

FINANCE, ECONOMIC PLANNING AND POWER IN ZIMBABWE, 1980-2013

GERALDINE JACQUILINE SIBANDA

SUBMITTED IN FULFILMENT OF THE REQUIREMENTS OF THE DOCTORAL
DEGREE QUALIFICATION IN AFRICA STUDIES IN THE CENTRE FOR AFRICA
STUDIES, FACULTY OF HUMANITIES, UNIVERSITY OF THE FREE STATE,
BLOEMFONTEIN

SUPERVISOR: PROF. IAN PHIMISTER

CO-SUPERVISORS: DR. SIBANENGI NCUBE

DR. STEPHANIE QUINN

DR. LOTTI NKOMO

JANUARY 2021

Dedications

To my daughter Wakanaka Thandolwenkosi Pearl, for being my muse. And to the memory of my late parents Betty Moyo and Gibson Sibanda, they would have been so proud.

TABLE OF CONTENTS

Abstract.....	i
Opsomming.....	ii
Acknowledgements.....	iii
Acronyms.....	v
List of Tables and Figures.....	vii

1. Chapter One

Introduction.....	1
Introduction: Unpacking the Nexus between Finance, Economic Planning and Power.....	1
Historiographical Review of Zimbabwe's Political and Economic Developments, 1980-2013.....	7
Reconciliation, The Inherited Economy and Examining the Socialist Rhetoric, 1980-1990 13.....	7
The Era of Structural Adjustment, 1991-1997.....	11
The Multifaceted Zimbabwe Crisis, 1997-2008.....	14
Economics and Politics of the Government of National Unity (GNU), 2009-2013.....	20
Sources and Methodological Considerations.....	23
Chapter Synopsis.....	27

2. Chapter Two

'The Zimbabwe Experiment': Inherited Systems, Direct Economic Planning and Government Expenditure, 1979-1985.....	31
Introduction.....	31
The Zimbabwe Experiment and Inherited Economic Management Systems.....	33
Zimbabwe Towards a New Order's Proposed Way Forward.....	38
The Zimbabwe Experiment's Economic Documents and Ideological Contestations for the New Zimbabwe.....	42

Financing the Zimbabwe Experiment.....	50
The International Economic Resources Conference on Zimbabwe (IERCZ).....	50
‘Economic Self-Reliance’ That Never Was: ZIMCORD, Aid, and the Genesis of Zimbabwe’s Debt Problem.....	52
Government Expenditure in the Era of the Zimbabwe Experiment.....	61
Recurrent Expenditure.....	65
Deficit Financing.....	74
Conclusion.....	78

3. Chapter Three

Planning Through the Market: Skewed Expenditure Structure and Fiscal Collapse, 1986-1997.....	80
Introduction.....	80
Planning through the Market.....	81
‘Politics! Everything was Politics’: Politics, Power and the Evolution of Economic Planning.....	82
Policy Continuities, Discontinuities and the Influence of IFIs.....	86
‘Zimbabwe is Credit Worthy and Generally Attractive to Investors’: External Financing of Zimbabwe’s Economic Structural Reform Programme.....	95
Outline of IFI External Financing, 1980-1990.....	95
Economic Structural Reform Financing, 1991-1997.....	98
Government Resource Allocation in the Era of Planning Through the Market.....	109
The Expenditure Paradox: Financing Production and Ballooning Recurrent Expenditure, 1985-1990.....	109
Galloping Recurrent Expenditure.....	109
Financing the Military, CIO and the Police.....	112
Missed Targets and Disguised Subsidies, 1990-1997.....	116
The Crisis of Persistent Recurrent Expenditure.....	116

Financing the Military, CIO and the Police 2.....	119
Conclusion.....	124

4. Chapter Four

Surviving International Isolation? Unorthodox State Financing, Currency Engineering and the RBZ’s Quasi-Fiscal Activities (QFAs), 1997-2009.....	125
Introduction.....	125
Losing the ‘IMF Stamp of Approval’ and the Disappearance of External Finance.....	127
Shift to the Domestic Market as a Source of Finance.....	136
‘Homegrown’ Economic Policies?.....	139
Unorthodox Economics: Monetary Policy as an Instrument of Financing the State, 2000-2003.....	145
Monetary Policy 1980-1999.....	145
‘The Gravity and Intensity of our national crises demand bold, unorthodox and creative Solutions’: The Beginning of Zimbabwe’s ‘Casino Economy’? 2000-2003.....	148
The Introduction of Pseudo Currencies.....	151
Entrenching the ‘Casino Economy’? The Politics of the RBZ’s Quasi-Fiscal Activities.....	155
‘For Now, The Game Is One of Survival’: Currency Rebasings and Currency Collapse.....	171
Conclusion.....	175

5. Chapter Five

‘We Eat What We Kill’? Economic Planning, International Reengagement and Government’s Spending Patterns during the Government of National Unity, 2009- 2013.....	177
Introduction.....	177
The Politics of Monetary Policy Reform.....	180
Economic Planning and International Reengagement.....	185
The Short -Term Emergency Recovery Programme (STERP) and the Zimbabwe Medium Term Plan (MTP).....	186

‘Humanitarian Plus Plus’: Reengagement, IFIs and the ‘Fishmongers’	194
‘We Engaged the IMF on Our Terms’? Debt Clearance and Zimbabwe’s Hybrid Debt Clearance Strategy.....	201
‘If all Zimbabweans are killing a Rat; Then You cannot expect to eat an Elephant’: Government Expenditure Patterns During the GNU.....	206
Deficits and Borrowing during the GNU.....	217
Conclusion.....	223
6. Chapter Six: Conclusion.....	225
Inherited Economic Management Systems, Power Retention and Odious Debt.....	225
Annexure One: Vote Descriptions, 1980-2013.....	239
Select Bibliography.....	242

Abstract

This thesis is an examination of economic planning, state finance and power in Zimbabwe up to 2013. It contributes to debates that unpack the nature of the postcolonial regime and how the economy was structured to ensure its survival. The thesis adds to this debate by arguing that an elite group manipulated economic planning and financial processes thereby keeping the regime in power during the period under review. The study utilises a wide selection of sources including reports from governmental and non-governmental bodies, parliamentary debates, correspondence, and interviews with former ministers and governors, to argue that this elite comprised cabinet, high-ranking civil servants, and IFIs. The elite made major economic policy and state finance decisions at the expense of the public and Parliament. Arranged chronologically, the thesis demonstrates the interlinkages of this class in different epochs. Similarly, the thesis demonstrates the importance of inherited economic management systems in shaping economic planning and state finance during the period under review as weaknesses in the systems provided ample room for the elite to manipulate these systems and ensure power retention. The study makes a sustained analysis of government's expenditure patterns revealing the regime's unsustainable spending patterns that created fiscal crises. Likewise, government revenue allocation patterns show cabinet's manipulation of inherited systems to finance the security sector at the expense of expenditure towards economic, infrastructure and social development. Due to unending fiscal crises, to finance its expenditure and ensure power retention, cabinet turned to fiddling with monetary policy since 2000 which included offloading bank reserves, money expansion, issuance of too many treasury bills, and what this thesis terms currency engineering, that is, the introduction of pseudo-currencies and currency rebasing. Finally, the thesis shows the role of IFIs in financing the postcolonial state which was heavily dependent on foreign borrowing since 1980. Together with IFIs, cabinet acquired debt not in the best interests of the population thereby making a compelling case for postcolonial odious debt. It concludes that both the inherited economic management systems and the power retention agenda accounted for Zimbabwe's economic and political predicament during the period under review.

Key words/phrases: economic planning, state finance, inherited economic management systems, odious debt, power retention, currency engineering

Opsomming

Hierdie tesis in 'n ondersoek van die ekonomiese beplanning, staatsfinansies, en mag in Zimbabwe tot en met 2013. Dit dra by tot debatte oor die aard van die postkoloniale regime en hoe die ekonomie gestruktureer was om oorlewing te verseker. Die tesis dra by tot hierdie debatte deur te argumenteer dat 'n elite groep ekonomiese beplanning en finansieële prosesse manipuleer het om sodoende die regime in die periode wat ondersoek word in mag te hou.

Hierdie studie maak gebruik van 'n wye verskeidenheid bronne wat verslae van regerings- en nie-regeringsliggame, parlementêre debatte, korrespondensie, en onderhoude met voormalige ministers en goewerneurs insluit, om te argumenteer dat hierdie elite uit kabinetslede, hooogepaalde staatsamptenare, en IFIs bestaan het. Die elite het grootskaalse besluite oor ekonomiese beleid en staatsfinansies geneem ten koste van die publiek en Parlement. Chronologies uiteengesit, demonstreer hierdie tesis die skakels van hierdie klas in verskeie periodes. Hierdie tesis stel die belangrik vas van inherente ekonomiese bestuurstelsels in die vorming van ekonomiese beplanning en staatsfinansies gedurende die periode wat ondersoek word, aangesien die swakhede daarvan die ruimte vir die elite gebied het om dit te manipuleer en die behoud van mag te verseker. Die studie maak ook 'n volgehoue ontleding van die uitgawepatrone van die regering wat die onvolhoubare bestedingspatrone van die regering wat fiskale krisis veroorsaak, openbaar. Net so toon die regeringsinkomstetoekenningspatrone die kabinet se manipulasie van geërfde stelsels om die sekuriteitsektor te finansier ten koste van uitgawes aan ekonomiese, infrastruktuur en sosiale ontwikkeling. As gevolg van onophoudelike fiskale krisis, om sy uitgawes te finansier en kragbehoud te verseker, het die kabinet hom tussen 2000 en 2008 besig gehou met monetêre beleid wat die aflaaier van bankreserwes, gelduitbreiding, die uitreiking van te veel skatkiswissels insluit, en wat hierdie tesis valuta-ontwerp noem, dit wil sê die bekendstelling van pseudo-geldeenhede en valutabeheer. Laastes toon die tesis die rol van IFI's in die finansiering van die postkoloniale staat wat sedert 1980 hoogs afhanklik was van buitelandse lenings. Saam met IFI's het die kabinet skuld aangeskaf wat nie in die beste belang van die bevolking was nie, wat 'n dwingende saak gemaak het vir postkoloniale onheilspellende skuld. Dit kom tot die gevolgtrekking dat beide die geërfde ekonomiese bestuurstelsels en die magsbehoudagenda verantwoordelik is vir die ekonomiese en politieke verknorsing van Zimbabwe gedurende die periode wat ondersoek.

Sluteltermes: ekonomiese beplanning, staatsfinansies, geërfde ekonomiese bestuurstelsels, onheilspellende skuld, magsbehoud, valuta-ontwerp

Acknowledgements

It is nearly impossible to express my gratitude the exact way I feel it to the people that have seen me through this long and arduous journey. I am alive to the reality that even if I had an infinite number of lives I would be unable to make them fully comprehend how grateful I am - so all I can say is 'thank you'.

Prof Ian Phimister gave me an opportunity to study at a place academics can only dream of; that plenty of room for academic growth and excellence in the least stressful environment. So ably administered by Mrs Ilse Le Roux and Mrs Tarisai Masakure, without whom my experience would have been torrid, I cannot thank them enough. As my supervisor, Prof Phimister so graciously shared his wealth of experience/knowledge and proffered advice that sharpened my writing and analytical thinking. His patience and support will never be forgotten. My co-supervisors, Drs Stephanie Quinn, Lotti Nkomo and Sibanengi Ncube read my work diligently and gave advice contributing immensely to what my thesis is today. I express profound gratitude to Dr Ncube whose camaraderie was crucial in the last year of my PhD. He accompanied me to one too many unwelcome hospital visits and for that I am most grateful. Colleagues and friends at the ISG cheered me on but in all honesty, what really helped was that I was always relieved to see so many people suffering as much as I was: Unaludo Sechele, Priscilla Machinga, Honest Koke, Ruhan Fourie and Victor Gwande are much appreciated.

I had the opportunity to interview individuals central to Zimbabwe's postcolonial history, I am grateful to each of them for patiently indulging my curious mind. Staff members at the different libraries I accessed were all very helpful. I will single out Bernard Marara at the RBZ Library, Kudakwashe Mazuru at the Herald Library and John Mvundura at the Parliament of Zimbabwe Library, dedicated so much time to scouting through the dusty libraries to find my material, without them I would not have collected as much material as I did.

The support I received from my friends and family was more than I could have imagined. My oldest friends Gertrude Bepswa and Jacqueline Misaba Ndlela have provided me with 20 and 16 years, respectively, of love, support and encouragement seeing me through many difficult journeys including this one. Rumbidzai Mukora Nyamayemombe, an amazing woman and friend who stepped up when I needed her the most, whose faithfulness I could never repay. The solidarity, encouragement provided by Joyline Kufandirori, Toendepi Shonhe and Arnold Tsunga is much appreciated.

My baby sister Phindile Ncube, went above and beyond for me in ways that are unimaginable. I am extremely grateful to *mam'ncane* Gertrude Moyo, whose love and support saw me through. And many thanks to my daughter whose courage and discipline especially in my absence has me lost for words.

I pay tribute to my parents. My father always said '*thina abako Sibanda sibonakala ngokuthanda isikolo*'. But beyond stating that our clan was known for its love for education, it was my mother who put in the work and made sure I was part of the furniture at the Bulawayo Public Library from as far back as I can remember. She also never missed an opportunity to tell me 'no guts, no glory'. Today I thank them both for making me a lover of books, it is a pity they are not here to share in the fruits of their labour.

Finally, I thank God for helping me tap into inner strength even I did not know I possessed.

