RELUCTANT ADJUSTERS: A CASE STUDY OF ZIMBABWE'S EXTENDED STRUCTURAL ADJUSTMENT PROGRAM

Karl Fickenscher

Introduction

At the beginning of the 1990s, Zimbabwe became one of the latest African countries to officially adopt a World Bank and International Monetary Fund (IMF) sponsored Extended Structural Adjustment Program, better known in Zimbabwe simply by its acronym "ESAP."[1] This paper is a case study of Zimbabwe's structural adjustment program to date. It will begin with a review of the economic and political inheritance of the country at its independence in 1980, and then provide a brief history of the economic policies pursued by the government in its first 12 years of power, and their results, in order to determine how the self-proclaimed socialist government came to adopt such a set of distinctly nonsocialist policies. The paper will then outline the basic features of Zimbabwe's ESAP, as it evolved from an original "home grown" program into one which is broadly similar to structural adjustment programs in other African countries. Mention will also be made of some of those features which are unique to Zimbabwe. The paper will then conclude with an examination of the initial results of the program, and some of the short and long term problems in the Zimbabwean economy, in order to assess the prospects for ESAP's ultimate success in the light of Zimbabwe's current political and economic environment.

The Economic Inheritance

Zimbabwe officially became independent at midnight on April 18, 1980, when Britain transferred power to the newly elected government of Robert Mugabe and his Zimbabwe African National Union (Patriortic Front) (ZANU[PF]) party.[2] ZANU(PF) had been the leading nationalist party and guerrilla force through much of the long and bitter Liberation War against Ian Smith's regime, and despite complex and sometimes violent factional domestic politics over the next twelve years, Mugabe and ZANU(PF) have remained firmly in control of the government since independence.[3] Throughout that time the government has pursued a variety of policies, all heavily influenced by the country's unique economic and political legacy. Any investigation of the current state and direction of the country, therefore, must begin with a look at this past.

At independence, the economic structure of Zimbabwe presented a promising, but highly skewed and distorted picture. Several separate and distinct economic sectors co-existed simultaneously; some of which were amongst the most highly developed and modern on the continent, while others were as poor and underdeveloped as in any other African state. These same economic sectors, and their distortions, exist today in much the same way as they did at independence.

One of the most important of the former was manufacturing, which was viewed as one of the strongest and most promising sectors of the entire economy. Partially as a result of its colonial past and the subsequent forced Import Substitution Industrialization brought on by the sanctions imposed against Smith's Unilateral Declaration of Indepedence (UDI) regime, at independence Zimbabwe had one of Africa's most diverse manufacturing sectors. Over 6000 manufactured products[4] including consumer goods, metal processing, textiles and some capital goods were produced in Zimbabwe in 1980,[5] and manufacturing accounted for 23-25% of the GDP.[6] Zimbabwean steel was exported to over 40 countries, and manufacturing accounted for over 30% of total exports.[7] Even ten years later, despite problems of aging plant and equipment that will be discussed below, the World Bank found that more than half of Zimbabwean industry was "efficient" and 12% was "highly efficient," by world industrial standards.[8]

With hindsight, some have recently argued that the strength of the manufacturing sector was overrated at independence. Much of the country's industry was based primarily on the processing of locally produced commodities such as ferrochrome, cotton lint and steel, with little domestic added value, and it had also been protected from the rigors of international competition for a very long time. Yet the general consensus at the time was that the manufacturing sector was one of Zimbabwe's greatest economic assets.

Agriculture was also seen as a very developed and promising sector at independence. In 1980 it accounted for 60% of Zimbabwe's total export income,[9] and the country was ranked third in the world in tobacco exports and first in the export of white maize.[10] Cotton, soybeans, citrus, peanuts, sugar, tea and coffee were also exported in substantial quantities, and 38% of the labor force was employed in agriculture.[11] Yet there were also severe structural distortions in Zimbabwean agriculture, and it is best understood, both at independence and today, as three separate and distinct subsectors.

The most successful subsector is dominated by a small number of white commercial farmers who own large, modern farms, most often obtained during the colonial period. In 1980, approximately 5,000 white farmers owned 44% of all the arable land (over 16 million out of a total of more than 33 million hectares of arable land), much of which was the most fertile in the country.[12] At independence, these farms employed 350,000 workers and supported 1.7 million people.[13] During the UDI years, the Smith regime had provided extensive infrastructural support, as well as considerable crop research and development, for these farmers, and their farming methods are still very efficient by world standards. Virtually all of the country's tobacco, beef, soybeans, and horticulture production came (and still comes) from this sector.[14]

In stark contrast to this white commercial subsector is the massive communal farming or peasant agricultural subsector. Over half of country's population live in 165 separate areas that were formerly designated "native reserves" under the colonial regime and "Tribal Trust Lands" ("TTLs") during UDI. They are now designated "Communal Areas," but their economic and legal structure is essentially the same; land is held in common and there is no freehold tenure. In total these TTLs or Communal Areas accounted for 42% of the arable land at independence, and were generally located on the least fertile farming land in the country. In the 1950s, the colonial government estimated that the TTLs could sustain at most 205,000 peasant families.[15] There were far more than this in the areas throughout the UDI period, but both the colonial government and the Smith regime chose to ignore these findings, however, and did virtually nothing to increase African land ownership. By independence, there were over 700,000 peasant families in these areas and overcrowding and overgrazing had taken a severe toll. The areas also suffered from other forms of government neglect, in that, unlike the white farmers, virtually no credit, marketing, or technical assistance was provided to peasant farmers prior to independence. Nor did the government provide much in the way of infrastructure. Thus, it is not surprising that this subsector accounted for only 6% of the total marketed agricultural output in 1980,[16] primarily corn and cotton. The widely acknowledged success of the Zimbabwean government's agricultural policy towards these farmers after independence will be discussed below.

The last subsector of Zimbabwean agriculture is that of the small scale African commercial producers. At independence there were approximately 8,500 African farmers who independently owned just over one million hectares of land (3.5 to 4% of the arable total).[17] At the time these farmers supported approximately 200,000 people and accounted for nearly 8% of production and 4-5% of total sales.[18] While these small scale farmers were both substantially more efficient producers and had a materially higher standard of living than the peasants in the communal lands, they too had suffered from long term neglect by the Rhodesian authorities.

Mining was also viewed as a crucial sector of the Zimbabwean economy at independence, and it remains important to this day. In 1978 mining accounted for 6.3% of GDP[19] and it has averaged approximately 7% of GDP, depending on world mineral prices, throughout the country's first decade. Zimbabwe was and remains the world's largest supplier of high grade chromium,[20] and also possesses substantial amounts of coal, nickel, copper, asbestos, uranium and cobalt. Moreover, in 1990 it ranked second in the continent behind only South Africa in both gold and platinum production.[21] At independence the industry employed 66,000 people, but by 1990 that figure had been reduced to 55,000.[22]

There were also several other positive economic factors that were part of the new government's inheritance at independence. Despite the damage caused by the war, there were over 6,000 miles of modern highways and 2,088 miles of railroad tracks in the country in 1980.[23] While it was true that much of the railway equipment was old and not suitable for heavy transport, it was still true that in 1980 Zimbabwe had one of the most developed transportation infrastructures in Africa.[24]

The country was also relatively unique in the continent in another way. At independence, Zimbabwe had over 11,000 of its African citizens with university or higher degrees, in contrast to only two in Zaire and 102 in Zambia at comparable times in their histories[25] Moreover, many of these were in technical fields, and could thus contribute directly to the country's economic future. In addition, the country also had considerable managerial expertise and export experience among the white business sector, and Mugabe's first act was to introduce a policy of "national reconciliation," that was designed to openly insure that this expertise did not flee the country.

It was primarily due to these many positive factors that the new government was so successful in obtaining promises of large amounts of international aid shortly after independence. In March 1981, the government hosted a gathering of multilateral and bilateral aid donors that it called the Zimbabwe Conference on Reconstruction and Development (ZIMCORD). ZIMCORD resulted in aid pledges totaling nearly U.S. $1.8 Billion, or more than U.S. $250 per capita for the country.[26] Moreover, much of the aid was in the form of grants or soft loans. Unfortunately for the government, however, most of this money was not released at the time, and was eventually canceled when major economic problems occurred after 1982.

Political Inheritance

For all of the positive factors that were included in the country's economic inheritance, the new government also faced a host of problems which it felt compelled, either by ideology or political and economic pressures, to immediately address. The long liberation war had been fought and won in the name and with the support of the Zimbabwean peasantry, and the government was both ideologically and politically committed to helping this key constituency. Moreover, throughout most of the war, ZANU(PF) had also loudly proclaimed itself to be a "Marxist-Leninist" party, with a political platform that called for the creation of a "planned economy," and the pursuit of "socialist objectives." The urban African labor force was therefore another key constituency for the new government.

