includes financial and technical support for areas such as infrastructure rehabilitation. The country must be encouraged to qualify for the US's African Growth and Opportunity Act as an additional avenue for export growth.

Civil Service Reform and Capacity Building

This will have to be far-reaching and radical in response to loss of skills, and the emergence of a culture of corruption, inefficiency and of moonlighting by staff who cannot live on their incomes. Staff cuts may be necessary in unproductive sectors such as the military, while parastatal deficits also need to be addressed. The regulatory and redistributive capacity of the state must be strengthened and the party-focus, rather than state-focus, of the civil service changed.

Parastatal Reform and Privatisation

Parastatals are one of the biggest drains on government spending because of the neglect of some, costly government interference in others, as well as management problems and resource shortages, particularly of hard currency. In 2001, the government generated Z$7.1 billion from the disposal of parastatals, against a target of Z$22 billion. In March 2001, parastatal debt stood at Z$93 billion and was climbing. The government will have to consider assuming the debt of key parastatals before attempting to dispose of them.
The government has backtracked on privatising utilities and is now pursuing commercialisation as an option. No improvement is likely without the concurrent recovery of the broader economy and the election of a more market-orientated government.

Social Spending

Improving health services will require the health sector to be given substantially more funding than in recent budgets. A recovery in such services must be accompanied by substantial external support, as well as a multi-sectoral approach to the HIV/AIDS problem and a comprehensive poverty reduction strategy. Rural clinics must be rebuilt – many such clinics based on farms have been destroyed or left idle as a result of the land programme – and technical support and resources provided for them. More resources also need to be ploughed into upgrading Zimbabwe's once top-class education system.

Reversing the Brain Drain

A major drive to get at least some of the more than three million Zimbabweans living abroad to return home with their skills and money needs to be undertaken. In tandem with this, those sending remittances to families inside the country must be persuaded to remit the money through official channels and not through the black market, as is currently the case. There is a general belief that many Zimbabweans will return when the political and economic climate has improved. This is evidenced in the property market, for example, where expatriates are buying houses with foreign currency to secure a future when circumstances improve.

Although the 'brain drain' generally refers to those who have left the country, there has also been 'internal brain drain' whereby unemployed professionals have been forced to find other lines of work. Professors, medical doctors, architects and accountants have found alternative work operating minibuses, taxi cabs or running beer halls. Some have earned incomes in black market trading. An economic turnaround would help to draw these skills back into the formal economy.[35]

Regional Initiatives

More needs to be done to exploit the opportunities opened up by the Comesa and SADC trade agreements. With export growth an urgent priority, improved market access for Zimbabwean exporters, who have lost some of their access over the past few years, will be a major thrust in multilateral and international trade forums.

On the political front, the region needs to be supportive of any new regime in Zimbabwe and to encourage the country to be restored to the major economic power it once was in SADC and Africa generally.

Recovery of Key Sectors

Finding strategic investors for the power and rail utilities is of particular urgency given their run-down state. The government has to review the regulatory and operational impediments to investing in Zimbabwe, particularly in sensitive, government-controlled sectors, and consider economic pricing for utilities. If any subsidisation is to take place for strategic industries or sectors, it must be tightly controlled to prevent exploitation.

Coal production has been hampered by resource constraints, outdated equipment and supplies not reaching markets because of transport problems. Manufacturing is similarly affected and macro-economic recovery will not benefit this sector to the fullest extent without these problems being addressed.

Improving the overall and specific environment for key foreign currency sectors such as mining and tourism is imperative. Security of investment, repatriation of profits, reduced government intervention and fewer bureaucratic processes are among the issues that need to be addressed. A proactive marketing campaign to address years of image problems, particularly in neglected traditional tourism markets, needs to be undertaken. In terms of tourism, a reformed Zimbabwe s needs to become more integrated into regional initiatives, and more harmonised with regional pricing practices.

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35 Study prepared by the Scientific and Industrial Research Centre under contract to the National Economic and Consultative Forum, funded by the United Nations Development Programme.

Corruption

In 2004, the government suddenly decided to fight corruption, after years of turning a blind eye to it. The Anti-Money Laundering Bill is before Parliament with a view to aiding the effective prosecution of economic and financial criminals. Mugabe, in a cabinet reshuffle in February 2004, created an anti-corruption ministry. However, despite these efforts, the government remains both player and referee, with the power to selectively decide whom to prosecute or investigate and to direct the courts accordingly.

An independent Anti-Corruption Commission needs to be established. Procedures to obviate and detect corruption (including asset disclosure requirements binding on politicians and senior civil servants) and mechanisms to deal with corruption are also required, with no one being immune from corruption investigations and charges.

There needs to be a strong clampdown on corruption in the public service, with stiff penalties for soliciting bribes. Apart from curbing corruption this will have the added value of increasing efficiency. There also need to be more high-profile arrests and immediate dispensation of justice to high-ranking party officials found to be corrupt.[36]

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[36] A criminal case brought against Tourism Minister Francis Nhema has been lying dormant in the courts since 2000 which calls into question the government's commitment to fighting corruption in its own ranks. High-level party members who have been fingered are believed to have been targeted for action because of intra-party issues rather than simply because of the committing of crimes.