Acronyms

AfDB	African Development Bank
BWIs	Bretton Woods Institutions
ESAP	Economic Structural Adjustment Programme
FER	Framework for Economic Reform
GNU	Government of National Unity
GPA	Global Political Agreement
HIPC	Highly Indebted Poor Countries
IBRD	International Bank of Reconstruction and Development
IDA	International Development Agency
IFIs	International Financial Institutions
IMF	International Monetary Fund
LHA	Lancaster House Agreement
MDC	Movement for Democratic Change
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MTP	Medium Term Plan
NECF	National Economic Consultative Forum
NEDPP	National Economic Development Priority Programme
NEPC	National Economic Planning Commission
NERC	National Economic Recovery Council
NERP	National Economic Revival Programme
OPIC	Overseas Private Investment Corporation
PIPP	Promotion of Investment: Policy and Procedures
PSIP	Public Sector Investment Programme
QFAs	Quasi-Fiscal Activities
RBZ	Reserve Bank of Zimbabwe
SDR	Special Drawing Rights
SFYNDP	Second Five-Year National Development Plan
SMP	Staff Monitored Programme

STERP	Short Term Emergency Recovery Plan
TNDP	Transitional Development Plan
TNF	Tripartite Negotiating Forum
ZAADDs	Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy
ZANU-PF	Zimbabwe African National Union-Patriotic Front
ZCTU	Zimbabwe Congress of Trade Unions
ZiDERA	Zimbabwe Democracy and Economic Recovery Act
ZIMCORD	Zimbabwe Conference on Reconstruction and Development
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZNSC	Zimbabwe National Security Council

List of Tables and Figures

Table 2.1: Capital Funding Programme Requirements (In Thousands of ZWD Dollars).....	55
Table 2.2: Multilateral and Bilateral Loans and Grants Disbursed, 1980-1985 (In USD).....	57
Table 2.3: Salaries Vote 20 and 21.....	70
Table 3.1: Total Loans Disbursed By Sector, 1980-1990.....	96
Table 3.2: Total Multilateral and Bilateral Loans Disbursed By Sector, 1991-2000.....	99
Table 3.3: Annual Debt, 1985-1997.....	103
Table 4.1 Multilateral Financial Institutions Disbursements (US\$).....	135
Table 4.2: Current and Capital Accounts of the Balance Of Payments (US Millions).....	144
Table 4.3: Distribution of Equipment: Phase 1 To 4.....	157
Table 4.4: Strategic Imports by the RBZ.....	159
Table 4.5: RBZ Vehicle Allocation.....	162
Table 5.1: A-MDTF Cumulative Disbursements US\$ TO 30 September 2012.....	198
Table 5.2: Disbursed Funds UNICEF Funds as at Nov 2012 US\$.....	199
Table 5.3: Revenue and Grants of Central Government, US\$.....	200
Table 5.4: Total Debt by Debtor (Including All Arrears and Penalties) US\$ Millions.....	200
Table 5.5: Actual Expenditures 2009 – 2013 in US\$ Millions.....	212
Figure 2. 1: External Debt, 1979-1985.....	58
Figure 2.2: Loan Repayments (ZW\$).....	59
Figure 2.3: Vote Six Annual Budget Allocations, 1979-85.....	62
Figure 2.4: Salaries Expenditure, 1979-1985.....	68
Figure 2.5: Vote 20 Salaries Vs Grants.....	70
Figure 2.6: Vote 21 Salaries Vs Grants.....	71
Figure 2.7: Subsidies In Relation To Budgets.....	72

Figure 2. 8: Budget Deficit.....	75
Figure 3.1: Service of Debt Vs Loan Repayments, 1985-90.....	98
Figure 3.2: Total Service of Debt Vs Loa Repayments, 1990-97.....	104
Figure 3.3: Interest Vs Loan Repayments, 1985-1997.....	105
Figure 3.4: Total Debt Repayments Vs National Budgets.....	106
Figure 3.5: Salaries Vs Total Budget, 1985-1990.....	112
Figure 3.6: Select Expenditure, 1985-90.....	115
Figure 3.7: Salaries Vs Total Budget, 1990-1997.....	118
Figure 3.8: Select Expenditure, 1990-97.....	121
Figure 4.1: Annual Inflation, 1998-2006.....	138
Figure 5.1: Actual Expenditure % of Budget, 2009-2013.....	213

Chapter One: Introduction

1.1 Introduction: Unpacking the Nexus between Finance, Economic Planning and Power

Since independence in 1980, the Zimbabwe government has formulated 20 economic plans and policy blueprints. The *Zimbabwe Transitional Stabilisation Programme (TSP)* of 2018-2020 was anchored on the Sustainable Development Goals and Agenda 2063 and envisaged private sector-led development complemented by fiscal consolidation and consistency between fiscal and monetary policy.¹ However, at the time of writing, Zimbabwe is submerged in economic and political turmoil. According to the Reserve Bank of Zimbabwe (RBZ), as at September 2020, annual inflation stood at 659.4% after peaking at 837.53% in July 2020.² These high inflation levels are happening barely 15 years after Zimbabwe registered the second-highest hyperinflationary figures in history. The country is also grappling with currency instability and fluctuating foreign exchange rates in both the formal and informal markets.³ In the political arena, volatility and polarization continue, including victimization, arrests of those in the opposition movement, and constricted freedom of speech and association.⁴ The military perpetrates violence on civilians, cementing military-rule in the country.⁵ It is within this context that this thesis historicizes the changing faces of Zimbabwe's economic planning, state finance and power, seeking to understand the nexus between these three elements between 1980 and 2013.

¹GoZ, *Zimbabwe Transitional Stabilisation Programme: Towards a Prosperous & Empowered Upper Middle-Income Society by 2030 (October 2018 – December 2020)*, 5 October 2018. The Zimbabwe Development Strategy (1), 2021-2025 was launched on the 18th of November 2020.

²See <https://www.rbz.co.zw/index.php/research/markets/inflation>. Accessed 15 October 2020.

³On the 24th of June 2019 through Statutory Instrument (SI) 142, the government officially removed the multi-currency system replacing it with the Zimbabwe dollar (ZWL). In its current state the ZWL comprises of bond notes, bond coins and the Real Time Gross Settlement dollar ((RTGS\$) with the latter officially designated as the unit of account for both the private and public sector. See RBZ, *2019 Mid-Term Monetary Policy Statement: Transition to Normalcy*, 13 September 2019. On 23 June 2020 the foreign exchange auction system was introduced, as of October 2020, the ZWL is officially trading at ZWL81.3 to USD1, while on the parallel market the ZWL is at around ZWL90 to USD1.

⁴Several labour, student, political activists, and citizens have been arrested since 2018 for an assortment of political reasons. These arrests happened a few months after the coming into power of the current government through a military coup, in November 2017, after which disputed elections were held on the 30th of July 2018.

⁵ On the 1st of August 2018, 6 unarmed civilians were shot and killed by the military, others were injured, during a demonstration in Harare culminating in the Motlanthe Commission whose recommendations have not been implemented to this day, see Derek Matyszak, 'The Motlanthe Commission Anniversary of Shame', *ISS Today*, 12 August 2019. In January 2019, unconfirmed reports suggest that the military killed between 12 and 17 unarmed civilians during demonstrations, see Human Rights Watch, *Zimbabwe: Excessive Force Used Against Protesters*, 12 March 2019.

This thesis provides a sustained analysis of economic planning, state finance and power in postcolonial Zimbabwe up to 2013. It does this in four ways. Firstly, it traces economic policy developments during the period under review. In the process, the thesis examines the economic planning processes, the key actors determining economic policy and the factors influencing both economic policy and economic planning processes between 1980 and 2013. Secondly, it provides a sustained analysis of the state's revenue allocation patterns. By tracing the government's major expenditure items, it questions if expenditure was representative of the prevailing economic policy plan and or blueprint. Thirdly, the role of multilateral and bilateral partners in Zimbabwe, in as far as they contributed to state finance and economic planning is analysed. The study investigates government-donor relations and how these have shaped economic and financial processes in the country. Finally, the thesis questions the role of politics and political calculus in determining economic planning and state finance throughout the period under review.

To understand the link between economics and politics, the thesis uses the notion of economic planning. W Arthur Lewis defined the notion of economic planning as '...government action designed to secure results different from those of the market'.⁶ It had its genesis in Europe following the end of the Second World War, as solutions on achieving economic development in a Europe ravaged by war and facing unprecedented levels of poverty were sought. It had its roots in the Soviet Union but diffused to the rest of Europe following the failure of the market, particularly the catastrophic impact of the Great Depression between 1929 and 1932.⁷ Advocates of planning in the developing world blamed the '...anarchistic nature of capitalism for the slow pace of growth'.⁸ It was widely believed that future economic projections had to be outlined in well-articulated economic plan documents or economic blueprints as the market could not guarantee economic growth.⁹ As a result, ministries of economic planning were established in many newly independent states.¹⁰ This thesis will thus understand economic

⁶W. Arthur Lewis quoted in Alan Budd, *The Politics of Economic Planning*, (Manchester: Manchester University Press, 1978), p14.

⁷For more on economic planning see among many others, Daniel Ritschel, *The Politics of Planning: The Debate on Economic Planning in Britain in the 1930s*, (Oxford: Clarendon Press, 1997). W. Arthur Lewis, *The Principles of Economic Planning*, (London: Routledge, 2003).

⁸Bill Gibson, 'Economic Planning in Developing Economies', Amitava Krishna Dutt and Jaime Ros (eds), *International Handbook of Development Economics*, Volume 1, Number 1, 2008, p3.

⁹Syrous K Kroos and Laura M Badeaux, 'Economic Development Planning Models: A Comparative Assessment', *International Research Journal of Finance and Economics*, Issue 7, 2007, p120.

¹⁰Ghana established a Ministry of Economic Planning in 1957 with W. Arthur Lewis as Kwame Nkrumah's economic advisor in 1957-1958 before leaving Ghana frustrated citing Nkrumah's inclination towards patronage over economic and fiscal realism. See Robert L. Tignor, *W. Arthur Lewis and the Birth of Development Economics*, (New Jersey: Princeton University Press, 2006).

planning through an analysis of both the main economic plans and economic policy documents.¹¹ It will trace the policy continuities and discontinuities over time, while also questioning the widely accepted view that Zimbabwe has had good but unimplemented economic policy documents.¹² Consequently, the thesis will examine the politics of the economic planning process, questioning the factors that influenced the planning process during the period under review.

Economic planning is also understood through an analysis of the state's expenditure patterns and the extent to which the patterns were representative of the prevailing economic plan or economic policy blueprint. To this end, the thesis provides an analysis of the government's revenue allocation patterns over time using budget statements (fiscal policy statements) and estimates of expenditure bringing out a sustained analysis of the state's utilisation of its revenue during the period under review.¹³ It also carries out an in-depth study of the estimates of expenditure seeking to understand the factors that accounted for the budget structure. Apart from the revenue allocation, the thesis investigates how fiscal and monetary policies were deployed as tools of economic management i.e. did the state adhere to the orthodox role of monetary and fiscal policy? Orthodox economics, for example, emphasizes the sanctity of central bank independence, its sacred responsibility to provide the national currency, its duty to monitor price stability (inflation or deflation), interest and foreign exchange rates, through among other things, the maintenance of balanced levels of money supply (M3).¹⁴ The thesis thus seeks to understand the extent to which the state adhered to such dictates during the period under review.

Intricately linked to state finance, is the role of multilateral and bilateral partners in Zimbabwe's economy, particularly the contributions these institutions have made to the state's finances. Whilst it is near impossible to fully account for why, and how multilateral and bilateral partners

¹¹A similar study was conducted in Nigeria - Toyin Falola, *Development Planning and Decolonization in Nigeria*, (Gainsville: University of Florida Press, 1997).

¹²This view has not only been expressed in public but also in government quarters including in some policy documents see for example GoZ, *National Economic Development Priority Programme (NEDPP): A Public/Private Sector Partnership*, March 2006. GoZ, *Zimbabwe Medium Term Plan, 2011-2015*, Foreword by Prime Minister Morgan Tsvangirayi, 2011, p (v). Secondary literature has made similar conclusions see for example, Vusumuzi Sibanda and Ranganayi Makwata, *Zimbabwe Post-Independence Economic Policies: A Critical Review*, (Saarbrücken: Lap Lambert Academic Publishing, 2016).

¹³ In Zimbabwe like in many countries, the state's major source of revenue is taxation and licensing. However, these revenue collection mechanisms are beyond the scope of this thesis.

¹⁴Scholars have challenged the suitability of the universal standards set out for the management of central banks see among others Gerald Epstein, 'Central Banks as Agents of Economic Development', Ha Joon Chang (ed), *Institutional Change and Economic Development*, (Tokyo: United Nations University Press, 2007).

intervene in Zimbabwe or any other country, the common thread has been that they have been involved in financing the state through the provision of aid.¹⁵ State finance by donors in Zimbabwe has been provided either directly through budget support and programme based support or indirectly through, among other methods, the creation of trust funds set up and administered outside the government. Direct government support is through the provision of both loans and grants, with the former being the most common means of support until 2002.¹⁶ Despite the end of direct budget support, Zimbabwe is one of the many third-world countries that have failed to escape the debt trap that has evolved since the 1970s.¹⁷ In 2019, the country's debt stood at an estimated USD7.733.8 billion, with more than 75% being in arrears and Zimbabwe falling in the category of countries referred to as in 'debt distress'.¹⁸

Following the failure of traditional debt clearance strategies and continued defaulting by countries in debt distress, the BWIs introduced the Highly Indebted Poor Countries (HIPC) initiative in 1996 with the 'aim of ensuring that no poor country faces a debt burden it cannot manage.'¹⁹ According to the BWIs, to be HIPC-eligible, countries must have the ability to

¹⁵Aid has been topical in literature worldwide. Scholars against aid in its various forms and for various reasons have emerged see among many others, Dambisa Moyo, *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*, (New York: Farrar, Straus and Giroux, 2009). Hakima Abbas and Yves Niyiragira (eds), *Aid to Africa: Redeemer or Coloniser?* (Dakar: Pambazuka, 2009).

¹⁶ **Table 4.1** in this thesis shows that direct government support began its gradual decline in 1997 and was cut off completely from 2002 to 2006. **Table 5.3** shows that between 2007 and 2013, the government only received meagre external support in 2009.

¹⁷ Many developing countries, especially those in Sub-Saharan Africa, are in varying forms of acute debt owed to multilateral institutions such as the Bretton Woods Institutions (BWIs) and the African Development Bank (AfDB), as well as Paris Club and Non-Paris Club members. This acute debt has become known as the debt trap as countries are too over borrowed to pay for their loans or to acquire new ones. The journey towards the debt trap has been discussed extensively in the literature. In 2000 the plight of countries in debt was turned into an advocacy platform called the Jubilee 2000 Campaign, which campaign is in place to this day. Jubilee 2000 advocated debt cancellation on the grounds of among other things, unjust loan agreements, illegitimate debt and in some cases odious debt. Other organisations advocating justice for a resolution built along the lines of the Jubilee 2000 Campaign include the European Network on Debt and Development (EURODAD), African Forum and Network on Debt and Development (AFRODAD), and in the specific case of Zimbabwe, the Zimbabwe Coalition on Debt and Development (ZIMCODD). See among many others Martin Dent and Bill Peters, *The Crisis of Poverty and Debt in the Third World*, (Aldershot: Ashgate Publishing Company, 1999). Chris Jochnick & Fraser A Preston (eds), *Sovereign Debt at the Crossroads: Challenges and Proposals for Resolving the Third World Debt Crisis*, (Oxford: Oxford University Press, 2006). David Graeber, *Debt: The First 5000 Years*, (New York: Melville House, 2011).

¹⁸ Response to questions by RBZ Debt Management Office. Also see ZIMCODD, *Sustainable and Inclusive Debt Management for Zimbabwe [SIDMaF]: A Civil Society Perspective on Debt Resolution*, 2019. The government is currently implementing, with little success the Bali Debt Resolution Strategy agreed on in Bali between Zimbabwe and the BWIs.

¹⁹ For more on traditional debt relief methods and the transition to HIPC see among many others, James Boyce and Leonce Ndikumana, 'Africa's Debt: Who Owes Whom', Gerald Epstein, *Capital Flight and Capital Controls in Developing Countries*, (Massachusetts: Edward Elgar Publishing, 2005), pp337-339. William Easterly, 'How Did Heavily Indebted Poor Countries Become Heavily Indebted? Reviewing Two Decades of Debt Relief', *World*

borrow from the World Bank's International Development Agency (IDA) and the IMF's Poverty Reduction and Growth Trust (PRGT). Another critical condition is a reputable track record of reform under an IMF or World Bank-supported programme. Regardless of its actual HIPC status, a country in debt distress must declare HIPC and request the implementation of a HIPC programme.²⁰ Like all programmes from the BWIs, the HIPC initiative is accompanied by the implementation of reforms pinned on structural adjustment and institutional reform. This thesis, therefore, historicizes the genesis of Zimbabwe's debt, including the intricacies of Zimbabwe's inherited debt. It mainly traces the evolution of postcolonial debt bringing out the changing attitudes of the multilateral and bilateral partners as well as divided voices of members of cabinet and Parliament, in the accrual of debt. In unpacking Zimbabwe's debt, this thesis is the first work to look at debt repayments in relation to the rest of the budget and not the debt service ratio, which ratio has the limitation of not factoring in other expenditure items that rely on the same foreign exchange earnings. By so doing, it questions if the government could afford to acquire more debt. Given the dynamics of debt accrual, the relationship between the state and multilateral and bilateral partners, and the state's resource allocation patterns, the thesis begs the question who must be liable for the repayment of Zimbabwe's debt?