The terms under which independence had been achieved, however, severely limited the ability of the new government to move on the single most important question of the liberation struggle; the issue of land. As outlined above, a small white population controlled a vastly disproportionate share of the available land, and the party's peasant constituency was especially keen to see a quick redistribution to the African majority. The Lancaster House constitution, however, restricted the compulsory acquisition of land and required that the government only act on a "willing-buyer, willing-seller" basis. These restrictions were strictly set in place by constitutional supra-majority provisions that could not be altered without universal parliamentary consent (i.e. white consent) for a period of seven years. After it quickly became apparent that the international donor community would not provide the necessary funds to purchase large sections of the commercial farming sector so that they could be turned over to peasants within the limits set out above, the government essentially put the land issue on hold and claimed that its hands were tied by the constitution and the international community. The ruling party's political rhetoric, however, at least near election time, has continued to call for the redistribution and resettlement of land, and the issue is one of increasing political importance today, as will be discussed below.[27]

The socialist ideological inheritance of the new ruling party also greatly influenced its attitude towards both foreign and domestic capital, as well as its view of the state's proper role in the overall economy. In February 1981, the government published its first major economic policy document, entitled ***Growth with Equity***,[28] in which it ostensibly welcomed private investment, especially in rural areas and the agriculture sector, in order to achieve the goals embodied in the document's title. Yet while it claimed to "encourage" private investment, observers at the time noted that "no thought [was] given to the form such encouragement might take," and that the document "at some points appeared to assume that permission to invest [would] be encouragement enough."[29] The document also stressed that the government's "overriding objective is the attainment in Zimbabwe of a truly socialist, egalitarian and democratic society."[30] Similarly, in its next major policy document, the ***Transitional National Development Plan 1982-1985***, the government once again stated that,

> whilst the main thrust of the Plan is socialist and calls for a greater role by the State through the instrumentality of State enterprises, worker participation, and socialist co-operation, ample room has been reserved for performance by private enterprise.
>
> . . . Our firm belief is that it is only within the framework of a planned economy that Government is better able to influence and purposefully direct development, create appropriate institutions, and establish the magnitude of investment and its allocation as well as the formation of a pattern of income and wealth distribution in harmony with socialist objectives. This role of Government in the development of our national economy is indispensable if we are to move speedily towards the establishment of the socialist state we envision.[31]

As will be shown below, the government in fact steered a more moderate and pragmatic course with respect to the "room" it gave private enterprise than the rhetoric above would suggest, but the quoted language does reflect the prevailing ideological orientation of the ruling party and especially its leader Robert Mugabe. It should also be noted that while the socialist ideology led ZANU (PF) to favor an increased role for the state in the regulation of the economy, there was already a long history of strong state management and control of the economy during both the colonial and UDI regimes. State management of agriculture was already established through such compulsory sales institutions as the Grain Marketing Board, the Cotton Marketing Board, the Dairy Marketing Board, and the Cold Storage Commission (for meat production), all of which were created during the colonial period. Moreover, the history of price controls, strict trade protectionism for domestic industry, and governmental allocation of scarce foreign exchange were all a legacy of the UDI regime.[32] The strong political inheritance thus had many sources.

Initial Policies and Early Economic Success—1980-1982

The Rhodesian authorities had spent very little on health and education for the vast majority of the African population, and during the war Mugabe's party had promised that liberation would bring both free medical treatment to the poor and free primary education. At independence, therefore, the government made good on these promises and immediately began a massive increase in health and education spending. Budget expenditures for health doubled from 1980 to 1982 and spending on education tripled in the first three years of independence, up to 18% of the budget in fiscal year 1984.[33] Village health and family planning programs were instituted and schools were built in many rural areas. There were many positive achievements. After six years, for example, the number of children receiving immunization had doubled,[34] and primary school enrollment jumped from 820,000 in 1979 to 2.2 million in 1983.[35] Despite recent changes instituted as part of the ESAP, these changes are still viewed as some of the government's greatest achievements, and the political commitment to health and especially education has remained very strong.[36]

There was also substantial government spending on defense. At first this was due to the desire to keep the large numbers of guerrilla fighters and Rhodesian security force soldiers employed until they could be successfully demobilized after the war. Yet even after the remarkably successful demobilization military spending remained high, due in part to what the government saw as a very real and continued military threat from South Africa, and also due to the war in neighboring Mozambique, to which Zimbabwe sent several thousand troops. In the latter case these troops serve both to defend Zimbabwe's access to the sea via the Beira corridor, and to repay Mozambique's FRELIMO government for its support during the liberation war.[37]

There was also vastly increased governmental support for the African farmers. Small-scale farmers were given better access to seeds, fertilizers, and other agricultural inputs, and rural storage facilities and collection points were established in the communal areas.[38] More importantly, small farmers were given access to credit, which had been "virtually monopolized by white farmers prior to independence."[39] Thus, by 1985 the previously marginal peasant farmers were responsible for the production of 40% of the country's cotton and beef and 35% of locally consumed maize.[40] On average, peasant producers have tripled their production of maize, cotton and peanuts in the ten year period since 1980,[41] and today, except for this year's drought, peasant farmers produce more than 60% of the nation's maize and 50% of its cotton.[42]

Some observers attribute this success not so much to the increased provision of agricultural inputs but to the fact that, unlike many other African governments, Zimbabwe has consistently supported relatively high prices for agricultural products since independence. Prices paid by the government for maize, for example, grew 47% in real terms from 1980-1990.[43] These same observers also note that the increase in peasant production has been leveling off recently and further substantial increases are unlikely in the future. Still others complain that the increase was mainly from a few, relatively well off African farmers in Mashonaland,[44] and that this has created additional problems of inequitable wealth distribution.[45]

Another perceived problem at the time of independence was that approximately 70% of all productive assets in Zimbabwe were foreign-owned,[46] and the government thus quickly sought to increase its control over what it viewed as important state assets. In 1981, for example, it purchased the South African-owned shares of the Argus Newspapers group in order to gain control of the country's leading media assets, and in 1982 it established the state-run Minerals Marketing Corporation to increase state control over the country's mineral resources.[47] While the latter move was denounced by one mining industry executive at the time as "as bad as nationalization,"[48] in fact it merely brought the extent of the state's control over the marketing of other minerals to the same level as that of gold, which had long been under the successful marketing control of the central bank. To this day mining has remained in private hands and even government critics acknowledge that the problems of that industry stem more from inconsistent and restrictive policies on profits and taxes, and the lack of foreign exchange, than from excessive state marketing control.[49]

In addition to these moves, the state also mandated its own equity participation in several enterprises, such as its purchase of a 49% share of the multinational H.J. Heinz in 1982[50] and a 40% share of the nation's largest colliery, Hwange Colliery, in 1983.[51] Despite pressure from multilateral donors, the government also refused to join either the World Bank's Multilateral Investment Guarantee Agency or the U.S. Overseas Private Investment Corporation treaty, which sought to reassure foreign investors against nationalization. It argued that the provisions of the Zimbabwean constitution were sufficient protection for foreign investors.

In a further move to limit what it perceived as unjust exploitation and extraction by foreign capital, the government also instituted an investment code that limited the amount of profits that companies could remit overseas. Companies which had invested in Zimbabwe before independence were allowed to remit only 25% of net after-tax profits, while for those who invested after 1980, the limit was 50%. Certain projects might be allowed to increase the figure up to 100%, but only upon special application to the government.[52]

The government also instituted a new, "socialist" labor policy, that deprived enterprises of the ability to layoff or fire workers without prior government approval. New minimum wages for both factory and domestic workers were also imposed that were substantially higher than pre-independence wage levels. Many nonsocialist Zimbabwean economists, both at the time and subsequently, denounced these investment and labor policies as "simply inimical to economic growth."[53]

In spite of the domestic and international critics, the early economic results seemed to vindicate the ruling party's claim that they could achieve high growth and pursue equitable socialist policies. In each of the first two years of independence the overall Zimbabwean economy grew at a real annual rate of greater than 10%, while the real output of goods grew at 13% in 1981 and 15.5% in 1982.[54] With the lifting of sanctions, exports were 40% greater than in 1979 and two years of good rains resulted in a 50% increase in the value of farm production 1981 and another 30% in 1982.[55] Yet the many new government spending programs increased even faster than growth, and the new government began to borrow substantial amounts of money from private lending institutions abroad. At the time of independence many observers both inside and outside Zimbabwe viewed the country as "substantially under-borrowed," but soon many nongovernment economists began to worry that the government was on a dangerous and unsustainable spending spree. At independence the national debt service as a percentage of percentage of exports was only 2.6%, but by 1981 it had grown to 12.5%, and it continued to grow at alarming rates.[56]

