

AFTERWORD

There is a strong theme throughout the book that small farmers and rural people CAN do. They need to be given the space, tools and facilities to produce, exchange and develop. There needs to be a change in the attitudes of African governments - they need to move away from paternalism. Facilitate, don't dominate or control. Equally there needs to be a change in the approach of bilateral and multilateral agencies involved in development. Where aid is provided for strategic reasons, then obviously it must go to national governments. However, where aid is targeted at relieving poverty, at improving opportunities for disadvantaged members of society or at improving the environment, then it would be much more effective if the power of receipt and distribution is given to the intended beneficiaries. Empower them so that they can hold the government and other servicing agencies accountable. This requires a radical shift in the *modus operandi* of aid agencies.

Modern technology makes it feasible but is there the political will? It is far more time-consuming. A greater proportion of the donation will have to go in designing and establishing the systems. We need to establish more lobby power within donor countries for those nationals to demand that their governments ensure that the intended beneficiaries directly receive the aid. If this is not done then the least these agencies can do is to have much more comprehensive and effective monitoring systems when they give or lend to national governments. These monitoring systems need to monitor achievements - they should worry less about the process and more about the result. One suggestion is that wherever possible the money is given to achieve x with the how left up to the beneficiary but no further resources allocated until x is achieved. Thus aid would become more like trade -- communities being paid to achieve a result for an investment from the donor. This could apply even when these objectives are altruistic. For example "increase the incomes of the poorest members of your community by y within the year in exchange for the aid package or for investment in your roads/grinding mill etc."

There have been a number of new initiatives by the EC, USAID and other bilateral agencies that are results oriented, which try to get aid to the local level and which try to ensure that national governments are held accountable. More needs to be done and as stated new aid delivery systems should be designed which empower beneficiaries both to hold local and national governments accountable and so that they become less reliant on aid in the long run. There needs to be a clear delineation between donations and loans. Aid agencies also need to take more responsibility for loans to both local communities and nations. The beneficiaries often see soft loans as gifts and do not analyse viability carefully. The debt burden is making it very difficult for Africans to move forward. While they carry responsibility for some of it, the lending agencies should also carry responsibility and should bear some of that risk and burden.

Governance remains one of the stumbling blocks in African development but systems are emerging which provide hope. The subject of another CD could perhaps be "Would Plato's City-State be a more appropriate model for development in an Africa of regional blocks rather than nations."

Zimbabwe in particular is going through a difficult development period and termites are struggling to build. But they continue to try and even to succeed in some areas.

Poor governance can force the termites underground.

Events in Zimbabwe have shown the significance of institutional and political factors in making it difficult for productive termites to be active. The various land, marketing and currency restrictions implemented have been directed at retaining political control at the expense of both growth and equity. As the marketing chapter showed, small traders and processors have been discouraged and even traditional rural-urban support systems undermined.

"I was just carrying food to my family in town. The policeman took my four bags of maize from the bus and said that all maize must be sold to the GMB. He said the government will feed my family - he said its easy to get food - all you need is a party card. But even with those cards it is not easy to get food." These incidents are common and have resulted in a decline in the area planted to maize. The government response is to introduce "command agriculture". For the 2005 season various villages, resettlement schemes and individual farms are being required to plant a specified land area to maize. If it is uneconomic for the farmers to grow maize, under the threat of army enforcement, they may plant that land to maize, but they are unlikely to invest in ensuring a good crop.

The Government of Zimbabwe undermined the structural adjustment process through their fiscal policies, legislation and rhetoric. They increased spending on consumables, reduced investment expenditure and expanded the proportion of expenditure on salaries versus operational expenditure. The inconsistencies in their policies and rhetoric have also negatively affected both local and international investment. High inflation rates increased the overvaluation of the Zimbabwe dollar and even the introduction of an official parallel rate (known as the auction rate but not a real auction) did not stem an active black market for long. By the end of 2004, the official rate was set at 55:1 to the US dollar, the government rate at 860:1, the auction rate at 6200:1 but most transactions occur on the black market at 8500:1. Exporters are penalised by having a proportion of their remittances credited at the government rate. This has been countered with subsidies but the implementation of those subsidies is controversial.¹ The crisis of confidence in government management capacity and the decline of confidence in property rights are escalating the flight of capital- both financial and human. High negative growth rates officially established at -5% in 2000, -7.4% in 2001, -12.2% in 2002, estimated at -13.2% in 2003 and variously forecast at -8 to -12% in 2004 have severely undermined the productive capacity of the economy. Tourism, mining, agriculture and industry are all negatively affected by the controlled exchange rate and insecure property rights. Foreign investors and donors have withdrawn. Domestic investment is crowded out by government borrowing.