Indirect financing by donors increased since 2000 culminating in the formulation of multi-donor trust funds. Multi-donor trust funds take the form of grants that support humanitarian efforts and infrastructure development. To this day aid to Zimbabwe is primarily provided through trust funds with the World Bank administering the current fund called the Zimbabwe Reconstruction Fund (Zim-Ref), established in May 2014.²¹ The different types of multi-donor trust funds set up between 2009 and 2013 are analysed in detail in this study, by so doing, the study examines the changes in multilateral and bilateral financing strategies, from predominantly government and budget support between 1980 and 1997 to a lull in donor support between 1997 and 2007 and the various forms of humanitarian support administered through multi-donor trust funds between c.2009-2013. The thesis also analyses the evolution of government-donor relations, thereby entering the contentious sanctions debate.

Development, Volume 30, Number 10, pp. 1677–1696, 2002. IMF, *Handbook of IMF Facilities For Low Income Countries*, March 2016, p157.

²⁰ In 2005, the HIPC programme was supplemented by the Multilateral Debt Relief Initiative (MDRI) initiative for 100% debt relief but only offered to countries that have reached the HIPC completion point.

<https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative>. Accessed on 20 October 2020.

²¹<https://www.worldbank.org/en/programs/zimbabwe-reconstruction-fund>. Accessed on 20 October 2020.

Apart from the financing role these donors have played, the thesis explores their involvement in shaping politics and economic planning in Zimbabwe. It questions how some inherited economic management systems shaped the economy during the period under review. Such economic management systems are anchored on National Income Accounting (NIA) and United Nations System of National Accounting (UNSNA).²² These inherited processes dictate that countries take stock of their economic transactions to measure the economic activity collectively conflating such activity as the Gross Domestic Product (GDP).²³ The framework concentrates on measuring developments in the formal sectors by detailing income, output and expenditure within an economy. According to these frameworks, to achieve a healthy or high GDP, structural adjustment policies must be in place including trade liberalisation, austerity and measured currency stabilization policies. Ironically, these policies, which Ha Joon Chang refers to as 'identikit policies', tend to ignore institutional differences in countries, have largely failed. Yet they continue to be implemented by governments in developing countries including Zimbabwe.²⁴ Chief among the shortcomings of these universal approaches is that they ignore the rural and informal sectors characterising most developing countries, including Zimbabwe, because these sectors are not viewed as crucial in the development trajectory. This thesis unpacks Zimbabwe's case bringing to the fore how government-donor relations influenced

²²Simon Kuznets in America popularized NIA as well as Richard Stone and James Meade in England in the 1930s and 1940s. African national income accounts were first calculated in the 1940s by Phyllis Deane. Among the first countries to have their NIAs calculated were Zambia, Nyasaland and Nigeria. NIA is also called National Income and Social Accounting or simply social accounting. The UN relied a great deal on these earlier reports and commissioned the Oliver Stone report published in 1953 setting the tone for the UNSNA. For detailed debates on the origins of the NIA and its evolution see among many others, Phyllis Deane, *The Measurement of Colonial National Incomes: An Experiment*, National Institute of Economic and Social Research, Occasional Papers, 12 (Cambridge: Cambridge University Press, 1948). UN Economic Affairs Department, 'The Oliver Stone Report: A System of National Accounts and Supporting Tables', 1953. Phyllis Deane, *Colonial Social Accounting*, Cambridge University Press, 1953. Erik Lundberg, 'Simon Kuznets' Contribution to Economics', *The Swedish Journal of Economics*, Volume 73, Number 4, 1971, pp. 444-461.

²³Scholars have looked at the political economy of economic statistics questioning among other aspects, the applicability of these calculations within the African context, arguing that they are not fully representative of the income and growth levels as they do not account for many other forms of income generating activities found in African societies. They also argue that the inaccuracy of statistics makes them very unreliable such that they cannot be fully trusted to inform development policy. For these and other debates see among others, Morten Jerven, *Poor Numbers: How We Are Misled by African Statistics and What to Do About It*, (Cornell: Cornell University Press, 2013). Alden Young, 'Measuring the Sudanese Economy: A Focus on National Growth Rates and Regional Inequality, 1959–1964', *Canadian Journal of Development Studies*, Volume 35, Number 1, 2014. Gerardo Sera, 'An Uneven Statistical Topography: The Political Economy of Household Budget Surveys in Late Colonial Ghana, 1951–1957', *Canadian Journal of Development Studies*, Volume 35, Number 1, 2014. Mary S Morgan, "Seeking Parts, Looking for Wholes", Lorraine Datson and Elizabeth Lunbeck, (eds), *Histories of Scientific Observation* (Chicago: University of Chicago Press, 2015).

²⁴ Ha Joon Chang, 'Institutional Change and Economic Development Change: An Introduction', Ha Joon Chang (ed), *Institutional Change and Economic Development*, pp1-2.

economic policy and economic planning processes.²⁵ In so doing, the thesis will also interrogate the extent to which policy changes within the multilateral institutions themselves, and how these influenced their attitude towards Zimbabwe. The BWIs, for example, have gone through internal policy changes having originally been strictly centred on the provision of aid under the Marshall Plan, starting with support to the Organisation of European Economic Cooperation countries, on condition that they stabilized their currencies and implemented trade liberalisation.²⁶ Strategies with similar conditions were imported to Africa and the rest of the world in the 1970s, harmonized under the Structural Adjustment Programme (SAPs) package. The catastrophic failure of SAPs in Africa and Latin America, resulted in a new package that of 'good governance' which exists in various modifications to this day.

Finally, the thesis interrogates the role of politics and politicians in economic planning and state finance as the latter are in charge of the executive and legislature, critical arms of government responsible for various government processes. It questions if politicians, political calculus and other political interests influenced economic policy, state finance including revenue allocations and government-donor relations. By so doing, the thesis contributes to the growing body of literature that seeks to understand the nature of the postcolonial state and the factors that have influenced its survival.

1.2 Historiographical Review of Zimbabwe's Political and Economic Developments, 1980-2013

Zimbabwe has generated much scholarly attention resulting in a myriad of literature analysing economic and political developments since 1980. Scholars have discussed these developments episodically. There is agreement that there are four phases between 1980 and 2013 categorized as the first decade, the years between 1990 and 1997, 1997 to 2008 and 2009 to 2013. Literature in these periods will be discussed in turn.

1.2.1 Reconciliation, the Inherited Economy, and Examining the Socialist Rhetoric, 1980-1990

Scholars are generally agreed that government policy regarding land, the place of the black majority and the attitude of the state towards the white minority remained intact for the first

²⁵ See Tinashe Nyamunda and Geraldine Sibanda, 'The Making of Zimbabwe's Currency and Economic Crisis: International Financial Architecture, Nationalism and Economic Policies 1980-2000', Blessing Miles Tendi, *et al* (eds), *The Oxford Handbook of Zimbabwean Politics*, (Oxford: Oxford University Press, 2020), pp4-5, 16.

²⁶ Barry Eichengreen, 'The Rise and Fall of the Bretton Woods System', Randall E Parker and Robert Whalpes (eds), *Routledge Handbook of Major Events in Economic History*, (New York: Routledge, 2013), p277.

ten years of independence. Scholars also agree that such a relationship was determined by the Lancaster House Agreement which included the 'willing buyer willing seller' clause and reserved 20 parliamentary seats for the Republican Front.²⁷ The attitude of the state towards the white minority is thus depicted as that of reconciliation.²⁸ Ibbo Mandaza stated that the truce between the races in the first few years of independence was a result of the 'government predicament,' where the government was faced with the need to balance between promises it made to the electorate and the need to prevent capital flight as had happened in former Portuguese colonies.²⁹ Whilst Jeffrey Herbst contended that the government made a calculated 'bargain with whites' which entailed the understanding that whites in Zimbabwe at the time of independence could stay and continue their economic activity undisturbed, while their offspring could not.³⁰ According to Herbst, this 'bargain' would guard against total economic collapse, to bring about an economy built out of the 'reconciliation of interests' of both races.³¹ These scholars attribute the reconciliation policy to economic and political considerations by the nationalist parties negating international geopolitics and the pressure from the global North, most notably the United States of America. Bond and Manyanya note that more than anything else, the idea to create, a 'model country,' to serve as an example to South Africa, was an idea championed by the global North bent on winning the Cold War.³² It is this latter argument that this thesis builds upon through the use of American and British Parliamentary Debates that reveal the existence of the 'Zimbabwe experiment'. The global North sought to use Zimbabwe

²⁷ Henry Wiseman and Alastair M. Taylor, *From Rhodesia to Zimbabwe: The Politics of Transition*, (New York: Pergamon Press, 1981).

²⁸ Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, (Dakar: CODESRIA, 1986). Victor De Waal, *The Politics of Reconciliation: Zimbabwe's First Decade*, (London: Hurt & Company, 1990). Brian Raftopoulos, 'Unreconciled Differences: The Limits of Reconciliation Politics in Zimbabwe', Brian Raftopoulos and Tyrone Savage, *Zimbabwe: Injustice and Political Reconciliation*, (Cape Town: Institute for Justice and Reconciliation, 2004). The same reconciliation policy was not extended to fellow black ex-combatants and civilians. Beginning in 1982, Mugabe unleashed the 5th Brigade on the Ndebele speaking people of Matabeleland and Midlands in massacres that collectively became known as the *Gukurahundi*. See among others, Norma Kriger, *Guerrilla Veterans in Post-War Zimbabwe Symbolic and Violent Politics, 1980–1987*, (London: Cambridge University Press, 2003). Ian Phimister, 'The Making and Meanings of the Massacres in Matabeleland', *Development Dialogue – Revisiting the Heart of Darkness*, Volume 50, Number 1, 2008 pp197-215. Hazel Cameron, 'The Matabeleland Massacres: Britain's Wilful Blindness', in the *International History Review*, Volume 40, Number 1, 2018, pp 1-19. Dumisani Ngwenya, *Healing the Wounds of Gukurahundi in Zimbabwe – A Participatory Action Research Project*, (Wandsbeck: Springer International Publishing, 2018). Masipula Sithole detailed the violence that was extended towards political opponents during the elections, Masipula Sithole, 'The General Elections: 1979-1985', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp75-99.

²⁹Ibbo Mandaza, 'Introduction: The Political Economy of Transition' in Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp1-20.

³⁰ This is in line with the overall argument he makes on the centralized nature of decision making in the hands of Cabinet. Jeffrey Herbst, *State Politics in Zimbabwe*, (Berkeley: University of California Press, 1990), pp222-224, 232-233, 240.

³¹ *Ibid*, p226.

³²Patrick Bond and Masimba Manyanya, *Zimbabwe's Plunge: Exhausted Nationalism, Neoliberalism and the Search for Social Justice*, (Harare: Weaver Press, 2003).

as the perfect example of a thriving economy where both blacks and whites are economically active. While scholars detail the political implications of the Lancaster House Agreement, analysis on its fiscal implications remains limited. This thesis will concentrate on providing the latter, demonstrating that where resource allocation was concerned, the Agreement aided the concentration of power in the hands of Cabinet at the expense of Parliament.

Scholars writing on the first decade are also preoccupied with examining the inherited economic structure as well as explaining the economic growth fluctuations that occurred in the first decade. The inherited economy was diversified and dominated by the interlinked sectors of manufacturing, agriculture and mining.³³ Stoneman and Rob Davies, however, note that amid such diversification and prospective high levels of economic growth, the economy was mostly in the hands of non-Zimbabweans; therefore political independence only offered 'token compensations' to the black majority.³⁴ Chapters in Mandaza's edited volume concur that due to the exclusion, the expected fruits of independence, that included control of the means of production by the majority, did not trickle down to the black majority as the masses were helped and not empowered.³⁵ Instead of economic growth, the economy began a downward trend in 1982/83 that has been explained by Edward Brett, Roger Riddell and others were characterised by overspending, deficit, over-reliance on foreign aid and subsequent increase in debt.³⁶ Part of the debt registered during these early years was inherited debt, a subject that is analysed in great detail by lawyers Karen Openshaw and Patrick Terry.³⁷ They are the only scholars to argue that the new regime would have been justified in repudiating colonial debt as it had good reason to invoke the odious debt doctrine. According to them, the doctrine would have been applicable to debt accrued in the post-UDI period without the knowledge or consent of the

³³Colin Stoneman (ed), *Zimbabwe's Inheritance*, (New York: St Martin's Press, 1981). Also see Godfrey Kanyenze, 'The Performance of the Zimbabwe Economy, 1980-2000' in Staffan Darnolf and Liisa Laakso (eds), *Twenty Years of Independence in Zimbabwe: From Liberation to Authoritarianism*, (New York: Palgrave Macmillan, 2003).

³⁴ Colin Stoneman and Rob Davies, 'The Economy an Overview', Colin Stoneman (ed) *Zimbabwe's Inheritance*, pp95-127, p124. Stoneman and Cliffe unpack the same phenomenon describing it as the 'inherited dual structure'. Colin Stoneman and Lionel Cliffe, *Zimbabwe: Politics, Economics and Society*, pp129-152.

³⁵ Xavier Kadhani, 'The Economy: Issues, Problems and Prospects', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp99-123. Theresa Chimombe, 'Foreign Capital', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp123-141.

³⁶ Rodger C Riddell, 'Zimbabwe: The Economy Four Years After Independence', *African Affairs*, Volume 83, Number 333, 1984. Edward A Brett, 'From Corporatism to Liberalization in Zimbabwe: Economic Policy Regimes and Political Crisis, 1980-97', *International Political Science Review*, Volume 26, Number 1, 2005, pp 91-106. Godfrey Kanyenze *et al* (eds), *Beyond the Enclave: Towards a Pro-poor ND Inclusive Development Strategy for Zimbabwe*, (Harare: Weaver Press, 2012).

³⁷ Karen Openshaw and Patrick Terry, 'Zimbabwe's Odious Inheritance: Debt and Unequal Land Distribution', *McGill International Journal of Sustainable Development Law*, Volume 11, Number 1, 2015.

majority and channelled towards war and subjugation.³⁸ According to them, the odious debt would also have been applicable given the unequal land distribution patterns that demonstrated years of discrimination against the black population.³⁹ In concurring with Brett, Riddell and Kanyenze, this thesis provides a sustained analysis of Zimbabwe's expenditure patterns demonstrating the excessive drain debt repayments had on the fiscus as the state utilised significant amounts to repay debt avoiding rescheduling. However, it did this at the expense of critical expenditure towards, for example, infrastructure and the productive sectors.