First Problems and the Limited Response—1982-85

In late 1982 Zimbabwe was hit by what became a three year drought. Cotton production declined by one third while maize was down to one half the level of the previous year.[57] By 1984, Zimbabwe had to import food for the first time, after exporting $109 million worth of foodstuffs in 1983.[58] The problem of the drought was compounded by the worldwide recession which drove total exports down 12% in 1982, as both gold and tobacco prices fell on world markets. These factors together helped transform a Z$142 million trade surplus into a Z$116 million trade deficit.[59]

Yet general government spending policies continued much as they had before. Consumer price subsidies for domestic maize, which had amounted to Z$100 million in 1981 continued, as did subsidies to the increasing number of money-losing parastatals such as the Zimbabwe Steel Company ("ZISCO") and Air Zimbabwe. Overall, between 1982 and 1985, subsidies to the public sector averaged approximately 42% of the total government budget deficit.[60] Payroll obligations to the increasing number of state employees and the continued war in Mozambique resulted in a 1984 government current account deficit that was 40% above its initial target.[61] The government's continued failure to keep to required debt ceilings prompted the IMF to terminate a loan facility that had been established in 1982 to cover drought problems, with $125 Million worth of $300 Million SDR Fund still to be drawn, in late 1984. In addition to high deficits, governmental policy was also creating other problems for the future. Allocations of increasingly scarce foreign exchange were shifted away from the private sector towards these same unprofitable parastatals, and between 1982 and 1985, there was a 30% decrease in allocations to private sector. The government deficit also led to a large increase in the money supply (34% in 1981 alone),[62] which in turn led to increasing inflation. In 1982 inflation stood officially at 18%, and continued to increase.[63]

Thus, after only two years of spectacular growth, the Zimbabwean economic "honeymoon" was over, and real GDP fell by 1% by the end of 1982 and fell a further 3% in 1983.[64] In 1984, the government took the extraordinary step of temporarily suspending all remittances of dividends and profits made prior to September 1979, in a desperate attempt to save increasingly scarce foreign exchange.

Continued Problems without Substantive Policy Changes—1985-89

In late 1985 the drought broke and the next two years saw an agricultural boom once again, particularly with respect to tobacco. As a result, there was real GDP growth in both 1985 and 1986, at a rate between 1-2% per year.[65] There was another brief drought in 1987, followed by two more good crop years in 1988 and 1989, which again raised GDP growth to 5.3% and 4% respectively, while the population grew at slightly more than 3% during the same period.[66] Yet the fundamental economic problems remained and the government did little more than tinker with economic policies throughout the remainder of the 1980s.

To be fair, some of the problems were not entirely of the government's making. The military threat from South Africa remained and the war in Mozambique escalated until it demanded up to 20,000 Zimbabwean troops.[67] Even with these increased troop commitments, the fighting made the Beira corridor far too risky for international commerce. Officially defense spending accounted for 12-13% of the annual budget, but many analysts believe it was probably more.[68] According to one estimate, defense expenditures in Zimbabwe took up nearly twice the percentage of GDP as the average for all developing countries in 1980,[69] and certainly accounted for part of the high government budget deficits, which in 1986-87 were 12% of GDP.[70] It was the continued subsidies to parastatals and consumers, rather than defense, which were primarily to blame for this problem. By 1987, 60% of the government budget deficit could be traced to subsidies in these two budget categories.

The government, therefore, continued to borrow, often in the relatively short term commercial markets in order to avoid politically unpalatable IMF loan conditionalities, and by the mid-1980s the debt service to export ratio was continually above 30%,[71] reaching a high of 35% in 1987 before falling to 26% in 1988 and less than 20% 1989.[72] From 1985-89 Zimbabwe became a net exporter of capital. Throughout the period the government scrupulously repaid its commercial debts in order to maintain its AAA credit rating with the private international lenders, but this led to an import compression as the limited foreign exchange reserves went to pay the increased debt service rather than being allocated to the capital-hungry industrial and commercial sectors. The resulting stagnation in the private sector was reflected in the growing government share of GDP, which rose from 32% in 1980 to 57% in 1989.[73]

Other economic results included an inflation rate that averaged 14.5% from 1980-87, which was greater than the average for sub-Saharan Africa as a whole.[74] In the same period real wages fell, while the total formal sector employment levels in 1987 were virtually the same as at independence, despite great increases in population.[75] In response to rising popular discontent, the government instituted a wage-price freeze June 1987, and then allowed wages to increase 15% in February 1988.[76] This was followed in May by a general price rise of only 5%,[77] but both the wage and price limits were widely ignored and they gradually eroded. In 1987 another temporary curb on amount of profits that were remissible was also briefly attempted.

As a result of the combination of ill-conceived economic policies and the related deterioration of economic conditions, new foreign investment in Zimbabwe, which had totaled nearly U.S. $50 million since independence,[78] came to a virtual halt. A World Bank study found that the major restraints on new investment were the foreign exchange bottlenecks and the heavy regulatory environment, but the strict investment code itself also discouraged new investment. When linked with an average after-tax return on equity of only 14%, the investment code meant that foreign shareholders were receiving only 3.5 to 7% return on their funds.[79] Under these conditions, most foreign investors were understandably quite unlikely to choose Zimbabwe over other opportunities in Asia or Europe.

At the same time domestic investment also decreased substantially. From 1981 to 1983, domestic investment as a percentage of GDP had been a fairly healthy 20-22%, but after 1985 it decreased to an average of only 13% per year.[80] This level was barely enough to maintain existing equipment and certainly not enough to modernize industrial plants that were increasingly being referred to as "museum pieces". By 1990, the average age of industrial plant in Zimbabwe was 20-30 years!

The First Real Changes—1989

Although by 1989 the failures of the Zimbabwean economy had made the government increasingly willing to consider some moves towards liberalization, a majority of the government still objected to the stern measures and rigid time tables sought by the IMF and World Bank, and felt that it must somehow remain committed to its constituencies by maintaining its popular policies such as consumer subsidies and education and health expansion. While many parts of the private sector had been pushing for some form of structural adjustment for many years, there were also other sections that feared the international competition that liberalization would bring.[81] Academe, too was divided, with some academics openly arguing that the policies followed by the government since 1980 were simply "no longer viable," while other pro-government analysts argued that even the "piecemeal measures" that were then contemplated were going too far and that a structural adjustment program would "worsen the nation's problems."[82]

The government therefore began a series of policy experiments, all designed to reap the benefits of liberalization while maintaining as much of a commitment to its former policies as possible. In 1989 Finance Minister Bernard Chidzero announced the creation of a "One

Stop" Zimbabwe Investment Center, which was instituted to centralize and rationalize government investment review process and to reduce the time necessary to obtain such approvals to 90 days or less, rather than the 18 months and more that the previous process had typically required. In the past, administrative inexperience and delays had caused many problems, such as the loss of a proposed $40 million dollar investment by the Siemens Corporation when the file containing its plan was lost by the government department from which it sought the necessary approvals, and which was not discovered until the investment had gone elsewhere. The strict foreign investment code was also modified to allow foreign-owned enterprises and joint-ventures to remit after tax profits up to the level of the initial hard currency capital invested.[83] An export earnings retention scheme was also instituted, so that the productive sectors of the economy could automatically keep a portion of the foreign exchange earned from the exports of their products. Mining and agricultural exporters were allowed to keep up to 5% of all export earnings while manufacturers were allowed to retain 7.5%.[84] In September 1989, in another attempt to woo foreign investors, Zimbabwe belatedly joined the World Bank's Multilateral Investment Guarantee Agency. The following June it also signed the U.S. Overseas Private Investment Corporation treaty.