The state-sponsored farm invasions in 2000 resulted in widespread human rights abuses as the incumbent government fought to retain political control. The use of land as the focus could have been avoided if land had been easily subdivisible and taxed. It suited the government to restrict subdivision thus controlling access to land and obtaining political rents. It suited the landowners to avoid major changes in the structure for as long as possible and so they did not lobby for effective land reform. Although some land was resettled, the inherited dualistic structure was unchanged. The land is an emotive issue. The majority of Zimbabweans disapprove of the widespread human rights violations and the economic impact of the illegal

¹ A large subsidy in the 2005 budget is allocated to tobacco but how it will be distributed is uncertain

state-sponsored breach of property rights in the current land reform. However, there remains a strong sense of the injustice at the existence of large areas of underutilised land on farms owned by a white minority with many people landless and jobless. The rigidities in the land market reduced options for land to be used economically and undermined both growth and equity. This provides an important lesson for other countries in the region.

Formal sector growth in the first phase after structural adjustment was disappointing although it had been adversely affected by external shocks (1992 and 1995 droughts in particular). The poor performance was exacerbated by the lack of commitment to the structural changes by the political elite. This resulted in conflicting policies and signals which were reflected in government expenditure patterns, retention of control over key resources including land and telecommunications and the effects of the inherited distortions arising from concentrated industries. The lack of emphasis on changing institutions and norms to reflect the new policies contributed to the slow response. There were few measures to encourage the emergence of competitive forces and communications remained poor. The increasing transaction costs and the insecurity created by a political hierarchy without a clear commitment to either the poor or to market forces, reduced both growth and equity.

Despite these inadequacies there were some gains from the restructuring. In 1996 the trade deficit dropped and there was real GDP growth of 6%. Although poorly documented, the positive response from the informal sector to the trade and market deregulation in the early 1990s was significant. The fact that for the first time ever, farm workers challenged their employers in 1996 over salaries and conditions reflected the increasing opportunities available to them through the informal sector. Increased economic activity and specialisation in rural areas and increased links between rural and urban areas reflected a strong, positive response to market deregulation.

The recovery was short-lived and the last two years of the decade saw a reversal of the gains and an even greater erosion in real incomes, opportunities and confidence. In 1997, revelations of rents favouring the political elite² created a crisis of confidence and protest. At the same time government increased expenditure on defence equipment, made large, unbudgeted payments to the war veterans and slowed down their sale of parastatal corporations (by 2001 only 5 out of 44 had been sold). This led to increasing budget deficits, inflation, a crisis of confidence and the crash of the Zimbabwe dollar in November 1997. Subsequent government policies have continued to inflate government consumption expenditure and redirect it away from expenditure on social and productive services.³ This combined with a relatively tight monetary policy and increased borrowing from the domestic market resulted in crowding out investment from the private sector.

Zimbabwe has good natural and human capital and a reasonable infrastructure. The poor performance reflects the uncertainties created by the inconsistent policies, state-sponsored violence, corruption and rhetoric. It highlights the key role played by confidence in the underlying economic and political system for successful structural transformation.

² Well-connected political figures accessed almost all of the benefits from the Housing fund, the War Victims Compensation fund, the land redistribution exercise, the social dimension fund and other measures put in place to assist the poor and disadvantaged. They are also the principal beneficiaries of the land "reform" exercise.

³ In annual budgets since 2000, Defence recurrent expenditure received significantly more than either the Capital vote or Health, which is faced with the Aids pandemic.

In order to reduce the budget deficit, government reduced expenditure on productive investment and on health, schools, research and extension. There is no longer support for institutions providing services to the handicapped, schools are now required to pay for all expenditures except teachers, medicine and equipment were cut at government hospitals and clinics. This, together with the decline in doctor-patient ratio and the AIDS pandemic, has undermined the gains in the health sector in the 1980s. Agriculture's share of expenditure fell to 1.6% in 2000 and 2001 (including the budget for land redistribution). The deterioration in infrastructure is beginning to affect productivity in most sectors and there is little investment in research and development.

Growth in Zimbabwe can only be achieved in an environment that encourages investment. There is an urgent need to develop institutions that encourage competition and new investment. The strong multiplier effects from smallholder growth mean that more equitable growth can be achieved by investment in infrastructure, research and training to service this sector. The dynamic effects include increasing participation by people in political and economic decision-making as they begin to perceive opportunities to control their own destinies. This is a self-reinforcing cycle that can only be achieved with structures that are open, accountable and encourage resource mobility and adaptation to new technologies and opportunities.