Linked to the inherited economic structure, scholars have debated the economic path pursued in the first ten years of independence. Following an analysis of both government policy documents and implementation mechanisms in various sectors, chapters in the volume edited by Mandaza conclude that socialism remained rhetoric because practically, there was a continuation of capitalism.⁴⁰ Authors agree that a powerful bourgeoisie consisting of politicians and the politically connected created conflicting class interests that slowed down the transformation process.⁴¹ Andre Astrow argues that the colonial capitalist structure was maintained after independence at the expense of the lower classes, particularly the workers and the peasants.⁴² He contends that the socialist path in Zimbabwe was hindered by the existence of a bourgeoisie that had amassed power during the liberation struggle. According to Astrow, the liberation struggle was not based on anti-capitalism. The aim of the petit-bourgeois leadership was not to 'overthrow capitalist relations of production, but to remove the discriminatory structures of settler society'. The armed struggle was, therefore, a 'means of speeding up *political* not *social* change'. For this reason, the radical social transformation was not at the top of the new government's priority list.⁴³

³⁸*Ibid* see for example pp45-46, 63.

³⁹ *Ibid*. The debate on debt also drew in Bond and Manyanya who explain its inheritance as pressure from foreign capital and international bankers and the nationalist's eagerness to please the West. On the other hand, Hevina Dashwood argues that the new regime had the option to refuse to inherit the debt but calculated that the cost was too high as such refusal would come with isolation from the West.

⁴⁰For example, Sam Moyo writing on land, Clever Mumbengegwi on agriculture, Daniel Ndelela on industry and Xavier Kadhani on the economy reach these conclusions. Sam Moyo, 'The Land Question', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp 165 – 202. Clever Mumbengegwi, 'Continuity and Change in Agricultural Policy', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp 203 – 222. Xavier M Kadhani, 'The Economy: Issues, Problems and Prospects'. Similarly, Stoneman and Cliffe note that there was very little attempt at socialism, instead economic management policies showed continuities with the capitalist policies of the colonial period. Colin Stoneman and Lionel Cliffe, *Zimbabwe: Politics, Economics and Society*, pp162, 192.

⁴¹Ibbo Mandaza, 'Introduction: The Political Economy of Transition' in Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp1 –20.

⁴²Andre Astrow, *A Revolution that Lost Its Way?* (London: Zed Press, 1983), pp136-137. Also see Ruth Weiss, *Zimbabwe and the New Elite*, (London: I B Tauris Publishers: 1993).

⁴³ *Ibid*, p137.

Despite the existence of the policies of reconciliation pursued by the state towards the minority white population and the continuance of capitalism, some scholars have credited the government with implementing a robust social programme.⁴⁴ In the first ten years of independence, significant amounts of government funds were channelled towards the provision of free primary education and the construction of schools, hospitals and clinics, among other social services extended to the black population. The thesis benefits immensely from this literature on the inherited economic structure, and the economic path followed in early independence, but also contributes to the debate, chiefly by providing an analysis of the state's expenditure patterns and budget structure during the first ten years of independence.

1.2.2 The Era of Structural Adjustment, 1991-1997

By the close of the first decade, the inquiry into the role of multilateral institutions in Zimbabwe increased. Attention was mainly towards the BWIs. In 1990, Stoneman disputed the findings of two World Bank reports, the Jansen and Belli Reports of 1982 and 1986 respectively, which both recommended the implementation of structural adjustment programmes based on an analysis of Zimbabwe's industrial sector because protectionist policies were hindering industrial growth.⁴⁵ Stoneman questioned both the methods used in conducting the surveys and the recommendations made, asserting that they 'are in all respects exactly those which someone with no knowledge of Zimbabwe, but familiarity with the World Bank, would have predicted'.⁴⁶ There is consensus amongst scholars that overt market liberalism in Zimbabwe began in 1991 with the government's implementation of the Economic Structural Adjustment Programme (ESAP). There are three views on why the government adopted the programme. One school of thought posits that it was due to the pressure from the BWIs, which provided aid on condition that structural adjustment policies were in place.⁴⁷ Another suggests that internal economic and political pressure forced government at its own volition to approach the BWIs requesting that

⁴⁴See among others Diana Auret, *A Decade of Development: Zimbabwe 1980-1990*, (Harare: Catholic Commission for Justice and Peace, 1990). Fay Chung and Emmanuel Ngara, *Socialism, Education and Development*, (Harare: Zimbabwe Publishing House, 1985). Alois Mlambo, *A History of Zimbabwe*, (London: Cambridge University Press, 2014).

⁴⁵ Colin Stoneman, 'The Industrialisation of Zimbabwe Past, Present and Future', *Afrika Focus*, Volume 6, Number 3-4, 1990, pp 245-282, p252. Colin Stoneman, 'The World Bank and IMF in Zimbabwe', in Bonnie K. Campbell Professor and John Loxley, *Structural Adjustment in Africa*, (New York: Palgrave Macmillan, 1989). Colin Stoneman, 'The World Bank Demands Its Pound of Zimbabwe's Flesh', *Review of African Political Economy*, Number 53, 1992, pp94-96.

⁴⁶ Colin Stoneman, 'The Industrialisation of Zimbabwe Past, Present and Future', p253.

⁴⁷See for example Peter Gibbon (ed), *Structural Adjustment and the Working Poor in Zimbabwe: Studies on Labour, Women Informal Sector Workers and Health*, (Uppsala: Nordiska Afrikainstitutet, 1995). Alois Mlambo, *The Economic Structural Adjustment Programme: The Case of Zimbabwe, 1990-1995*, (Harare: University of Zimbabwe Publications, 1997).

Zimbabwe joins the structural adjustment programme.⁴⁸ While a third championed by Tor Skalnaes, Carolyn Jenkins and others, acknowledge the pressure from the Bank but argue that it is the insistence of interest groups particularly the Confederation of Zimbabwe Industries (CZI) and the Commercial Farmers Union (CFU), who represented the interests of white capital, that accounted for the adoption of market liberalism.⁴⁹ Skalnaes and Jenkins argue that because of the 'quiet diplomacy' between government and white capital, there emerged influential white interest groups who lobbied for market liberalism as "...representatives increasingly saw the costs of controls as being greater than the risks of reduced protectionism".⁵⁰ While acknowledging that Zimbabwe's economy was in dire need for reform and the pressure from the BWIs, this study, takes these two views further by demonstrating that there was a gradual move to market-led development as enshrined in the First Five Year National Development Plan (FFYNDP) of 1986 which emphasized the changed thrust of the Public Sector Investment Programme (PSIP). It traces the changed position in the country's economic plans demonstrating that market policies were adopted before the Framework for Economic Reform (FER) and the Second Five Year National Development Plan (SFYNDP), they were consolidated and expanded in the same.

The devastating impact of ESAP on the economy and society has also been unpacked in the literature.⁵¹ Regarding productive sectors, scholars are agreed that these were too young to be

⁴⁸ See for example Tor Skalnaes, *The Politics of Economic Reform: Continuity and Change in Development*, (New York: St Martin's Press, 1995). Hevina Dashwood, *Zimbabwe: The Political Economy of Transformation*, (Toronto: University of Toronto Press, 2000).

⁴⁹ Tor Skalnaes, *The Politics of Economic Reform*, p12. Carolyn Jenkins, 'The Politics of Economic Policy-Making in Zimbabwe', *The Journal of Modern African Studies*, Volume 35, Number 4, pp575-602.

⁵⁰ *Ibid.*

⁵¹ Alois Mlambo, *The Economic Structural Adjustment Programme*. Alois Mlambo and Evelyn S Pangeti, 'Globalisation, Structural Adjustment and the Social Dimensions Dilemma in Zimbabwe, 1990-1999', Teye Assefa *et al* (eds), *Globalization, Democracy and Development in Africa: Challenges and Prospects*, (Addis Ababa: OSSREA, 2001). Alois Mlambo *et al*, *Zimbabwe: A History of Manufacturing 1890-1995*, (Harare: University of Zimbabwe Publications, 2000). Pdraig Carmody and Scott Taylor, 'Industry and The Urban Sector in Zimbabwe's Political Economy'. Alois Mlambo, *A History of Zimbabwe*. Lloyd Sachikonye, 'Industrial Restructuring and Labour Relations under ESAP in Zimbabwe', Peter Gibbon (ed), *Structural Adjustment and the Working Poor in Zimbabwe*. Also see Veronica Brand *et al*, 'Structural Adjustment, Women and Informal Sector Trade in Harare', Peter Gibbon (ed), *Structural Adjustment and the Working Poor in Zimbabwe*, pp132- 214. Roselyn D. Makoni, 'Effects of The Economic Structural Adjustment Programme (1991-1993). On the Participation of Secondary School Girls In Zimbabwe', *Zambezia*. [Publication details unavailable]. Leon Bijlmakers *et al*, 'Health and Structural Adjustment in Rural and Urban Settings in Zimbabwe: Some Interim Finding', Peter Gibbon, *Structural Adjustment and the Working Poor in Zimbabwe*. Moses Tekere, 'Trade Liberalization Under Structural Economic Adjustment – Impact on Social Welfare in Zimbabwe', 2001, [Publication Details Unavailable]. In his capacity as Minister of Foreign Affairs, Nathan Shamuyarira wrote a book supporting ESAP and demonstrating to the international community government's commitment to continued implementation of the programme despite its many challenges. Nathan Shamuyarira, Narendra Kumar and Tirivafi John Kangai, *Mugabe's Reflections: Zimbabwe and the Contemporary World*, (New Delhi: Har-Anand Publications, 1995).

exposed to uncontrolled competition. While in the social sectors, scholars show that government cuts negatively affected service delivery resulting in a rapid decline in the livelihood of the general populace. Job cuts in both the private and public sectors became rampant, and the Social Development Fund was underfunded and ineffective.⁵²

The reasons for the failure of ESAP have been subject of much debate. Jenkins, Dashwood and Simpson and Hawkins, place the blame of the failure of structural adjustment squarely on ZANU-PF. They argue that, against the advice of the BWIs, the elite refused to put in place reforms protecting the poor as they were bent on self-aggrandizement and the consolidation of power.⁵³ Authors contributing to a volume edited by Clever Mumbengegwi investigated why the so-called good market-liberal policies were more detrimental to the economy than the 'bad' policies of state intervention.⁵⁴ Mlambo argues that SAPS were inherently faulty and were poised to fail as they were a one size fits all strategy, inapplicable to Zimbabwe, as in many developing countries across Africa and Latin America.⁵⁵ He noted that partly due their inapplicability, and partly due to their lack of emphasis on social sectors, structural adjustment policies 'hurt the poor' suggesting that they were an imposition of a specific world economic order.⁵⁶ In making his argument on the inapplicability of structural adjustment programmes, Mlambo noted, for example, how trade liberalisation was unable to change the country's balance of payments, thereby demonstrating how some of the ESAP targets were missed.⁵⁷ Given the diverse views expressed in the literature, this thesis concurs with and expands on the argument made by Mlambo that ESAP, was both inapplicable and the imposition of an economic order which was incapable of transforming the fortunes of the Zimbabwe economy. It does this by demonstrating the politics of economic planning and accrual of debt which was

⁵² Lloyd Sachikonye, 'Industrial Restructuring and Labour Relations under ESAP in Zimbabwe', pp115 – 121.

⁵³ Hevina Dashwood, 'The Relevance of Class to the Evolution of Zimbabwe's Development Strategy, 1980-1991', Volume 22, Number I, pp27-48. Carolyn Jenkins, 'The Politics of Economic Policy-Making', p586. Carolyn Jenkins, 'Economic Objectives, Public - Sector Deficits and Macroeconomic Stability in Zimbabwe', WPS/97-14, Centre for the Study of African Economies, Institute of Economics and Statistics, University of Oxford, March 1997. Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival: State Fragility and Economic Destruction in Zimbabwe*, (Switzerland: Palgrave Macmillan, 2018), pp174-176.

⁵⁴ Clever Mumbengegwi (ed), *Macroeconomic and Structural Adjustment Policies in Zimbabwe, 1980-2000*, (Basingstoke: Palgrave, 2002), p3.

⁵⁵ Alois Mlambo, *The Economic Structural Adjustment Program*. Patrick Bond and Masimba Manyanya make similar arguments, Patrick Bond and Masimba Manyanya, *Zimbabwe's Plunge*.

⁵⁶ Alois Mlambo, *The Economic Structural Adjustment Program*, see for example ppx-xii, 22, 98. Coupled with the growing discussion on the overt manoeuvres to establish a one-party state, as had become the norm in most newly independent states in Africa, scholars detailed the increased protests against both the move to a one-party state and the biting effects of ESAP in the urban areas. See Ibbo Mandaza and Lloyd Sachikonye (eds), *The One-Party State and Democracy: The Zimbabwean Debate* (Harare: SAPES Trust, 1991). Brian Raftopoulos and Ian Phimister (eds), *Keep on Knocking: A History of The Labour Movement in Zimbabwe 1900-1997*, (Harare: Baobab Books, 1997).

⁵⁷ *Ibid*, p4. Alois Mlambo, *A History of Zimbabwe*, pp220.

an elite pact between BWIs and select government officials excluding Parliament. This pact resulted in debt being the highest expenditure item at the expense of other essential budget items. The thesis also concentrates on ESAP's fiscal targets which government missed by a wide margin, showing that ESAP failed to transform the BOP and increase government revenue, the net effect was increased deficit spending and ballooning debt. Government expenditure patterns contrary to the dictates of the FER were characterised by high spending, high expenditure to parastatals, including parastatal losses, and unsustainable deficits.

The thesis provides an analysis of the politics of the economic planning process, driving the implementation of both direct and market-led economic planning, thereby revealing the factors that influenced the changes in policy direction. In the process, it also reveals the role of multilateral and bilateral partners in state financing. The figures and reports used in the thesis show how these institutions financed a failing programme by providing loans even in the case of missed targets, in some cases such loans were provided by directly flaunting laws on debt accrual in the country and circumventing Parliament. In this way, the thesis provides a valuable lens of analysis currently unavailable in the existing literature.

1.2.3 The Multifaceted Zimbabwe Crisis, 1997-2008

Literature has termed this decade the crisis period. It attempts to explain the nature of the crisis, from the political, economic, social, and humanitarian lens. Literature useful to this thesis unpacks the political environment and nature of the Zimbabwean state during the Zimbabwe crisis. It is concerned with ZANU-PF's bid to hold onto to power, and the subsequent governance crisis, breakdown of the rule of law, various tenets of state-led violence and disputed elections. It has also concentrated on unpacking the opposition movement, intra and inter-party violence and the fast track land reform programme. The labour protests linked to, among other things, the failure of ESAP, war-vets gratuities and black-Friday are topical subjects of discussion in the literature.⁵⁸ Scholars are agreed that these incidents were key triggers of both the economic and political nature of the crisis. Due to the increased repression, and what Raftopoulos viewed as a governance crisis that resulted in government's inability to implement any meaningful steps to redress basic economic and social problems, gave rise to a

⁵⁸ See for example Brian Raftopoulos and Lloyd Sachikonye (eds), *Striking Back: The Labour Movement and the Post-Colonial State in Zimbabwe 1980-2000*, (Harare: Weaver Press, 2001). Patrick Bond and Masimba Manyanya, *Zimbabwe's Plunge*. In the rural spaces literature is occupied with explaining the FTLRP, see among many books Ian Scoones *et al*, *Zimbabwe's Land Reform: Myths and Realities*, (London: Kumarian Press, 2010). Joseph Hanlon *et al*, *Zimbabwe Takes Back Its Land*, (London: Kumarian Press, 2013). Toendepi Shonhe, *Reconfigured Agrarian Relations in Zimbabwe*, (Cameroon: Langaa RPCIG, 2017).

strong opposition movement.⁵⁹ The opposition movement consisted of pro-democratic civil society groups, of note the National Constitutional Assembly (NCA) that was pushing for a new constitution, and the rise of the largest opposition party born out of civic groups including the NCA, the Zimbabwe Congress of Trade Unions (ZCTU), International Socialist Organisation (ISO), the student movement, and the church.⁶⁰ The successful 'No Vote' for the 2000 referendum generated much scholarly debate as did the disputed elections of 2002, 2005, and 2008.⁶¹

A section of the literature details the corruption, clientelism and patronage nature of the Zimbabwean state, which tenets became even more glaring during the crisis period.⁶² According to these scholars, the ruling party was able to amass so much power that there was a forceful conflation of ZANU-PF and the government. Additionally, they argue there was also a coalescence of the state and its President. In the end, therefore, ZANU-PF became the state and Robert Mugabe the ultimate "titleholder/possessor" of the State.⁶³ The years of Robert Mugabe's reign were thus characterised by the need to consolidate power at any cost.⁶⁴ Scholars led by Sabelo Ndlovu - Gatsheni, have called this 'Mugabeism'.⁶⁵ Jabusile Shumba characterises the postcolonial state as a predatory state, with the post-1997 period marking outright predation and consolidation of power in the post-2000s.⁶⁶ He places the military at the

⁵⁹ Brian Raftopoulos, "The State, NGOs and Democratisation", Sam Moyo *et al*, *NGOs the State and Politics in Zimbabwe*, (Harare: SAPES Books, 2000), pp21-46.