An indication of the government's continued ambivalence towards wholesale reform during this period can best be seen with respect to its actions on the perennial issue of land. Despite the many early promises by the government, very little resettlement and redistribution of white-owned farmland had taken place since independence. The Constitutional provisions which had limited the government's ability to acquire land had been legally removed in 1987, with much fanfare, and yet for several more years the government remained generally inactive. By 1989, more than 850,000 peasant families still lived on just 50% of all arable land.[85] As government talk of economic liberalization increased, there was also renewed public discussion about the possibility of seizures of white-owned land and its redistribution to the peasants. Then, at the end of December 1990, at precisely the same time it was formulating its "home grown" version of structural adjustment discussed below, the government announced a plan to acquire six million additional hectares of the remaining white-owned farm land, or 47% of the total commercial farming areas.[86] Importantly, the conditions of acquisition would no longer be only on a "willing buyer, willing seller" basis. Instead, sales of land could now be compelled by the government at a price that was to be based solely on the original purchase price plus improvements rather than the inflation-driven increases in land prices represented by then current market values. Recourse to judicial arbitration of the government-determined sales price was also eliminated.[87]

The enactment of this legislation produced a great deal of displeasure among international donors and a storm of fearful protest from the white commercial farming community. The initial response of the Minister of Agriculture, Mr. Witness Mangwende, however, was to simply tell the white farmers, "You will have to trust us." He later went on to warn the white community that they should be content with the fact that there were no 'Nurenburg-style' trials after independence."[88] This action and these pronouncements, together with others like them, clearly sent a signal that directly contradicted the more favorable signals that the other reforms were intended to send to foreign investors. Observers close to Zimbabwe argued then, as they have continued to do since independence, that investors should look at government actions rather than rhetoric, and in fact has done virtually nothing with respect to land since it enacted the legislation.[89] Nevertheless, the damage to both domestic and international investor confidence was real, as was the political ambivalence towards reform that these actions demonstrated.

Evolution Towards a Structural Adjustment Program—1990-91

Gradually, larger portions of the government came to the reluctant conclusion that further liberalization was necessary. Whether this conclusion was the result of a true ideological conversion caused by persuasion from pro-reform elements, or merely the result of a the lack of any apparent policy alternative will be discussed below. In either case, in 1990 Finance Minister Chidzero began to plan a broader structural adjustment program than had been previously implemented, in quiet consultation with the IMF and World Bank officials. As originally contemplated, the plan was to be substantially "home grown" and would not require any IMF funding. Instead only an official IMF blessing would be sought, for the benefit of international donors and investors.

As the original reform document eventually took shape, it came to include many of the standard features of a "typical" World Bank/IMF structural adjustment program,[90] but there were also two notable exceptions. The first was that the program was expressly planned to be five years long, rather than the more typical 18 months for most structural adjustment programs. All the drafters recognized that a major overhaul of the Zimbabwean economy would take a considerable period of time, and it was felt that it was better to make this clear to both the international community and the Zimbabwean people right from the start. Secondly, and even more uniquely, Zimbabwe's ESAP made express provision for the "social dimensions of adjustment" by establishing a fund for those who would be hardest hit by the economic dislocations that would be created in the early stages of adjustment.[91] The "Social Development Fund" as it was called, was intended to provide job training and labor-intensive public works for those who earn less than $Z150 per month.[92] In fiscal 1992, for example, the government earmarked Z$220 million (U.S.$ 43.86 million) to the fund, and it expressed hope that international donors would make additional contributions. Some recent Zimbabwean critics, however, have charged that the fund was merely "an after-thought," by the World Bank and IMF, and that is was grossly underfunded from the start.[93]

As mentioned above, the government's "home grown" plan also contained many "standard features" of structural adjustment programs instituted elsewhere. The officially stated goals of fiscal and monetary policy were to gradually cut the government's current account deficit of more than 10% per year down to 5% by fiscal 1994-95, and to cut government spending as a percentage of GDP from 45.9% to 38.5% by the same time. A tight monetary policy was also called for to reduce inflation from the existing official figure of 28% in 1991 to 15% by the end of the program.[94] A further goal was to reduce the ratio of debt service to exports to less than 20% over the next five years. Yet another component was trade liberalization. The plan established a five year goal of putting 50% of all imports under the Open General Import License ("OGIL"), and cutting the existing across-the-board 100% of value import surcharge by 20% per year until it is eliminated by 1995. The state's heavy hand on the economy was also to be partially lifted by reducing the role of state marketing boards and reforming or privatizing several of the larger parastatals. And finally, the plan called for a 25% reduction in public sector employment, or the retrenchment of nearly 26,000 workers, over the first four years of the plan's implementation.

In order to achieve these goals the planning document forecast a 5.8% average annual growth rate for industry; and 3.2% for agriculture, with an increase in exports of 10%, all of which would result in the creation of 108,500 jobs in the former sector and an additional 50,000 in the informal sector.[95] The funds required from the international donor community were put at $700 million for the first year, $1 billion for 1992 and another $700 million for 1993.

The plan was completed in December 1990 and presented to the so-called Paris Club on March 26, 1991, where it met with an initially very favorable reception. Over $700 million was pledged by various bilateral and multilateral donors.[96] But before these funds were released, however, international donors began to insist that the IMF must become more directly involved in the structural adjustment program in order to avoid mistakes in monetary policy, and otherwise insure its proper implementation.[97] There were several events that had occurred during the course of 1991 which caused members of the international community to doubt both the government's ability and commitment to implement its stated reform goals.

One move that worried donors was the very sharp devaluation of the Zimbabwe Dollar, which declined 33-35% in the two month period from August-September 1991, and fell a total 45% over the course of the year. Although an unforeseen positive result of this devaluation was that Zimbabwe became classified as "low income" rather than "middle income" country by the IMF, which made it eligible for Fund's more concessionary Enhanced Structural Adjustment Facility ("ESAF") rather than the higher Extended Fund Facility ("EFF") loan rates,[98] the precipitous nature of the devaluation caused some observers to worry about the government's ability to effect its adjustment program as smoothly as possible. Questions of the government's competence were also raised when the country experienced a severe balance of payments problem in mid-1991, because the demand for foreign exchange under the newly liberalized import rules had been double the government's budgeted estimate of Z$400 million. At one point the country's reserves had been down to just a two week supply.[99] Yet for all of the increased demand for foreign exchange, delays in the shift to more open trade had also developed, which caused further concern about the government's commitment to reforms. As of August 1991, for example, only about 25% of imports had been placed under OGIL.

It should be noted that a large number of politically painful measures were taken in 1991 that amounted to a direct repudiation of many of its most cherished policies. Elementary school fees, called "cost recovery measures," were re-imposed for the first time since independence, and consumer price subsidies began to be substantially reduced. By the end of 1991, only ten basic products still had subsidies; including such staples as coarse maize meal, bread, beef, cooking oil and fats. When prices for fine maize meal were uncontrolled, the price had increased by 80% virtually overnight.[100] Moreover, a new labor law was put into effect that enabled private employers to hire and fire employees without prior government approval.[101] All of these moves alienated large portions of ZANU(PF)'s peasant and urban worker political base; the constituencies on behalf of which the party had come to power. At the same time a small supply-side tax scheme that was also introduced to cut the company tax rate from 50% to 45%, and raise the income border line for individuals in the top bracket to Z$45,000 from Z$40,000, did little to endear the government with the country's business elites.

Both the domestic and international doubts about the government's willingness to follow through with its proposed reforms, coupled with the balance of payments crisis, forced the government into closer talks with the IMF towards the end of 1991.[102] The end result of these talks was that the IMF openly became a full player in Zimbabwe's structural adjustment process in January 1992 when it agreed to make a $484 million ESAF loan. In the year long negotiation process preceding the IMF's loan announcement the "home grown" nature of Zimbabwe's ESAP had quietly disappeared.

Economic Problems and Growing Political Opposition—1992

In the first quarter of 1992 Zimbabwean business leaders reported a 58% plunge in general business optimism, to the lowest level ever recorded since such surveys began in 1984.[103] The major short term cause of this pessimism was the onset of a very harsh drought, which has been described as "the worst in living memory." There were nationwide crop failures, reservoirs dried up, and eventually more than 50% of the population required emergency food aid. As 1992 wore on, the results of the drought grew ever more frightening, and estimates of its negative effect on the economy were continuously revised upward, from an estimated 3% contraction of GDP made at the beginning of the year to an official estimate of a 10% contraction more recently.[104] The international donor community recognized the threat that the drought posed to ESAP's success and approved additional aid for emergency drought relief, but the hardships caused by the drought remained a key source of the increased political opposition to both the government and ESAP, which will be discussed below.

In addition to drought, there is also the immediate problem of rapid inflation. At the end of 1991, the government put the official inflation rate at 28%, but predicted it would go down in 1992 as a result of its tight monetary policies. Instead, inflation accelerated further and reached levels that exceeded 40% per annum in the second and third quarters of 1992.[105] Following IMF/World Bank orthodoxy, the government has continued with extremely tight monetary policies, and interest rates on non-liquid assets have continued to range between 37-42% through August of 1992.[106] The only discernible result of these very high interest rates, however, has been an increasingly severe credit crunch, which many members of the private sector argue is causing unacceptable damage to the productive sectors of the economy.[107] The head of the conservative Zimbabwean National Chamber of Commerce, for example, recently said that the tight fiscal and monetary policies have produced an economic situation in which "most companies face collapse," while the head of a textile subsidiary of the British transnational Lonrho said that the ESAP was "killing business," and "was a good idea that has gone wrong and should be scrapped until it gets a chance to work."[108]

In addition to the serious short term problems caused by the drought and inflation, the deteriorating economic conditions have also aggravated several of the long term problems that have plagued the government since independence. Perhaps the greatest of these problems is unemployment. In 1980, the formal sector employed approximately 1.04 million out of a total population of nearly 7 million people. Ten years later, the same sector employed only 1.07 million, despite the addition of nearly 3 million more people to the nation's population.[109] Even as originally planned, i.e., before the problems of drought and inflation, the structural adjustment plan only predicted the creation of 10,000 formal sector jobs in the first year and up to 40,000 such jobs in the two years after that, while it acknowledged that there would be over 200,000 school leavers each year during the same period.[110] Moreover, the government forecast for the mid-to-late 1990s is for this figure to rise to nearly 300,000 school leavers annually.[111] Thus, under even the rosiest of pictures, the numbers of unsatisfied job seekers in the formal sector will increase substantially in the 1990s, adding further to the record two million people who currently are unemployed, and creating more economic and political problems for the government.

There are still other long term problems as well. Both the rapid spread of AIDS/HIV infection[112] and the continued failure to bring the rate of population growth[113] within the limits of sustainable economic growth will certainly effect the long term economic health of Zimbabwe, and thus indirectly the prospects for ESAP's success. Yet another long term problem is the gradual erosion of entrepreneurial skills[114] and the need to replace the prevailing culture of government "controllers" with a new culture of "facilitators." The main threat to Zimbabwe's ESAP at the moment, however, is the growing political coalition against both the government and its policies, which may undermine the government's already fragile commitment to continued reforms.

Today, an increasingly broad political coalition against ESAP has been formed which includes not only the vast numbers of the unemployed, but also university students, representatives of the private sector's formerly protected domestic industries, and both rural peasants and urban trade union members who have been hit hard by the steep price rises on basic goods.[115] Even members of Mugabe's own ZANU (PF), who are normally known for their compliant obedience to the party leadership, have openly questioned the wisdom of the party's continued support for ESAP. While many of these critics also attack the role of the international institutions, the majority of criticism against ESAP has focused on the ruling party itself and, for the first time since independence, directly against the personal leadership of President Mugabe. In May 1992, both the head of the Zimbabwe Confederation of Trade Unions and student leaders from the University of Zimbabwe openly called for Mugabe's resignation. Since then his personal popularity has continued to plunge and in early December of this year one of Zimbabwe's leading political observers noted that, "Mugabe's popularity has never been lower."[116]

One government response to this mounting public criticism has been to crack down harshly on dissent, either by force as it did against the students, or merely by threats and public disparagement as it has with other critics. Yet another has been repeated attempts by Mugabe to distance himself from responsibility for the implementation of ESAP. Critics charges that at times recently he has spoken of the reform program more like an opposition leader than the head of a government committed to its fulfillment.[117]

Despite these responses the criticism has continued to grow, however, and the ultimate political fate of the government remains unclear. One Zimbabwean observer said that, "Today, Mugabe is in the exact same position that Kenneth Kaunda was in Zambia five years ago,"[118] but others doubt that Zimbabwe would follow that example. The most likely change, if any change is to occur at all, would, according to Dr. Jonathan Moyo, come from a split in ZANU(PF) by certain legislators breaking ranks.[119] At least in the short run, nearly all observers agree, the fact that the next elections are not scheduled until 1995 and that no plausible opposition candidate is now discernible on the horizon, mean that the growing opposition to ESAP does not pose an immediate threat to the hold that Mugabe and ZANU(PF) have on political power.[120] The effect of this opposition on the potential for success of Zimbabwe's structural adjustment program is another matter, however.

Conclusion: Reluctant Adjustment and Flawed Reform

There are now many leading Zimbabweans who speak the language of the new economic thinking very convincingly.[121] Moreover, some important international observers also believe that

President Mugabe himself is now firmly convinced of the merits of the structural adjustment program, despite his continued socialist rhetoric.[122] Yet the economic and political record contains far too many indications that Mugabe and his government remain, at best, only "reluctant adjusters." The slow and painful process by which the party came to adopt the ESAP has already been partially described above, but its poor record on efforts to reduce the large number of redundant and overlapping government ministries will provide one last example.

In 1991, when the Zimbabwean government and the IMF were in the process of creating the ESAP, a World Bank study found that the functions of the 51 existing ministers and provincial governors could be reduced to only 14.[123] Yet when Finance Minister Chidzero first pledged to reduce government ministries by one third and retrench 20% of public sector employees, President Mugabe himself blocked these moves and insisted that no civil servants would be retrenched, but merely, "redeployed." Perhaps the worst example of government excess was the Ministry of Political Affairs which, with five Ministers and Vice Ministers and $50 million annual budget, was created solely to assist the ruling party, ZANU-(PF). The IMF and other international agencies had pressed for its abolition for years, but this was only accomplished in June of 1992, and there were then immediate attempts to reassign most of its functions and personnel to other government departments. One economist has cynically observed that the only genuine elimination of a government department of which he was aware occurred when the Ministry of Sport was abolished, with the net loss of only 140 government positions[124]. Even the World Bank, which tends to emphasize the positive achievements of Zimbabwe's reform program, has been highly critical of the government's continued reluctance to institute genuine reform.[125]

The root of the problem, as one observer puts it, is that too many members of the government are still of the view that "the numerous ministries are there to keep loyal members of the (ruling ZANU-PF) party happy."[126] This fact is also closely related to one of the most frequent personal criticisms of Mugabe himself. Since independence, Mugabe has continued to keep the same group of party loyalists in top government positions, and local critics have repeatedly charged that he maintains loyalty to these supporters above all else, even after it has been demonstrated that they are "hopelessly inefficient" or guilty of doing something wrong.[127]

It is this continuity with the past, in terms of key personnel, practice, and ideology, that continues to hinder the successful implementation of Zimbabwe's structural adjustment program. Mugabe and his government came to power in 1980 with a firm belief in the correctness of socialism and a hostility, or at least a deep distrust, of free market economics and international capital. The same leadership is still in charge, and while the record clearly shows that they have always been willing to pragmatically delay the full implementation of socialist policies so as not to offend powerful domestic and international interests, it shows equally clearly that they have embraced each and every pro-market reform with only the greatest of reluctance. Domestic political pressures are now building which will push the leadership even further in the direction of delay, and only the continued lack of a plausible alternative will keep them on the reluctant course of economic reform.

Some may argue that reluctant adjustment is sufficient; that it is the best that can be expected at the moment and that in any event even partial reform is better than none. But reluctant adjustment produces tremendous economic pain for the society, while at the same time it fails to produce the promised gains. This in turn tarnishes the reputation of adjustment policies in general, and leads to the creation of political coalitions against reform which make it even more difficult to implement in the future.

In the case of Zimbabwe this is almost certainly true. The government's reluctant adjustment has brought only hardship and suffering to the vast majority of the Zimbabwean people while at the same time it has failed to bring new investment to the country because foreign investors are understandably hesitant to invest in a country that is still far less friendly to foreign capital than many other parts of the globe. To an extent, Zimbabwe "gets unfairly painted with the same negative brush as the rest of Africa" by international investors, but its reluctance to fully embrace reforms exacerbates this unfortunate fact of world economic life.[128] Moreover, the situation may soon become even worse in the face of strong local competition for international investment from a new, more internationally acceptable South Africa. South Africa's \$ 80 billion GDP economy represents a much larger market, with a more diversified industrial base and greater pools of skilled labor than Zimbabwe's \$5.5 GDP billion economy,[129] and it would be a rare investor that would pass up a chance to become involved in South Africa for a chance to invest just north of the border.

The time horizon for a successful implementation of Zimbabwe's ESAP is therefore fairly short. Given the present political and economic situation in Zimbabwe, the future of ESAP looks decidedly mixed, and the prospects for strong economic growth look increasingly unclear. In the short term, the present political leadership will continue to follow a reluctant and vacillating course towards structural reform, and will thus deny itself and the country many of the benefits that ESAP promises. In the longer term, the continued hardships created by reluctant adjustment may create the political conditions for even greater economic change, but whether that change will be positive or negative is at this point too speculative to tell.