⁶⁰ Sara Rich Dorman, 'Rocking the Boat?': Church-NGOs and Democratization in Zimbabwe', *African Affairs*, Volume 101, Number 402, 2002, pp75-92.

⁶¹ Henning Melber (ed), *Zimbabwe's Presidential Elections 2002: Evidence, Lessons, Implications*, Nordiska Afrikainstitutet Discussion Paper 14, 2002. Sara Rich Dorman, 'NGOs and the Constitutional Debate in Zimbabwe: From Inclusion to Exclusion', *Journal of Southern African Studies*, Volume 29, Number 4, 2003. Ian Phimister, 'Rambai Makashinga (Continue to Endure): Zimbabwe's Unending Crisis', *South African Historical Journal*, Volume 54, Number 1, 2005. Sara Rich Dorman, 'Make Sure They Count Nicely This Time': The Politics of Elections and Election Observing in Zimbabwe', *Commonwealth and Comparative Politics*, Volume 43, Number 2, 2005, pp155-177. Eldred V Masunungure (ed), *Defying the Winds of Change: Zimbabwe's 2008 Elections*, (Harare: Weaver Press, 2009).

⁶² Amanda Hammar, *et al* (eds), *Zimbabwe's Unfinished Business: Rethinking Land, State and Nation in the Context of Crisis*, (Harare: Weaver Press, 2003). Daniel Compagnon, *A Predictable Tragedy: Robert Mugabe and the Collapse of Zimbabwe*, (Philadelphia: University of Pennsylvania Press, 2011). Michael Bratton, *Power Politics in Zimbabwe*, (Boulder: Lynne Reiner Publishers, 2015).

⁶³ Sue Onslow and Martin Plaut, *Robert Mugabe*, (Ohio: Ohio University Press, 2018).

⁶⁴ Stephen Chan, *Robert Mugabe – A Life of Power and Violence*, (Michigan: University of Michigan Press, 2003). Heidi Holland, *Dinner With Mugabe – The Untold Story of a Freedom Fighter Who Became A Tyrant*, (London: Penguin Books, 2009).

⁶⁵ Sabelo Ndlovu – Gatsheni (ed), *Mugabeism?: History, Politics and Power in Zimbabwe*, (New York: Palgrave Macmillan, 2015).

⁶⁶ Jabusile Shumba, *Zimbabwe's Predatory State: Party, Military and Business*, (Durban: University of KwaZulu Natal Press, 2018).

centre of the power accumulation model noting its strategic placements in key sectors in parastatals, mining, land, and banking and finance.⁶⁷

The turn of the millennium brought with it the imposition of various sanctions on Zimbabwe, with some literature linking their imposition with the political nature of the crisis detailed above. Mlambo, for example, has labelled British response to the Zimbabwe crisis as 'megaphone diplomacy' consisting of 'vociferous public denunciations of the Harare authorities, the imposition of international sanctions to efforts at building a multilateral position against Mugabe, to calls for 'regime change'.⁶⁸ At the same time, Simbarashe Moyo and Bowden Mbanje and Darlington Mahuku have located sanctions solely as a backfired attempt at 'regime change'.⁶⁹ While there is consensus amongst scholars that sanctions are an ineffective tool for achieving political change, there is division on the impact these have had on the Zimbabwe economy. Scholars like Ian Taylor and Paul Williams have considered British response to Zimbabwe as ineffectual and having little impact on the Zimbabwe economy.⁷⁰ Dennis Masaka has dismissed sanctions as an ineffective tool to discipline autocratic states but conceded that they had affected the economy in various respects.⁷¹ Nzaro *et al.* have also argued that sanctions affected the financial services provided by banks. Mbanje and Mahuku argue that sanctions have caused the suffering of the generality of the Zimbabwean population prompting the government to adopt the look east policy.⁷²

This thesis benefits a great deal from the literature analysing the political and sanctions components of the crisis. It adds to this wealth of literature by providing a nuanced analysis of the link between international isolation, the move to unorthodox state financing and the hold onto power, a lens of analysis missing in both the literature on the political nature of the crisis

⁶⁷ For a greater appreciation for the role of the military in the mining sector specifically the diamond mining see Richard Saunders and Tinashe Nyamunda (eds), *Facets of Power: Politics, Profits and People in the Making of Zimbabwe's Blood Diamonds*, (Harare: Weaver Press, 2016).

⁶⁸ Alois Mlambo, 'The Zimbabwean Crisis and International Response', *Journal of Contemporary History*, Volume 31, Number 2, 2006, p61.

⁶⁹ Simbarashe Moyo, 'Regime Survival Strategies in Zimbabwe in the 21st Century', *Journal of Sociology and Social Work*, Volume 2, Number 1, 2014, pp. 21-49. Bowden Mbanje and Darlington Mahuku, 'European Union Sanctions and Their Impact on Zimbabwe 2002-2011: Finding Alternative Means to Survive', *Sacha Journal of Policy and Strategic Studies*, Volume 1, Number 2, 2011, pp1-12.

⁷⁰ Ian Taylor and Paul Williams, 'The Limits of Engagement: British Foreign Policy and the Crisis in Zimbabwe', *International Affairs (Royal Institute of International Affairs)*, Volume. 78, Number 3, 2002, pp. 547-565.

⁷¹ Dennis Masaka, 'Paradoxes In the 'Sanctions Discourse' In Zimbabwe: A Critical Reflection', *African Study Monographs*, Volume 33, Number 1, 2012, pp49-71. Musiwaro Ndakaripa, 'United States / European Union 'Sanctions' and the Contestation for Political Space in Zimbabwe, 2000 to 2012', *American International Journal of Contemporary Research*, Volume 4, Number 4, 2014.

⁷² Robert Nzaro et al, 'The Impact of Economic Sanctions on Financial Services: A Case of Commercial Banks in Zimbabwe', *Journal of Contemporary Management*, 2012[other publication details unavailable].

and the sanctions debate. Unlike the existing sanctions debate that has often placed human rights, breakdown of the rule of law and other political components as the reasons for the imposition of sanctions, the thesis views these reasons as inadequate in explaining the sanctions imposed on Zimbabwe, the same way the 'regime change' agenda alone is a farfetched reason for imposing the same. While acknowledging the latter, the thesis broadens the types of sanctions it discusses to include sanctions imposed by multilateral institutions due to arrears to non-repayment of debt accumulated since 1980. However, in the final analysis, the thesis does not absolve multilateral and bilateral institutions from Zimbabwe's debt trap. The lack of uniformity in the imposition of sanctions and donors' collusion in giving the state loans amid political turmoil and in some cases missed targets, the flaunting of the law and Parliamentary Standing Rules and Orders, displayed their complacency and shared blame in the country's debt trap.

Economic turmoil during the crisis period eventually culminated in the hyperinflationary episode that peaked at 7.96×10^{10} per cent in November 2008 at a daily inflation rate of 98 per cent.⁷³ The hyperinflationary period has been subject of much debate in the literature with scholars preoccupied with explaining its causes and impact on private, public and social sectors. Others have sought to explain the survival strategies of both the government and the populace during the short-lived but disastrous hyperinflation whose figures have been the second-highest in history. A substantial number of scholars agree that money expansion was the primary cause of hyperinflation, though there is a marked difference in explaining in what ways excess money caused the same.⁷⁴ Missing the debt creation by the RBZ as a means of financing its expenditure detailed in this thesis, Phillip Haslam and Russell Lamberti contend that the RBZ printed money 'to fund all of its expenditures'. For this reason, they set out to provide a warning to other nations on the dangers of the absence of central bank independence and their departure from orthodoxy.⁷⁵ To fulfil their objective, they like Gideon Gono, liken

⁷³ Steve H. Hanke and Nicholas Krus, 'World Hyperinflations', Randall E. Parker and Robert Whaples (eds), *Routledge Handbook of Major Events in Economic History*, (London: Routledge, 2013), p372.

⁷⁴ Sonia Munoz, 'Central Bank and Quasi-Fiscal Losses and High Inflation in Zimbabwe: A Note', IMF Working Paper, WP07/08, 2007. Phillip Haslam and Russell Lamberti, *When Money Destroys Nations: How Hyperinflation Ruined Zimbabwe, How Ordinary People Survived, and Warnings for Nations that Print Money*, (Johannesburg: Penguin Books, 2014). Geraldine Sibanda, 'Institutional Responses to the Zimbabwe Economic Crisis: The Case of the Reserve Bank of Zimbabwe's Quasi-Fiscal Activities, 1997-2009', Unpublished MA Dissertation, University of Zimbabwe, 2017. Tara McIndoe *et al*, *Hyperinflation in Zimbabwe: Background, Impact and Policy*, (Switzerland: Springer Nature, 2019). Stephen Matteo Miller and Thandinkosi Ndlela, 'Money, Demand and Seignorage Maximization before the End of the Zimbabwean Dollar', Mercatus Working Paper, Mercatus Centre, George Mason University, Arlington, 2019.

⁷⁵ Phillip Haslam and Russell Lamberti, *When Money Destroys Nations*, p78.

the Zimbabwean case of printing money and Quantitative Easing implemented in the US and the rest of Europe during the height of the 2008 global financial crisis.⁷⁶

This thesis disputes the assumption that the central bank was ever an independent entity made by Haslam and Lamberti, demonstrating that such lack of independence made it possible for it to be used as a tool of financing the state. It also shows that reliance on the printing press to finance the state did not begin in 2003 as is believed, but in 2000, when alternative means of raising revenue dwindled. The detailed examination of processes provided in the thesis shows that there were fundamental differences between quantitative easing and printing money for financing QFAs. QE in the US for example, was Congress approved through the Troubled Asset Relief Programme (TARP) bailout plan and regulated through the Act of Parliament, the Emergency Economic Stabilization Act.⁷⁷ Further it was only limited to financial institutions, mainly in the private sector, which was not the case in Zimbabwe. As is shown in this study, the largest beneficiary of QFAs was the public sector, including government ministries, parastatals, and local government bodies. Notably, there was much politicization as the beneficiaries of QFAs have not been officially disclosed to this day.

The second group of scholars, referred to here as the seignorage school, also support the argument that printing money caused inflation. The seignorage school posits that the RBZ printed money to exploit its seignorage benefits.⁷⁸ Stephen Miller and Thandinkosi Ndlela subscribe to the view that political instability causes instability in the tax system forcing the government to rely on seignorage.⁷⁹ They conclude that due to the 'fiscal dominance of monetary policy...[and] the dwindling tax base owing to a collapsing economy and inability to increase borrowing from abroad, the regime relied on the RBZ to generate seignorage to fund QFAs'.⁸⁰ While also acknowledging the existence of poor domestic policies, Tara McIndoe *et al.*, support this view.

⁷⁶ *Ibid*, pp19-20, 43. Under much pressure to vindicate himself for the excessive printing of money and QFAs, Gono made this argument as part of his defence. See Gideon Gono, *Zimbabwe's Casino Economy: Extraordinary Measures for Extraordinary Challenges*, (Harare: Zimbabwe Publishing House, 2008).

⁷⁷ See for example James Ciment (ed), *Booms and Busts: An Encyclopedia of Economic History from Tulipmania of the 1630's to the Global Financial Crisis of the 21st Century*, (New York: Sharpe Reference, 2013), p76.

⁷⁸ Seignorage is when 'a government reaps profit by producing new base money at an expense less than the value of the money produced. The government finances expenditures by spending the new units of base money into circulation. Such expansion of the monetary base implicitly taxes base money holders by diluting the value of existing money balances. Seignorage is a relatively hidden tax.' George Selgin and Lawrence H White, 'A Fiscal Theory of Government's Role in Money', *Journal of Economic Inquiry*, Volume 37, Number 1, 1999, pp154-165.

⁷⁹ Tara McIndoe *et al.*, *Hyperinflation in Zimbabwe*, pp1-3, 7. Stephen Miller and Thandinkosi Ndlela, 'Money, Demand and Seignorage', p14.

⁸⁰ Stephen Miller and Thandinkosi Ndlela, 'Money, Demand and Seignorage', p3, p31.

In contrast, the edited volume by George Kararach and Raphael Otieno argued that both economic and political factors caused the hyperinflationary crisis.⁸¹ These included a breakdown of the rule of law, absence of property rights, lack of independence or perceived lack of independence of the judiciary, high government consumption and low savings.⁸² While this thesis supports the contention that printing money was the primary cause of hyperinflation, it, however, demonstrates that there is a glaring gap of analysis in the seignorage school that ignores, among other aspects, currency shortages, the introduction of pseudo-currencies and currency rebasing. The seignorage debate, like all the debates that exist on Zimbabwe's hyperinflation, does not problematize the currency shifts as strategies for political survival. This thesis does the latter by demonstrating that local currency, in any form, was considered a mark of sovereignty and its continued existence was essential to financing government activity which explained the unparalleled need to hang on to it even after it reached dizzying exchange rate figures.⁸³ There are grave methodological differences between the current study and the work by Kararach and Otieno, McIndoe and Miller and Ndlela. The latter are economists who rely on economic formulae, theories such as the price series datasets, regression, to test the various hypothesis. In contrast, this study relies on qualitative methods to make its conclusions, contributing to the hyperinflation debate that historians are yet to participate in fully.

Finally, crisis literature has discussed QFAs. Gono has provided a personal account of his time as Governor of the RBZ, providing detail on many the QFAs implemented. His justification for implementing the same is that Zimbabwe was under sanctions and a casino economy prevented the government from generating sufficient tax revenue leaving the government little choice but to turn to the printing press to finance its expenditure. Geraldine Sibanda and Mandishara and Mupamhadzi, also detail QFAs with the latter explores a few QFAs and argues that the RBZ relegated its monetary responsibility 'literally became a small government in its

⁸¹ George Kararach and Raphael Otieno (eds), *Economic Management in a Hyperinflationary Environment: The Political Economy of Zimbabwe, 1980–2008*, (Oxford: Oxford University Press, 2016).