NOTES

[1]"ESAP," has become one of the most widely used acronyms in Zimbabwe's political vocabulary, even among peasants in remote rural areas. Items of popular culture often give a keen insight into deeper issues of society, and critics of such policies have created several alternative meanings for "ESAP," including: "Endless Suffering for African People;" "Even Sadza is A Problem;" "Elect Smith As President," and most recently, Eat S*** And Perish." The last meaning refers to the effects of the recent drought and famine, while the word *"sadza"* in the second is a reference to the Shona word for maize meal, the most important staple for the vast majority of Zimbabwe's people. "Smith" refers to the former Rhodesian Prime Minister Ian Smith, and implies that economic times were better under the former regime. Although the latter remark is only said in jest, because there is no serious possibility of Mr. Smith making a political comeback, it reflects an unprecedented level of dissatisfaction with the current government among many segments of Zimbabwe's African population. See the discussion below. See also, "Monkey Business," ***The Sunday Times***, August 30 ,1992, p. 34.

[2]Mugabe came to power with an absolute majority in parliament for the ZANU (PF), but in a spirit of national reconciliation he initially included several Whites of the former Rhodesian Front and several members of the sometimes rival, sometimes allied party, Zimbabwe African People's Union (Patriotic Front) (ZAPU [PF]), led by Joshua Nkomo.

[3]The period from November 11, 1965 until Independence is commonly referred to as the "UDI" period, taken from the Unilateral Declaration of Independence made by Ian Smith and his Rhodesian Front government. For a description of the war and the ZANU(PF) - (PF) ZAPU rivalry during this time, see David Martin and Phyllis Johnson, ***The Struggle for Zimbabwe*** (New York: Monthly Review Press, 1981). After many years of factional strife, ZANU(PF) and (PF)ZAPU signed a unity accord in December 1987 and formally merged the two parties under the name ZANU(PF) in 1989.

[4]"Potential," *Reuters*, November 18, 1981, AM Cycle, NEXIS, MAJPAP. See also, ***Zimbabwe's First Five Years—Economic Prospects Following Independence—Special Report 111*** (London: The Economist Intelligence Unit, November, 1981), p. 1.

[5]"Zimbabwe Comes in from the Cold," ***The Economist***, November 8, 1980, p. 84.

[6]Colleen Lowe Morna, "Zimbabwe Is Test Case for Tough Adjustment Plan," ***The Christian Science Monitor***, May 7, 1991, p. 5.

[7] ***Zimbabwe's First Five Years—Economic Prospects Following Independence—Special Report 111*** (London: The Economist Intelligence Unit, November, 1981), pp. 1, 22.

[8] According to the World Bank, ". . . about two thirds of Zimbabwean industry is broadly competitive by international standards." Tony Hawkins, "Zimbabwe 5; Expansion Hit by Monetary Constraints," ***The Financial Times*,** September, 17, 1987, p. 5.

[9] Robert I. Rotberg and William H. Overholt, ***A Symposium on Zimbabwe's Economic Prospects*** (Mount Kisco, New York: Seven Springs Center, February, 1980), pp. 13-14.

[10] ***Loc. Cit.***

[11] ***Ibid.***, p. 13.

[12] "Land Issue Raises Spectre of Compulsory Acquisition," ***African Research Bulletin: Economic Financial and Technical Series***, September 30, 1989, p. 9668. By 1989 these white commercial farmers still numbered over 4,000, and still owned approximately 13 million hectares, despite increasing political pressures on the government to seize and redistribute much of this land. The "Land Question" will be discussed further below.

[13] "Zimbabwe Comes in from the Cold," ***The Economist***, November 8, 1980, p. 84; see also ***Zimbabwe's First Five Years—Economic Prospects Following Independence—Special Report 111***, p. 22.

[14] "Land Issue Raises Spectre of Compulsory Acquisition," ***African Research Bulletin: Economic, Financial and Technical Series***, September 30. 1989, p. 9668.

[15] "Zimbabwe Comes in from the Cold," p. 84.

[16] "Land Issue Raises Spectre of Compulsory Acquisition," ***African Researach Bulletin: Economic, Financial and Technical Series***, September 30, 1989, p. 9667.

[17] "Zimbabwe Comes in from the Cold," p. 84; see also Rotberg and Overholt, ***Op. Cit.***, p. 14.

[18] "Zimbabwe Comes in from the Cold," p. 85.

[19] Rotberg and Overholt, ***Op. Cit.***, pp. 7-10.

[20] ***Zimbabwe's First Five Years—Economic Prospects Following Independence—Special Report 111***, p. 39.

[21] Andrew Rusinga, "Wary Mining Firms Hold Back on Tapping Zimbabwe's Mineral Wealth," *Reuters*, May 25, 1990, BC Cycle, NEXIS, MAJPAP.

[22] *Ibid.*

[23] Rotberg and Overholt, ***Op. Cit.***, p. 2.

[24] The infrastructural inheritance also had one extremely negative aspect, from the new government's point of view, in that the country's external transportation network was far too dependent on a potentially hostile South Africa. In 1980, for example, virtually all Zimbabwean exports went through South African ports, and despite efforts to redirect exports through a revived port of Beira in Mozambique, Zimbabwe

has remained dependent on South African transport links. In 1985, for example, between 85-90% of its exports still went through South African ports. See Hawkins, "Export-led Growth Needed to Break Out of Straitjacket," ***The Financial Times***, August 21, 1985, Section III, p. 2.

[25] Rotberg and Overholt, ***Op. Cit.***, p. 4.

[26] Tony Hawkins, "Zimbabwe Reaps Rich Aid Harvest," ***The Christian Science Monitor***, March 27, 1981, p. 1; see also "Zimbabwe: Aid Flows Overflow," ***The Economist***, March 28, 1981, p. 69.

[27] See generally Robin Palmer, "Land Reform in Zimbabwe, 1980-1990," ***African Affairs***, 89, 355, (1990), pp. 163-181. The article's first footnote contains an excellent list of the available literature on the land question in Zimbabwe.

[28] Zimbabwe Government, Ministry of Finance, Economic Planning and Development, ***Growth with Equity: An Economic Policy Statement***, (Harare: Government Printer, February, 1981).

[29] ***Zimbabwe's First Five Years—Economic Prospects Following Independence—Special Report 111***, p. 75.

[30] ***Growth with Equity***, p. 1.

[31] Zimbabwe Government, Ministry of Finance, Economic Planning and Development, "Preface," ***Transitional National Development Plan 1982/83—1984/85, Volume 1*** (Harare: Government Printer, November, 1982), p. i.

[32] John Graham, Chief Economist, First Merchant Bank of Zimbabwe, Ltd., Interview by author, July 30., 1992, in Harare; and John Dittrich, Managing Director of The Discount Company of Zimbabwe, Ltd., Interview by author, on July 30, 1992, Harare. Author's Personal papers, Los Angeles, California. See also Jeffrey Herbst, ***State Politics in Zimbabwe*** (Berkeley and Los Angeles: University of California Press, 1990), pp. 82-85.

[33] "The Boom that Went Bust," ***The Economist***, April 21, 1984, p. 8.

[34] Glenn Frankel, "Zimbabwe's Farms Prosper, Yet Many Young Go Hungry; Despite Programs, Food for Rural Poor Falls Short," ***The Washington Post***, July 14, 1986, p. A1.

[35] "The Boom that Went Bust," p. 8.

[36] In the 1988/89 budget, for example, education spending was the top budget item and accounted for approximately 15% of total government spending. "Zimbabwe Budget (1988-89)," ***African Research Bulletin: Economic Financial and Technical Series***, August 31, 1988, pp. 9226-27.

[37] For a brief discussion of the economic cost of Zimbabwe's deployment of troops in Mozambique, see Roger Riddell (ed.), ***Zimbabwe to 1996—At the Heart of a Growing Region—Special Report M205***. (London: The Economist Intelligence Unit,), pp. 11-13.

[38] Neal Henry, "Zimbabwe Reaps Rewards of Agricultural Progress," ***The Washington Post***, January 21, 1990, p. H6.

[39] Tony Hawkins, "Doubts over export growth," ***The Financial Times***, August 21, 1985, Section III, p. 6.

[40]Robert I. Rotberg, "Zimbabwe's Economic Success," ***The Christian Science Monitor***, March 1, 1985, p. 14.

[41]Henry, *Op. Cit.*, p. H7.

[42]*Ibid.*

[43]*Ibid.*

[44]Palmer, ***Op. Cit.***, p. 172.

[45]See Ben Cousins, Dan Weiner and Nick Amin, "Social Differentiation in the Communal Lands of Zimbabwe," ***Review of African Political Economy***, 53, pp. 5-24.

[46]Howard P. Lehman, "The Politics of Adjustment in Kenya and Zimbabwe—The State As Intermediary," ***Studies in Comparative International Development***, 25, 3, (1990), p. 55.

[47]"Zimbabwe's Investment Code," p. 474.

[48]"Growth With Equity," ***African Research Bulletin: Economic Financial and Technical Series***, February 15-March 14, 1981, p. 5844.

[49]Rusinga, *supra*; "Zimbabwe's Investment Code," p. 475; and Jeffrey Herbst, "State Power versus the Multinational: Mineral Marketing Policy," in ***State Politics in Zimbabwe*** (Berkeley and Los Angeles: University of California Press, 1990), pp. 142-165.

[50]Lehman, p. 65.

[51]"Zimbabwe's Investment Code," p. 474.

[52]"Zimbabwe's Investment Code," p. 475.

[53]Interview with John Graham, *supra;* Interviews with John Dittrich, *supra* and Tony Hawkins, Professor of Business Administration, University of Zimbabwe. Interviewed by author on July 29, 1992 in Harare. Author's Personal papers, Los Angeles, California.

[54]Tony Hawkins, "Import Cuts Signal End of Zimbabwe's Economic Honeymoon," ***The Financial Times***, October 27, 1982, p. 4.

[55]***Ibid.***, p. 5.

[56]***Ibid.***, p. 4; see also "The Darkest Hour?" ***African Research Bulletin: Economic, Financial and Technical Series***, March 15-April 14, 1984, p. 7228.

[57]"Zimbabwe and Botswana; The Grass is Singeing," ***The Economist***, June 12, 1982, p. 72.

[58]Richard Wisksteed, "Drive for Socialism Stalls," *Inter Press Service*, August 31, 1984, NEXIS, MAJPAP.

[59]"Zimbabwe and Botswana; The Grass is Singeing," p. 72.

[60]Lehman, p. 64.

[61]Wicksteed, *supra*.

[62]Hawkins, "Zimbabwe Reaps Rich Aid Harvest," p. 1.

[63]Hawkins, "Import Cuts Signal End of Zimbabwe's Economic Honeymoon," p. 4.

[64]"Zimbabwe Budget (1984-1985)," ***African Research Bulletin: Economic Financial and Technical Series***, July 15-August 14, 1984, p. 7385; see also Colin Stoneman, "Recognizing the Reality," in Colin Stoneman (ed.), ***Zimbabwe's Prospects—Issues of Race, Class, State, and Capital in Southern Africa*** (London: Macmillan Publishers 1988), p. 47.

[65]R. L. Curry, Review of "Modernization of Personal Savings in Zimbabwe Through Financial Development," by D. Radke, in ***Journal of Modern African Studies*** 25, 3 (1987), p. 551.

[66]Julian Borger, "Zimbabwe Belatedly Loosens Government Economic Controls," ***The Financial Times***, July 6, 1990, p. 6.

[67]Gil Laurirciano, "Tough Budget in the Offing," *Inter Press Service*, July 18, 1990, NEXIS: MAJPAP.

[68]*Ibid.*

[69]"The Boom that Went Bust," p. 8.

[70]"Slowdown Forecast," ***African Research Bulletin: Economic Financial and Technical Series***, October 31, 1986, p. 8395.

[71]Hawkins, "Zimbabwe Pins Its Hopes On An Unlikely Investment Boom," ***The Financial Times***, June 5, 1987, p. 4; see also "Success at Risk," p. 21; Howard P.Lehaman, "The Politics of Adjustment in Kenya and Zimbabwe—The State As Intermediary," ***Studies in Comparative International Development***, 25, 3, 1990, p. 54; and Godfrey Karoro, "Debate on Structural Adjustment Rages On," *Inter Press Service*, November 3, 1988, NEXIS, MAJPAP.

[72]Tony Hawkins, "Zimbabwe 2; The Price of a Decade's Missed Opportunities," ***The Financial Times***, August 21, 1989, p. II; see also "Success at Risk," p. 21.

[73]Tony Hawkins, "Zimbabwe 2; The Price of a Decade's Missed Opportunities," ***The Financial Times***, August 21, 1989, p. II.

[74]R. L. Curry, Review of "Modernization of Personal Savings in Zimbabwe Through Financial Development," by D. Radke. In ***Journal of Modern African Studies*** 25, 3 (1987), p. 551.

[75]Hawkins, "Zimbabwe Pins Its Hopes On An Unlikely Investment Boom," p. 4. See also the discussion in section IX, below.

[76]John Morrison, "Zimbabwe to End Wage-Price Freeze—Chidzero," *Reuters*, February 18, 1988, AM Cycle, NEXIS, MAJPAP.

[77]Lynda Loxton, "Price Freeze Slowly Unravels," *Inter Press Service*, October 27, 1988, NEXIS, MAJPAP.

[78]Lehman, "The Politics of Adjustment in Kenya and Zimbabwe," p. 57.

[79]Tony Hawkins, "Zimbabwe 4: Revised Guidelines Fall Short of Requirements," ***The Financial Times***, August 21, 1989, p. IV.

[80]*Ibid.*

[81]In particular, industrialists in long protected industries were said to have quietly lobbied against structural adjustment because they feared they could not compete in world markets after such a long period of government protection. Dr. Jonathan

Moyo, Professor of Political Science, University of Zimbabwe. Interview by the author, August 2 , 1992, in Harare.

82 Compare comments by Tony Hawkins, a Professor of Economics at the University of Zimbabwe and a frequent contributor to both *The Financial Times* and *The Economist*, and Arnold Sibanda, a research fellow at the government-owned Zimbabwe Institute of Development Studies. Both are quoted in Karoro, "Debate on Structural Adjustment Programs Rages On," *supra*.

83 "Adjustment Programme Details," *African Research Bulletin: Economic Financial and Technical Series*, September 16, 1990-October 15, 1990, p. 10116; see also Lynda Loxton, "Trade Liberalization Off to Quick Start," *Inter Press Service*, September 20, 1990. NEXIS, MAJPAP; and "Zimbabwe Plans Economic Reform Programme, Minister Says," *Reuters*, May 13, 1989, PM Cycle, NEXIS, MAJPAP.

84 "Adjustment Programme Details," *African Research Bulletin: Economic Financial and Technical Series*, September 16, 1990-October 15, 1990, p. 10117.

85 "Land Issue Raises Spectre of Compulsory Acquisition," p. 9667.

86 Vanora Bennet, "Zimbabwe's Dream of Black Land Tenure May Be Nightmare," *Reuters*, February 7, 1991, BC Cycle, NEXIS, MAJPAP; *see also* "Land Reform Bill," *African Research Bulletin: Economic Financial and Technical Series*, December 16, 1991-January 15, 1992, p. 10656.

87 Palmer, p. 179.

88 "Economic Reform Plan," *African Research Bulletin: Economic Financial and Technical Series*, February 16, 1991-March 15, 1991, pp. 10295.

89 As of August 1992, only one group of 13 farms has been even designated for acquisition, and these farms were chosen primarily because of the construction of a new dam near Mutare. See Interviews with Hawkins and Dittrich, *supra*.

90 Zimbabwe Government, *Zimbabwe: A Framework for Economic Reform 1991-95*. Harare: Government Printer, January 18, 1991.

91 *Zimbabwe: A Framework for Economic Reform 1991-95*, Appendix II.

92 Andrew Meldrum, "ESAP's Fables," *Africa Report* 36, 6 (November-December 1991), p. 57.

93 Tafadzwa Matimba-Mumba, "Social Dimension Fund an After-thought," *Inter Press Service*. October 27, 1992, NEXIS. MAJPAP.

94 *Zimbabwe: A Framework for Economic Reform 1991-95*, pp. 5-9; see also "Preston Visits South Africa, Supports Zimbabwe Reforms," *supra*.

95 "Zimbabwe Emphasizes Private Sector Role in New Five-Year Plan," *Agence France Presse*, February 14, 1992, NEXIS, MAJPAP.

96 See Andrew Meldrum, "World Bank Praises Zimbabwe's Budget, Indicates More Aid," *United Press International*, August 1, 1991, BC Cycle, NEXIS, MAJPAP.

[97]Godfrey Karoro, "Donors Delay Assistance Until Conditions are Met," *Inter Press Service*, September 19, 1991, NEXIS, MAJPAP; and "Donors call for IMF Involvement in Structural Adjustment Programme," ***British Broadcasting Corporation Summary of World Broadcasts***, December, 10, 1991, NEXIS, MAJPAP.

[98]Tony Hawkins, "Zimbabwe and IMF Close to Accord on $400 million Structural Adjustment Loan," ***The Financial Times***, November 20, 1991, p. 4; and "World Bank Designates Zimbabwe a 'Low Income Country,'" ***British Broadcasting Corporation Summary of World Broadcasts***, October 15, 1991, NEXIS, MAJPAP; see also, Farayi Chimbindi, "Economic Reforms Fills Shops But Creates Hardships," (SIC) *Inter Press Service*, January 2, 1992, NEXIS, MAJPAP.