⁸² Arnold Chidakwa and Gibson Chigumira, 'Triggers of the Economic Crisis', George Kararach and Raphael O. Otieno, *Economic Management in a Hyperinflationary Environment*, pp49-50.

⁸³ Literature has referred to currency in Zimbabwe as the first to the fourth dollar with the first covering the period between 1980 and August 2006 when the first rebasing exercise took place and the second to the fourth being each time rebasing took place until February 2009. See for example, Phillip Haslam and Russell Lamberti, *When Money Destroys Nations*. George Kararach *et al* 'The Political Economy and Evolution of Development Policy in Zimbabwe', George Kararach and Raphael Otieno (eds), *Economic Management in a Hyperinflationary Environment*. Tara McIndoe *et al*, *Hyperinflation in Zimbabwe*. For operations of the informal exchange rate market see Showers Mawowa and Alois Matongo, 'Inside Zimbabwe's Roadside Currency Trade: The 'World Bank' of Bulawayo', *Journal of Southern African Studies*, Volume 36, Number 2, 2010, pp319-337. Mark J Ellyne and Michael R Daly, 'Zimbabwe Monetary Policy, 1998-2012: From Hyperinflation to Dollarization', George Kararach And Raphael Otieno (eds), *Economic Management in a Hyperinflationary Environment*, 2016.

own right'. In contrast, the former details a wide array of QFAs and argues that they began in 1997 and were illegal due to the absence of Parliamentary consent.⁸⁴ The current study differs with existing literature in so far as literature depicts QFAs as though they were, at worst, a solo project by Gono and the RBZ, at best, they were a dual project by Gono and Mugabe. This thesis instead shows the new role ascribed to the RBZ and makes a connection between some economic policy blueprints and budget statements and QFAs demonstrating that it was agreed on government policy to turn to QFAs; the RBZ was not a lone actor neither was it a Gono-Mugabe affair but one that was supported in various quarters of government. Correspondence used in this literature also demonstrates that various members of Cabinet supported their existence.

1.2.4 Economics and Politics of the Government of National Unity (GNU), 2009- 2013

The thesis details the politics of economic reform specifically regarding dollarisation and the ending of QFAs, which are currently missing in the literature despite dollarisation being a topical subject during this period. Literature has often credited the new government with the introduction of the multi-currency regime and the ending of the QFAs, yet in the process of examining the political bickering between key policymakers, this thesis details that such reforms began before the formation of the Inclusive Government. Literature to date is limited to questioning if dollarisation was the panacea to the economic woes faced during the crisis decade and the impact of dollarisation on various sectors of the economy.⁸⁵ This thesis enriches the debate on the politics of economic planning during the GNU. Apart from a personal account by the then Minister of Finance, Tendai Biti and analysis of policymaking through the lens of civil society involvement, literature has not detailed how the economic policy was formulated during the GNU.⁸⁶ It is argued herein that as was the case in the past, the public's inability to

⁸⁴ Leonard Mandishara and David Mupamhadzi, 'Relegating the Core Business: The Case of the Reserve Bank of Zimbabwe Undertaking Quasi-Fiscal Activities, 2000-2008', Kararach George and Otieno Raphael (eds), *Economic Management in a Hyper-Inflationary Environment*, pp290-304, p294.

⁸⁵ Rory Pilosof, 'Dollarisation' in Zimbabwe and the Death of an Industry', *Review of African Political Economy*, Volume 36, Number 120, 2009. Albert Makochehanwa and Prosper Kambarami, 'Zimbabwe's Hyperinflation: Can Dollarization Be the Cure?', Hany Besada (ed), *Zimbabwe: Picking Up the Pieces*, (New York: Palgrave Macmillan, 2011), pp107-129. Joseph Noko, 'Dollarization: The Case of Zimbabwe', *CATO Journal*, 2011. George Kararach *et al.*, 'Currency Reforms in Zimbabwe: An Analysis of Possible Currency Regimes', Occasional Paper No. 10, The African Capacity Building Foundation, 2010. Mike Nyamazana Sikwila, 'Dollarization and the Zimbabwe's Economy', *Journal of Economics and Behavioural Studies*, Volume 5, Number 6, pp. 398-405, 2013. Albert Makochehanwa and Charity Manyeruke (eds), *Impact of Dollarization on Zimbabwe*, (Harare: University of Zimbabwe Publishers, 2017).

⁸⁶Bertha Chiroro, 'Responses of Civil Society to the Inclusive Government: The Challenges of Turning Confrontation into Engagement', Brian Raftopoulos (ed), *The Hard Road to Reform: The Politics of Zimbabwe's Global Political Agreement*, (Harare: Weaver Press, 2012), pp71-117. Tendai Biti, 'Rebuilding Zimbabwe:

influence economic policy continued, ironically under the leadership of a party whose largest constituents were supposedly civil society organisations, the workers, students and the church. Literature has also skirted over the government's revenue allocation patterns, during the GNU, a component to be discussed in detail in this thesis.⁸⁷

What exists in abundance is literature on the politics of the GNU from which the study benefits immensely. Four key edited volumes exist that have analysed varying aspects of the politics of the GNU.⁸⁸ Literature analyses, the strengths and shortcomings of the Global Political Agreement and the dynamics within and between the three main political parties throughout the GNU.⁸⁹ It also examines a host of governance issues including an examination of the first 100 days of the GNU and the implications on local government.⁹⁰ Scholars investigate the continued abuse of human rights during the GNU, including suppression of the media and the power of the security sector.⁹¹ While acknowledging the subordinate role of the MDC, scholars have examined the circumstances informing the maintenance of sanctions and the role of donors during the GNU. Two critical and highly informative book chapters discuss government relations with the international community. Holger Bernt Hansen viewed sanctions as a strategy to achieve regime change by Western countries while Munyaradzi Nyakudya viewed them as a pawn in internal politics where ZANU-PF used them as a convenient shield in cases of unfulfilled political and economic targets.⁹² Their views limit the way they analyze the

Lessons from a Coalition Government', Working Paper, Centre for Global Development of the African Development Bank, 2014.

⁸⁷ Jabusile Shumba and Mohammed Jahed, 'Fiscal Space Challenges, Policy Options and Zimbabwe's Economic Recovery', Eldred Masunungure and Jabusile Shumba (eds), *Zimbabwe: Mired in Transition*, (Harare: Weaver Press, 2012), pp155-174.

⁸⁸ Hany Besada (ed), *Zimbabwe: Picking Up the Pieces*. Brian Raftopoulos (ed), *The Hard Road to Reform*. Eldred Masunungure and Jabusile Shumba (eds), *Zimbabwe: Mired in Transition*. Stephen Chan and Ranka Primorac (eds), *Zimbabwe Since the Unity Government*, (London: Routledge, 2013). For a review of the three latter books see Kate Law, 'Business as Usual? Politics, Hegemony, and Elite Manoeuvres in Zimbabwe since the Signing of the Global Political Agreement', *The International Journal of African Historical Studies*, Volume 46, Number 3, 2013, pp 443-450.

⁸⁹ Nick Cheeseman and Blessing Tendi, 'Power-Sharing in Comparative Perspective: The Dynamics of 'Unity Government' in Kenya and Zimbabwe', *Journal of Modern African Studies*, Volume 48, Number 2, 2010, pp203-229. Brian Raftopoulos, 'An Overview of the GPA: National Conflict, Regional Agony and International Dilemma', Brian Raftopoulos (ed), *The Hard Road to Reform*, pp1-39. Siphamandla Zondi, 'ZANU-PF and MDC Power Sharing: Zimbabwe Still at the Crossroads?', Hany Besada (ed), *Zimbabwe: Picking up the Pieces*, pp13-37. Norma Kriger, 'ZANU- PF Politics Under Zimbabwe's 'Power Sharing' Government', *Journal of Contemporary African Studies*, Volume 30, Number 1, 2012, pp11-26.

⁹⁰ See for example, Norbert Musekiwa, 'The Role of Local Authorities in Democratic Transition', Eldred Masunungure and Jabusile Shumba (eds), *Zimbabwe: Mired in Transition*, pp230-251.

⁹¹ David Moore, 'Zimbabwe's Media: Between Party-State Politics and Press Freedom under Mugabe Rule', Hany Besada, *Zimbabwe: Picking up the Pieces*, pp55-82. Karolina Werner and Knox Chitiyo, 'Reform of the Security Sector in Zimbabwe: Challenges and Opportunities', Hany Besada (ed), *Zimbabwe: Picking Up the Pieces*, pp37-55.

⁹² Holger Bernt Hansen, 'Donors and the Crisis in Zimbabwe: Experiences and Lessons Learned', Hany Besada (ed), *Zimbabwe: Picking up the Pieces*, pp247-269. Munyaradzi Nyakudya, 'Sanctioning the Government of

government-international community relations during the GNU. Unlike this study, neither discusses debt repayment strategies as a key component of reengagement, as sanctions are narrowly limited to targeted sanctions leaving out sanctions handed down by multilateral institutions for debt arrears. In analysing ZiDERA, both book chapters leave out the sections that speak to state financing, thereby providing a non-holistic account and missing the connection between the imposition of sanctions, state finance and Zimbabwe's debt situation.⁹³ By concentrating on targeted sanctions, they miss the importance of the IMF Stamp of Approval which was important in unlocking other forms of grants and technical support that the country got between 2009 and 2013. Both articles discuss in varying amounts of detail, the humanitarian support received during the GNU. However, they fall short in analysing the changed donor attitude from budget support to trust funds administered outside the government. Unlike these articles, this thesis provides details on the different trust funds that existed and the modalities of their operations. In the final analysis, this study concurs with Craig Richardson, who contends that economic growth and stability during the GNU was based on artificial variables chief among them off-budget grants by multilateral and bilateral partners.⁹⁴

The preceding review of key literature displays limitations in information and analysis in the existing literature. This study seeks to address these limitations by making four key contributions. First, bringing out the inherited economic system through an examination of the Lancaster House Agreement and international bodies, it reconsiders the accepted view of the historical epochs of the first 17 years of independence as well as the economic dynamics that were being pursued during each epoch. Secondly, it provides a sustained analysis of state finance specifically government revenue allocation trends and the politics associated with it, by providing a detailed analysis of the budget estimates, thereby providing not only new information but a new methodological approach which will contribute to understanding how

National Unity: A Review of Zimbabwe's Relations with the West in the Framework of the GPA', Brian Raftopoulos (ed), *The Hard Road to Reform*, pp 171-211. For an analysis of sanctions and the regime change agenda see Simbarashe Moyo, 'The Manifestation of Regime Change in Zimbabwe in the 21st Century', *Journal of Advances in Political Science*, Volume 1, Number 1, 2014.

⁹³Talknice Saungweme and Nicholas Odhiambo provide an unconvincing account of Zimbabwe's postcolonial debt. There is no mention of inherited debt, ZIMCORD, and ESAP debt, plus debt to budget scenario.

There was the use of limited number of sources making it difficult for the authors to maintain objectivity and present a nuanced account. Talknice Saungweme and Nicholas M. Odhiambo, 'A Critical Review of The Dynamics of Government Debt Servicing In Zimbabwe', *Studia Universitatis Economics Series*, 2018.

⁹⁴He also attributes growth to dollarization and increased public sector spending. Craig J. Richardson, 'Zimbabwe: Why Is One of the World's Least-Free Economies Growing So Fast?', CATO Institute Policy Analysis No 722, 2013, pp1, 4-5, 7-99, 11, 15-16.

the government spends its revenue. It also challenges conventional wisdom on especially the expenditure patterns in the early years of independence and the GNU on government revenue allocation providing evidence that the government spent significant amounts of revenue towards security sectors in its pursuit to hold onto power. Thirdly, in analysing state finance and the role of multilateral and bilateral partners in providing the same, the thesis pays special attention to government debt, which subject has ironically occupied a peripheral role in the literature. It traces postcolonial debt during the period under review revealing the intricacies of reports from both government and donors, to demonstrate the journey of Zimbabwe's debt distress. Finally, the study provides a sustained analysis of the politics of economic planning during the period under review. By doing the foregoing, this study seeks to contribute to the growing literature deciphering the postcolonial regime and the factors that influence its survival.

1.3 Sources and Methodological Considerations

The thesis uses a wide selection of sources essential in providing a nuanced account and examining various converging and diverging perspectives. These sources are also useful in revealing intra-government relations at Cabinet and Parliament level, as well as illuminating government-donor relations. Primary sources used for this study are dominated by government documents obtained from the Zimbabwe Ministry of Finance, RBZ, Parliament of Zimbabwe and the Zimbabwe Statistical Agency (ZIMSTAT). They consist of, among other things, budget and monetary policy statements, economic plans and policy blueprints, government position papers, economic statistics, and National Assembly Parliamentary Debates. Information obtained from these was useful in detailing formal government policy on economic, fiscal and monetary policy, economic planning processes, revenue allocation and justifications for such allocations, government-donor relations and internal debates on debt accrual and repayments. The nature of these documents included economic plans and blueprints, monetary, budget and mid-term fiscal policy statements, reports and economic statistics.

Although Parliamentary debates are indicative of the views of Parliamentarians representing different political parties, none of these documents provides official political party policy, which would have aided in analysing the different party positions towards various subjects

discussed in the thesis.⁹⁵ Apart from a single 1986 document, the government documents consulted in this thesis do not include Cabinet or Parliamentary Committee correspondence. This is because the issues discussed herein are contemporary and in most cases, policymakers have not changed; hence the need to protect information out of an abundance of caution to avoid implicating themselves.⁹⁶ This is coupled with the difficulty in accessing information at the National Archives of Zimbabwe, especially post-1980 material as government officials mostly do not adhere to the 25-year rule to remit information including correspondence to the National Archives.⁹⁷ As a result, very little information was accessed from the National Archives. Reports accessed at the National Archives are limited to reports of economic conferences that occurred in 1981.

To fill the information gap on government policy, government-donor relations, and to capture the official policy positions of multilateral and bilateral partners, this study makes use of official documents from Zimbabwe's major donors. These include different kinds of reports from multilateral partners such as the World Bank, IMF and AfDB, and bilateral partners, particularly the USA and Britain. Reports include strategy reports, Article IV reports, directors' reports and project completion reports. Loan agreements, aide memoirs and various memoranda also provide useful information capturing interactions between and among donors and government. These documents provide reliable information, as officials from multilateral institutions are at intermittent stages based at the Ministry of Finance where they access information to compile these reports.⁹⁸ The Ministry of Finance is subtly obligated to share information with multilateral institutions for the compilation of, for example, Article IV Reports by the IMF.⁹⁹ In other cases, these reports are compiled by both the government and officials from the multilateral institutions, making reports very reliable sources of information. Documents from multilateral and bilateral partners are also useful in providing information on the role each institution has played in Zimbabwe, including details of the specific type, purpose

⁹⁵ Due to research time constraints, it was impossible to get political parties manifestos and party policy documents, which could have enriched the debate.

⁹⁶ This came up in conversation with National Archives of Zimbabwe staff.

⁹⁷ GoZ, *National Archives of Zimbabwe Act [Chapter 25:06]*, Section 2(a)(i).

⁹⁸ Information obtained from various interviews with Ministry of Finance Directors including Mr Charles Mujajati, Deputy Director in the Department of Economic Planning, Zimbabwe's Ministry of Finance, Harare CBD, 29 June 2019. Mr Eria Hamandishe, Director in the Fiscal Policy Department, Zimbabwe's Ministry of Finance, Harare CBD, 16 July 2019.