[99]"Donors call for IMF Involvement in Structural Adjustment Programme," ***British Broadcasting Corporation Summary of World Broadcasts***, December, 10, 1991, NEXIS, MAJPAP.

[100]L. M. Sachikonye, "Zimbabwe: Drought, Food and Adjustment," ***Review of African Political Economy*** 53, p. 92.

[101]L. M. Sachikonye, "The New Labour Regime Under SAP in Zimbabwe," ***Southern Africa Political & Economic Monthly*** 5, 7, pp. 41-44; see also Godfrey Karoro, "Labor Movement to Fight Worker's Apathy," *Inter Press Service*, April 30, 1992, NEXIS, MAJPAP.

[102]"Donors call for IMF Involvement in Structural Adjustment Programme," ***British Broadcasting Corporation Summary of World Broadcasts***, December, 10, 1991, NEXIS, MAJPAP; and Karoro, "Donors Delay Assistance Until Conditions are Met," *supra;* see also Tony Hawkins, "Zimbabwe and IMF Close to Accord on $400 Million Structural Adjustment Loan," ***The Financial Times***, November 20, 1991, p. 4; and Farayi Chimbindi, "Economic Reform Fills Shops But Creates Hardships," (SIC) *Inter Press Service*, January 2, 1992, NEXIS, MAJPAP.

[103]"Plunge in Business Optimism," ***Confederation of Zimbabwe Industries Industrial Review***, July 1992, pp. 9-16.

[104]Compare "Economic Survey Paints 'grim picture' for 1992," *supra*, and Tony Hawkins, "Land Issue Distracts Mugabe's Donors," ***The Financial Times***, February 18, 1992, p. 6 with Tony Hawkins, "Zimbabwe Seeks Further Aid Pledges: Favourable Response Expected at Paris Meeting," ***The Financial Times***, December 1, 1992, p. 4.

[105]Andrew Zhakata, "Economy Going Through Turbulent Times," *Inter Press Service*, September 17, 1992, NEXIS, MAJPAP; and "Food Riots Warning as Zimbabweans Fall on Hard Times," *supra*.

[106]"Monthly Bulletin September 1992," published by The Discount Company of Zimbabwe, Ltd., Harare, Zimbabwe.

[107]See "Tight Monetary Measures Threat to Productive Sector's Viability," ***The Business Herald*** (Harare), July 30, 1992, p. 3. Similar comments were made by Professor Robert Davies, Professor of Economics at the University of Zimbabwe in an interview with the author on July 29, 1992 in Harare.

[108]Andrew Zhakata, "Economy Going through Turbulent Times," *Inter Press Service*, September 17, 1992, NEXIS, MAJPAP; and Tony Hawkins, "Zimbabwe Pins Hopes on the Coming of Rain: How Drought Has Hit the Economy Hard," ***The Financial Times***, September 17, 1992, p. 10.

[109]Rachel Waterhouse, "Zimbabwe: Policies Must Change to Tackle Unemployment," *Inter Press Service*, August 1, 1990, NEXIS, MAJPAP. Other observers have reported similar figures. For example, in 1987, according to one source, formal sector employment was 1,085,100, while in 1991 the figure was only 1,242,500. Ian Mackenzie, "Job Creation Critical for Zimbabwean Economy," *supra*.

[110]Andrew Meldrum and Tendayi Kumbola, "The Bite Economy." ***Africa Report*** 36, 6 (November-December 1991), p. 61; Hawkins, "Zimbabwe; Remodeling the Economy," p. 23.

[111]Rachel Waterhouse, "Zimbabwe: Policies Must Change to Tackle Unemployment," *Inter Press Service*, August 1, 1990, NEXIS, MAJPAP; and Ian Mackenzie, *supra*.

[112]The numbers with respect to the spread of AIDS-HIV infection are simply shocking. Today, approximately 10% of the entire Zimbabwean population is HIV-positive. (Government officials estimate the number infected to be nearly 700,000, while others reliably put the figure at 1.4 million, out of a total population of between 9 and 11 million people). By the year 2000, the government concedes that 1.7 million will be infected. Scott Kraft, "Africa's Death Sentence," ***Los Angeles Times Magazine***, March 1, 1992, p. 14. Among the hardest hit are those sectors of society that are necessary for economic development. Zimbabwe's National AIDS Council, for example, says that 58% of those dying are from the skilled professional sector between the ages of 20 and 39. Jonathan Manthorpe, "Disease May Halt African Development, ***The Toronto Star***, February 16, 1991, p. F2. The respected Economist Intelligence Unit predicts that by 1996, AIDS alone could reduce annual economic growth by 0.2%. Roger Riddell, ***Zimbabwe to 1996—At the Heart of a Growing Region—Special Report M205*** (London: The Economist Intelligence Unit, February, 1992), p. 3.

[113]From 1980-87, Zimbabwe's net population growth rate averaged 3.7% per year, although in recent years it has moved down to an average of 2.9%. Even this lower rate still exceeded the average economic growth rate from 1980-90 of 2.4%, and a continued high population growth rate threatens to wipe out any ostensible economic gains achieved. While the impact of AIDS, and the relatively high rate of contraceptive use, which at nearly 40% is ten times the African average, may help to alleviate this problem in the future, it remains a matter of considerable current concern. Rangarirai Shoko. "High Birth Rate Threatens to Wipe Out Africa's Modest Gains in Economic Growth," ***The Los Angeles Times***, February 11, 1990, Part A, p. 11, Column 1. See also Arnold Sibanda, "Population and Development Problems," ***Zimbabwe Journal of Economics***, 2, (January 1988), pp. 81-100.

[114]See Hawkins, "Zimbabwe 5; New Priorities Are Required," p. V, in which he warns that the entrepreneurial "edge" which Zimbabwe held vis a vis the entire region, except for South Africa, was eroding. Two years later he concluded more

pessimistically that the entrepreneurial, managerial, and technical skills "that drove the previous industrial cycle are no longer around." See also Tony Hawkins, "Drive to Lift Exports Hits Obstacles—Manufacturing Has Been the Main Source of National Economic Growth," ***The Financial Times,*** August 30, 1991, p. 25.

115Richard Saunders, "A Decade of Power in the Dock," ***Africa South,*** 24 (August 1992), pp. 6-8; see also "Structural Adjustment and Political Democracy," ***The Journal on Social Change & Development,*** 28 (1992), pp. 1-24; and Hawkins, "Zimbabwe; Remodeling the Economy," p. 24.

116John Batters, "Zimbabwe Grapples With Dissent," ***The Christian Science Monitor,*** December 2, 1992, p. 7.

117See comments by Professor Jonathan Moyo in "Food Riots Warning as Zimbabweans Fall on Hard Times," *Agence France Presse, supra.*

118Interview with Graham, *supra.*

119Batters, ***Op. Cit.***, p. 8.

120See Meldrum, "ESAP's Fables," pp. 57-61.

121For example, Mr. Konsana Moyo, the Managing Director of The Standard Chartered Bank of Zimbabwe, has said that the government's guiding economic principle should now be, "do not fund schools and hospitals before you fund a factory which generates revenues to sustain not only itself, but also those schools and hospitals." Quoted in, Laurirciano, *supra.*

122The Economist Intelligence Unit, for example, has stated with respect to potential future investment that, "Perhaps most impotent is that Mr. Mugabe himself is committed to the new path of structural adjustment. . . . Mr. Mugabe is likely to continue to speak the language of socialism, but he and his government are firmly committed to the new path they have chosen." Quoted in, Roger Riddell, ***Zimbabwe to 1996—At the Heart of a Growing Region—Special Report M205***, p. 9.

123Karoro, "Donors Delay Assistance Until Conditions are Met," *supra.*

124Interview with Grham, *supra.*

125Francis Mdlongwa, "Zimbabwe Should Trim Civil Service—World Bank," *Reuters.* August 21, 1992, BC cycle, NEXIS, MAJPAP.

126Quote by Kemptom Makamure, University of Zimbabwe Law lecturer, in Karoro, "Donors Delay Assistance until Conditions are Met," *supra.*

127See, e.g., "Reshuffle or Musical Chairs?" ***Parade*** (Zimbabwe), August 1992, p. 3; and George Karoro, "Woes Blamed on Mugabe," *supra.*

128Quotation taken from remarks made by former U.S. Ambassador to Zimbabwe, James Rawlings, in an address to the Rotary Club of Harare Central, July 29, 1992. Unpublished.

129Tony Hawkins, "World Bank patient with a chance," ***The Financial Times,*** June 12, 1991, p. 5; and Hawkins, "Zimbabwe; Remodeling the Economy," p. 23.