⁹⁹ This is not peculiar to Zimbabwe, Article IV Reports for example, are compiled by the IMF for countries worldwide where governments provide the institution with various government reports, documents and meetings with ministry and central bank authorities are held to aid in the compilation of these detailed reports.

and amount of aid provided at various intervals. The study also relied on Congressional and British Parliamentary Debates, key in providing the attitude and contestations concerning policy on Zimbabwe within the US and Britain during the period under review.

Apart from official documents, the study augmented its information by consulting Zimbabwean independent and state newspapers. The thesis takes cognizance of the polarized environment that is evident in the strong pro and anti, ZANU-PF or MDC sentiments displayed in many articles published in both state and private media.¹⁰⁰ To avoid falling into the same trap of polarization, the thesis mainly made use of newspaper articles written by economic experts or direct quotations by policymakers, politicians, donors and other key actors. In addition to newspapers, interviews were also carried out to capture the thinking of these main actors regarding policy issues and politics around economic planning and state finance. Interviews were done with former Ministers of Finance, RBZ Governors and Members of Parliament. During these interviews, insights into the relationship between the Ministry of Finance and the RBZ, as well as the role of politics, politicking and political calculus in government policy formulation and Parliament was discussed at length. However, memory lapses and pushing of political agendas littered with grandeur and the provision of one-sided merry views were some of the weaknesses of interviewing politicians.

Interviews were also carried out with serving senior members of the civil service in the Ministry of Finance and the RBZ. Technical aspects of the budget formulation, economic planning and government expenditure processes were explained. Despite the existence of a letter awarding the researcher permission to interview relevant staff members, RBZ staff were reluctant to have face to face interviews; in the end, some provided written responses to questions. Interview questions were provided upfront, and some members stated they were not keen on discussing the period during the implementation of the controversial QFAs opting instead to invoke the Official Secrets Act.¹⁰¹ This gravely limited some of the information that could be obtained from serving government officials, including those at the Ministry of Finance, who despite granting the interviews, preferred to leave some questions unanswered. Secondary literature

¹⁰⁰ The works of Wendy Willems and David Moore discuss in depth the polarized nature, and lack of media freedom in the Zimbabwean media space. See for example, David Moore, 'Zimbabwe's Media: Between Party-State Politics and Press Freedom under Mugabe's Rule', Hany Besada, *Zimbabwe: Picking up the Pieces*.

¹⁰¹ The Act prohibits members of the civil service and other senior government officials from discussing certain information. In some cases, the act is often abused to conceal information that is otherwise meant to be accessed by the public. GoZ, *Official Secrets Act [Chapter 11:09]*.

also played an essential role in filling the gap of information were some political issues were concerned, for example, the role of the military, inter and intra-party politics and governance issues that were not obtained from the primary sources.

There is the use of statistics, tables, and descriptive figures to bring out government expenditure patterns and where necessary, to compare expenditure items during the period under review. The thesis relies on Estimates of Expenditure presented to Parliament by the Ministry of Finance on an annual basis to ascertain the state's revenue allocation trends and the politics around such allocations.¹⁰² These are organised under the subtitle of Vote Appropriations, and each Vote is allocated to a Ministry, administered, and defended in Parliament by a Minister.¹⁰³ The Vote descriptions, Ministries and Ministers changed an unimaginable number of times during the twenty-three-year period covered in this thesis making the process of keeping track of expenditure patterns an insurmountable task in the original state of votes and vote descriptions.¹⁰⁴ To manage these never-ending changes, the thesis adopts its own vote categorizations. This methodological approach is influenced by the need to view state finance from a different perspective, as most literature on state finance and the economy tends to concentrate on national accounts, i.e. government expenditure items are viewed in relation to GDP and not necessarily in relation to revenue and or the budget. Literature also analyses expenditure in relation to balance of payments, enquiring if the current and capital accounts are 'balancing'. This has a limitation in that expenditure items are not analysed in relation to the

¹⁰² Budget estimates were presented before the end of each financial year ending in July, between 1979 and 1997. While in post 1997 to 2013 the budget year became the calendar year. Estimates at the end of the fiscal year in this thesis may not encompass the supplementary budgets for each financial year. This is because supplementary expenditure is not normally presented to Parliament in the estimates of expenditure form except in rare cases for example, the 2003 supplementary estimates where these were published likely because the supplementary budget was much more than the earlier proposed budget. Supplementary expenditure is found in the Parliamentary Debates, however with the unmaintained archives it is almost impossible to get them for successive years in chronological order which is what is required to make tables and establish trends, especially prior to the digitalization of the Hansard which only occurred in the mid-2000s. For this reason, unless otherwise mentioned, calculations may not cater for government supplementary budgets i.e. beyond the Appropriations Act or in cases where the Minister of Finance has had to seek condonation of expenditure. Figures may not include salaries introduced in the middle of a budget year due to for example, expansion or contraction of Cabinet which happened numerous times during the period under review. ZIMSTAT also kept a record of some of the government accounts but alone these were inadequate to trace revenue allocation overtime.

¹⁰³ Estimates of expenditure also detail Statutory and Constitutional Appropriations which contain among other things, debt repayment allocations. Due to limited research time and general difficulty in accessing some information, some estimates of expenditure were not accessed for example the years 1991/92, 2003, 2007, 2008, 2010, which had an impact on the crafting of the Vote Descriptions.

¹⁰⁴ Between 2000 and 2008, discussed in Chapter Four, due to the vagaries of inflation and hyperinflation since 2007, it was superfluous to calculate government expenditure trends because the budget was now in trillions making it difficult to calculate valuable trends as there was a huge disparity between nominal and real expenditure.

total budget or in relation to each other to adequately determine how the state distributed its funds no matter how meagre or plentiful. It is also influenced by the changes in Ministries, Ministers and Votes. These changes occurred when ministries and ministers were reshuffled such that individual Votes are joined or separated. Changes made to Ministers of Finance sometimes signalled changes to the structure of budgets and estimates of expenditure.

Linked to the foregoing is that changes occurred due to broader national policy changes which resulted in some Votes falling away. In other cases, Votes fell away or were merged because of the pressure of expenditure cuts. Due to these many changes that took place the own categorization of Votes emerged as the solution to trace expenditure patterns adequately. Critical functions of Ministries were considered before they were allocated to respective Votes in the Thesis to ensure appropriate placements. In the process of making the vote allocations, the thesis provides a historical timeline of the changes and continuities in Votes and cabinet changes in Zimbabwe up to 2013. This timeline becomes important in explaining critical government expenditure as well as making comparisons in expenditure trends during the period under review. It must, however, be noted that there are votes that did not change throughout the period under review, for example, the Votes allocated to the President, to the Military, Health, Home Affairs and the Office of the Prime Minister. Annexure 1 provides the Vote Descriptions.

In addition to using estimates of expenditure, tables were also derived using official statistics such as those depicting money supply, inflation, government revenue, and debt obtained from the central statistical office and the RBZ; the thesis also shows the changing debt, inflation patterns over time as it details the selected episodes of the country's currency and inflation history.¹⁰⁵

1.4 Chapter Synopsis

Apart from this introduction, the thesis contains four substantive chapters arranged chronologically. **Chapter Two** details developments in the first five years of independence. It demonstrates the impact of the inherited economic systems identified on two fronts. Firstly,

¹⁰⁵ External Debt figures unless otherwise stated show both concessional and non-concessional loans from multilateral, bilateral partners, and private lenders in the absence of stocks and bonds. Figures do not include loans made to Zimbabwe from the IMF's PRGT or GRA as these are non-concessional bank to bank loans depicted in RBZ accounts.

the inherited economic system set out in the Lancaster House Agreement and a second system inherited from the global North through, notably, the joining of key international organisations. The chapter argues that combined; these systems became the epitome of the 'Zimbabwe experiment' which influenced economic policy and state finance, including where the accrual of debt was concerned. It was due to the existence of this Zimbabwe experiment that despite the existence of direct economic planning, policy proposals were not socialist and there was a constant need to reassure the international community of the absence of any deviation from the dictates of the Lancaster House Agreement and international best practice. On the debt front, due to the understood existence of the Zimbabwe experiment, Britain cancelled the debt and Zimbabwe agreed to inherit some of Rhodesia's debt on rescheduled terms. Further, Britain, the United States and other countries in the global North pledged 'substantial aid' to Zimbabwe culminating in the Zimbabwe Conference on Reconstruction and Development and Zimbabwe's debt problem. Finally, the Chapter notes the paradox and political contestations around government expenditure patterns that were a deviation from the Zimbabwe experiment but ignored by its underwriters, the global North. The government spent a significant amount financing the military at a time the military was known to be committing atrocious acts of violence.

A change to planning through the market from 1986 to 1997 failed to change the state's revenue allocation patterns as examined in **Chapter Three**. Revenue allocation patterns continued to be channelled towards the military as well as the police and the Central Intelligence Organisation at the expense of other vital sectors such as economic and infrastructure development sectors. Financed through allocations towards, for example, disguised subsidies, such expenditure patterns continued unabated and once again were ignored by multilateral organisations, specifically the IMF, World Bank and AfDB, which were actively involved in state financing through the provision of budget support, and other funds to the government under various structural adjustment packages. In addition to ignoring the state expenditure patterns, the IFIs forgave several missed targets and continued to push for the implementation of the failing Economic Structural Adjustment Programme (ESAP). IFIs were central in the formulation of ESAP, a move that side-lined, the public and Parliament, with the latter being unable to monitor or cause policy changes effectively. ESAP missed targets, thus included the government's inability to reduce the wage bill, recurrent expenditure, and deficit spending, yet more loans were provided for its implementation. The Chapter also illuminates the continued controversies around the accrual of the national debt as a means of financing the state as

Parliament vehemently spoke against it for various reasons including the questioning government's ability to pay back the loans. Statistics in the chapter show that by 1997, debt repayment was the biggest expenditure item on the budget and that interest and debt service alone were much more than loan repayments, a significant strain to the fiscus.

The strain on the budget caused by debt repayments, the absence of economic growth due to lack of state investment in economic sectors and the plummeting of the dollar resulted in the state's inability to raise sufficient revenue and arrears to international lenders which contributed immensely to Zimbabwe's international isolation between 1997 and 2008. **Chapter Four** makes a case for arrears and the changing roles of international financial institutions as significant factors that led to international isolation. The Chapter goes on to examine the state's survival strategies to acquire state finance which had become heavily dependent on foreign loans. It is during this period that the state manipulates monetary policy for government and ZANU-PF survival. Manipulation of the monetary policy included the introduction of pseudo-currencies beginning in 2003 and three episodes of currency rebasing between 2006 and 2009. This thesis refers to these incidents of manipulation as currency engineering. Currency engineering was necessary to finance QFAs implemented by the RBZ, which was assigned a new developmental role and was the custodian of the printing press and currency runners. The Chapter argues that during this period, economic policy was designed to support the existence of QFAs. However, there was an inconsistency between fiscal and monetary policy, revealing the political contestations between the Minister of Finance and the Reserve Bank Governor. Despite the contestations, QFAs enjoyed the support of other Cabinet members premised on the 'developmental role' ascribed to the central bank. The Chapter demonstrates that the biggest beneficiaries of QFAs were the government which received funds for various projects, however, in notes that in the same breathe, Formulation and implementation of QFAs was a highly politicized process that resulted in many of the beneficiaries being politically connected. QFAs also caused government disjuncture and hyperinflation that culminated in the rejection of prevailing pseudo-currencies by December 2008.

Chapter Five details the politics of economic reform, arguing that QFAs, currency and cash budgeting reforms were pronounced before the formulation of the GNU through fiscal and monetary policy statements. The Chapter goes on to demonstrate that although there was the existence of the 'we eat what we kill' mantra, overall, there were more continuities rather than a change in the policies formulated and the way economic planning and state finance was

managed during the GNU. Albeit registering some surplus between 2009 and 2011, the country also operated on budget deficits, non-concessional loans, excessive recurrent expenditure, and an unmanageable wage bill. The military continued to feature as one of the highest funded budget items. The budget itself was not reflective of the overall economic policy plan, which was crafted from a neoliberal perspective and emphasized private sector-led development. The economic planning process continued to be highly exclusionary despite the existence of the MDC in government. The change, however, was in the way multilateral and bilateral institutions provided aid, which this time was channelled outside the state and administered through various trust funds under the 'humanitarian plus plus' banner, a method of financing which had begun in late 2008 when the humanitarian crisis ensued. **Chapter Six** provides the main argument and conclusions.

CHAPTER TWO

'The Zimbabwe Experiment': Inherited Systems, Direct Economic Planning and Government Expenditure, 1979-1985

2.1 INTRODUCTION

The settlement negotiated at Lancaster House, which saw the granting of Zimbabwe's independence has generated a lot of scholarly interest. However, much of this has focused on the political aspects of the settlement, particularly the structure of Parliament as well as the provisions for land redistribution - the 'willing buyer, willing seller' clause.¹⁰⁶ What has remained understudied are the economic legacies of the Lancaster House Agreement (LHA).¹⁰⁷ For the West, especially Britain and America, Lancaster provided an opportunity to roll out their envisioned 'Zimbabwe experiment.' The term was predominantly used by British and American politicians and diplomats to refer to the desire to create in Zimbabwe, an ideal country whose economic development hinged on racial equality, a thriving private sector, and a benevolent and economically active state.¹⁰⁸ Such a state, it was reasoned, would facilitate the free participation of foreign capital in the economy, particularly through trade and Multinational Corporations (MNCs), unhindered by stringent and radical economic regulations such as nationalization and the curbing of transfer of remittances. The state would thus be created within the confines of racial balance to be a glowing example to apartheid South Africa and indeed be a force of stability for the whole of Sub-Saharan Africa. Zimbabwe was the ideal country in Southern Africa to demonstrate the possibility of a thriving economy dominated by the white minority and political structures led by the black majority. Influenced by the promise of 'substantial aid' to finance government programmes, the African nationalist parties bought into the idea of the Zimbabwe experiment. While the existing literature largely explains the independent government's choice of its post-colonial economic path in terms of internal factors,

¹⁰⁶ See among others, Victor Der Waal, *The Politics of Reconciliation: Zimbabwe's First Decade*. Amanda Hammar *et al* (eds), *Zimbabwe's Unfinished Business*. Brian Raftopoulos, 'Unreconciled Differences: The Limits of Reconciliation Politics in Zimbabwe', Brian Raftopoulos and Tyrone Savage, *Zimbabwe: Injustice and Political Reconciliation*, (Cape Town: Institute for Justice and Reconciliation, 2004). See Section 1.2.1 for a detailed appreciation of the literature on the LHA.

¹⁰⁷ Scholars that have studied this include, Colin Stoneman (ed) *Zimbabwe's Inheritance*. Jenkins Carolyn, 'The Politics of Economic Policy-Making'. Jenkins Carolyn and Knight John, *The Economic Decline of Zimbabwe: Neither Growth nor Equity*, (New York: Palgrave, 2002). Bond Patrick and Manyanya Masimba, *Zimbabwe's Plunge*. Tinashe Nyamunda, *Financing Rebellion: The Rhodesian State, Financial Policy and Exchange Control, 1962-1979*, Unpublished PhD Thesis, University of the Free State, 2015.

¹⁰⁸ House of Representatives (HR), Sub-Committee on Africa of the Committee on Foreign Affairs, 96th Congress, Second Session, 23 September 1980, p6, 15-16. It was also used in a 1980 Report by the Economic Intelligence Unit (EIU), a Washington based think tank to denote the same. Economic Intelligence Unit, *Zimbabwe's First Five Years: Economic Prospects Following Independence*, November 1981, p122.

this chapter suggests otherwise. It gives more credence to external and international factors that accounted for economic planning in the first five years of independence.

Literature has concentrated on the state's expenditure patterns directed at social services emphasizing the construction of schools and hospitals. However, still widely missing is the state's generation of revenue within the confines of the inherited system. Leveraging on the weaknesses of the inherited system, the government, through the all-powerful Prime Minister (PM) and Cabinet, was able to finance its power structures, which sustained the vision of the creation of an autocratic state. Covering the period between 1979 and 1985, the Chapter is organised into four sections; the first section analyses Zimbabwe's inherited systems enshrined in the LHA and international dictates of economic management. The second focuses on an examination of the state as enshrined in various economic policy documents. The third section is dedicated to an analysis of the government's bid to attract foreign funds to finance its economic plan, in the process birthing Zimbabwe's post-colonial debt problem. The final section examines government's allocation of its resources as reflected in the national budgets. Contrary to the expectations of the Zimbabwe experiment and related economic plans, these budgets explicitly reveal how government finances were biased towards the creation of an autocratic state.

2.2 The Zimbabwe Experiment and Inherited Economic Management Systems

The Zimbabwe experiment was the basis upon which Zimbabwe's post-colonial economic planning process was built. The West relied on the political power wielded by Robert Mugabe to ensure the success of this experiment, as he had accepted the same. In 1981, the Economics Intelligence Unit (EIU) described Mugabe's crucial role as follows: -

...It will be on his continued leadership and his [Mugabe] ability to hold the center ground that the internal political stability, which is an essential prerequisite for economic progress, will be sharply focused. If he succeeds in steadying the political scene to the point that these major initiatives can be made, the development of the Zimbabwe economy could quite conceivably become the model that black Africa has so far remained wanting.¹⁰⁹

The idea of a prosperous model country where blacks and whites lived together democratically and equally was embodied in the speeches of the Prime Minister, who was seemingly committed to making Zimbabwe 'the pride of Africa.'¹¹⁰

The composition of Cabinet itself, partly a product of Lancaster House, was telling of Mugabe's willingness to accommodate whites in the new government. For this reason, Mugabe enjoyed support from white moderates in government and Parliament.¹¹¹ Jonas Christian Andersen, MP for Mount Pleasant and later Minister of State (Public Service) in the Prime Minister's Office, affirmed his support for the PM stating that 'I believe that the government is genuine in its desire to establish a non-racial society; I believe there is a very real future here for whites.'¹¹²

The idea of creating a model state also gained traction amongst black Parliamentarians, with some members regurgitating sentiments expressed in the British Parliament and US Congress. Simbarashe Mumbengegwi, Deputy Minister of Foreign Affairs, for instance, believed that a stable Zimbabwe could 'serve as an example to South Africa where the policy of racial totalitarianism is practiced.'¹¹³

Zimbabwe's economic planning process was influenced not only by the notion of the Zimbabwe experiment, but also by the LHA itself. The government resource allocation and management systems adopted at independence, centered on line budgeting and Votes, were

¹⁰⁹ EIU, *Zimbabwe's First Five Years*, p3.

¹¹⁰ The PM expressed support for the Zimbabwe experiment in almost all the speeches he gave in these early days. For example, see, *The Herald*, 5 March 1980. Ministry of Economic Planning and Development, Zimbabwe Conference on Reconstruction and Development (ZIMCORD): Report on Conference Proceedings, 23-27 March, 1981, p(iii). Extracts from the Prime Minister's Opening Speech at the ZIMCORD Conference, p6. *The Record*, 'Thank You Civil Servants', May 1982.

¹¹¹ *The Herald*, 13 October 1983. Beverley Whyte, 'Andersen Speaks Out', *The Record*, June 1982.

¹¹² Beverley Whyte, 'Andersen Speaks Out'.

¹¹³ Parliament of Zimbabwe (PoZ), *Hansard National Assembly Debates*, 30 July 1980, Column 1277.

inherited from the colonial regime and further emphasized in the LHA. Section H of the agreement stipulated how Zimbabwe should manage its public finances. Among other things, Section H specified that all government finances would be held in a Consolidated Revenue Fund (CRF). According to the LHA, the Minister of Finance was obliged to lay before Parliament estimates of revenue and expenditure at the end of each financial year.¹¹⁴ For government funds to be utilized, the Agreement granted the President the power to authorize the withdrawal of funds from the CRF following the passage, by Parliament, of an Appropriations Act.¹¹⁵ Like any other piece of legislation, the adoption of the Appropriations Act was by a simple majority and its approval premised on the debate of the same. In instances where the government saw it pertinent to increase its expenditure after the passage of the Appropriations Act of that year, the LHA granted the Minister of Finance the right to present before Parliament a supplementary estimates of expenditure.¹¹⁶ In the case of unauthorised expenditure taking place, the Minister of Finance was obliged to inform Parliament.¹¹⁷ Thus the LHA and the subsequent Lancaster House Constitution granted Parliament the oversight role regarding public finances and government expenditure, but remained silent on the role of Parliament in economic planning.

The LHA also gave the President certain powers in instances where the budget was not approved by Parliament through simple majority or in the rare case that the Appropriations Act had not come into effect. If this happened, ‘the President will be permitted to authorise the withdrawal of monies from the CRF to meet necessary expenditure until the end of the first four months of the financial year or until the Appropriation Act comes into operation, whichever is the earlier.’¹¹⁸ Further, the President would appoint the Auditor and Comptroller General with the recommendation of the Public Service Commission. Thus by the time Lancaster ended, Zimbabwe’s economic direction had been mapped in fulfillment of the Zimbabwe experiment.

The inherited system had weaknesses that opened public finances to manipulation. Firstly, it did not provide for the mandatory debate of all Votes brought before Parliament. This meant that at the discretion of the Speaker of Parliament or the adoption of a Parliamentary motion, the debate of any Vote could be suspended. The repercussion is that public finances of

¹¹⁴ Signed Lancaster House Agreement, Section H4.

¹¹⁵ Ibid, Section H2, H3.

¹¹⁶ Ibid, Section H5.

¹¹⁷ Ibid.

¹¹⁸ Ibid, H6.

undebated Votes could be used without scrutiny. Secondly, it did not make it compulsory for budget allocation to be in sync with prevailing economic plans or blueprints. In the absence of such a provision, public finances could be spent on Votes that had no direct link to economic development and or the transformation of the lives of the majority. This could lead, as it did, to the bulk of public finances being utilised for financing recurrent expenditure. Thirdly, it did not make it compulsory for every budget item to be tied to an approved government program. The repercussion was that Vote allocations could be at variance with government programming. Finally, the inherited systems did not provide a caveat on how to deal with budgets that were not in line with the economic plans or were not in the best interests of the country or its population. Budgeting was, thus, a bureaucratic process left to the whims of the Prime Minister and Cabinet.

With the conclusion of the Lancaster House Conference, the granting of independence, and the lifting of sanctions, Zimbabwe joined various international bodies.¹¹⁹ In April 1980, Zimbabwe became a member of the Commonwealth of Nations and United Nations (UN). It also joined the International Monetary Fund (IMF) whose mandate is to promote international financial and monetary stability. Upon joining the IMF, Zimbabwe became a member of the World Bank Group's International Bank of Reconstruction and Development (IBRD), with membership of the latter predicated upon membership of the former.¹²⁰ It also became a member of the International Finance Corporation (IFC) through the purchase of 546 shares of capital stock, to the tune of US\$546 000, at US\$1 000 per share.¹²¹ Zimbabwe also joined the African Development Bank (AfDB).¹²² Zimbabwe's first Minister of Finance, Enos Nkala confidently stated that membership to these organisations ensured 'financial assistance in both public and private development projects, a better credit standing in the eyes of international finance and

¹¹⁹ Following the Unilateral Declaration of Independence, sanctions were imposed on Rhodesia by the United Nations. For a detailed discussion on this see among many others, Joseph Mtisi *et al*, 'Social and Economic Developments during the UDI Period', Brian Raftopoulos and Alois Mlambo (eds), *Becoming Zimbabwe: A History From the Precolonial Period to 2008*, (Harare: Weaver Press, 2009), pp115-140.

¹²⁰ International Bank for Reconstruction and Development Board of Governors, Resolution No 355: Membership of Zimbabwe, 29 August, 1980, pp1-3. The World Bank Group comprises 5 bodies, the IBRD, International Development Agency (IDA), the IFC, the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes. The World Bank in this thesis will largely refer to its development arms i.e. the IBRD and IDA unless otherwise stated.

¹²¹ International Finance Corporation Board of Governors, Resolution No 119: Membership of Zimbabwe, 29 August 1980, pp 1-2.

¹²²The AfDB is an umbrella body comprising the AfDB, African Development Fund and the Nigeria Trust Fund, in this thesis AfDB will refer to all three bodies unless otherwise stated.

ipso facto, improved interest rates on borrowing in international capital markets, and short-term balance of payments assistance if required'.¹²³

By becoming a member of these international bodies, Zimbabwe not only agreed to the rules and regulations of these organisations, but it effectively subscribed to their economic dictates.¹²⁴ As a member of the IMF and UN, for example, Zimbabwe had to adhere to pre-determined types of economic planning and economic management, touted as international best practice. Like every member country, Zimbabwe was to use the United Nations System of National Accounts (UNSNA), a system that was built upon the improvement of the traditional National Income Accounts (NIA). It also meant that Zimbabwe was to follow orthodox economic planning approaches premised on the assumption that economic development in developing countries would be achieved through minimum and strategic intervention of the state in the economy. It also had to follow the set standard of macroeconomic management with set tools in the form of fiscal and monetary policies and the economic planning process dominated by economic policy blueprints and or national development plans.¹²⁵ Zimbabwe, therefore, ascended into an established, interconnected, and organised global financial system, crafted by the global North, without consideration of unique circumstances in a new Zimbabwe whose biggest hurdle was the upliftment of the black majority. Due to the influence of these organisations, Zimbabwe, established the Ministry of Economic Planning and Development (MEPD), led by Bernard Chidzero, a political scientist with vast experience in the operations and dictates of these influential bodies.¹²⁶ As will be shown in what follows, the economic and financing plans Zimbabwe drew up in the first five years of independence were highly influenced by the need to adhere to the inherited international economic stipulations prescribed by key international bodies.

The process of economic planning which Zimbabwe believed in was also an inherited system of economic management. In preparation for the eventuality of independence, economic

¹²³ PoZ, *Hansard National Assembly Debates*, 24 July 1980, Column 1137.

¹²⁴ See Tinashe Nyamunda and Geraldine Sibanda, 'The Making of Zimbabwe's Currency and Economic Crisis: International Financial Architecture, Nationalism and Economic Policies, 1980-2000', Blessing Miles Tendi *et al* (eds), *The Oxford Handbook of Zimbabwean Politics*.

¹²⁵ Syrous K Kroos and Laura M Badeaux, 'Economic Development Planning Models', p120.

¹²⁶ Chidzero obtained a PhD in Political Science at McGill University in Canada. Prior to being Minister of Economic Planning and Economic Development in 1980, Bernard Chidzero, was the Deputy Secretary General at the United Nations Conference on Trade and Development (UNCTAD). His career as an international civil servant began after his completion of a Ford Foundation funded post-graduate programme at Oxford where he wrote on labour relations in the Federation and economic and political developments in Southern Rhodesia since 1923. Upon its completion he joined the United Nations Economic Commission for Africa (UNECA) as an economic affairs officer. *The Rhodesia Herald*, 15 March 1980. *The Rhodesia Herald*, 23 March 1981. ZIANA, 'Bernard Chidzero – A Political Profile, 8 April 1990.

planning for an independent Zimbabwe was initiated by the nationalist parties in 1979, a few months before the Lancaster House Conference was convened. The two African nationalist leaders, Joshua Nkomo and Robert Mugabe, sanctioned a survey whose aim was to study the critical tenets of Rhodesia's economy and make detailed policy proposals to ensure economic and social development in an independent Zimbabwe. This process was initiated and coordinated by Chidzero, who, at the time, was employed by UNCTAD and was an active member of the Zimbabwe African National Union-Patriotic Front (ZANU-PF) in the diaspora. Chidzero put together a team led by Nigerian Professor Herbert Maurice Adebola Onitiri which began working in February 1979 in Maputo, Mozambique.¹²⁷ The team comprised academics, most of them Zimbabwean, who were fully aware of the thinking of international organisations that Zimbabwe would be party to upon independence and the socialist ideologies of the guerrilla movements at the time.¹²⁸ Kombo Moyana, who was part of the team, a member of ZANU-PF in the diaspora, and later to become the first black Reserve Bank of Zimbabwe (RBZ) Governor, explained that the genesis of the idea was in a conversation between himself and Chidzero at a Conference in Addis Ababa. The idea was pitched to the nationalist leaders, who both agreed to it and, thus, began the survey. The findings and suggestions were captured in a two-volume report titled *Zimbabwe Towards A New Order: An Economic and Social Survey* (ZTNO) published in March 1980.¹²⁹

Political players were key to the economic planning process from this early stage. Mugabe and Nkomo each appointed representatives to ensure the successful writing of the survey. Ariston Chambati was appointed the Zimbabwe African People's Union (ZAPU) representative, while Dzingai Mutumbuka represented ZANU- PF.¹³⁰ The composition of the technical team was also along the lines of the Patriotic Front, where academics either loyal to ZANU- PF and ZAPU or working in their offices, were represented. Ibbo Mandaza, who served in the Research and Education Department at the ZANU-PF Headquarters at the time, was head of the ZANU-PF technical team, while Buzwani Don Mutobi was his counterpart from ZAPU.¹³¹

¹²⁷ Interview, Ibbo Mandaza in Belgravia, Harare, 5 July 2019. Interview, Kombo Moyana, Harare CBD, 15 July 2019.

¹²⁸ Contributors to ZTNO included Daniel Ndlela, Ibbo Mandaza, Kombo Moyana and D Clarke.

¹²⁹ Interview, Moyana. In this interview, Moyana referred to ZTNO as an 'institution/economic think tank'. However, upon document analysis and interviews, none of these sources supported Moyana's perception. For this reason, in this study, *Zimbabwe Towards a New Order* will not refer to an institution but a document or report written by a team of academics.

¹³⁰ Interview, Kombo Moyana.

¹³¹ Interview, Ibbo Mandaza. *Sunday Mail*, 'Real Hope Now, Says Economist', 23 March 1980.

The influence of international organisations was manifest from the onset. At the bidding of Chidzero, the United Nations Development Programme (UNDP) and UNCTAD funded the survey.¹³² The UN took particular interest in such a study because, internationally, the thinking at the time was that for developing countries to realize economic development, there was a need for sound economic planning anchored on the production of economic planning documents; such a study would thus be a preliminary economic planning process for Zimbabwe. The idea of new economic plans for an independent Zimbabwe through ZTNO resonated with the expectations and dictates of the UN because, by that time, ‘the United Nations and other sources withheld development aid unless a plan was in place.’¹³³ Developing countries thus set about planning their economies by ‘...determining the country’s core competencies, resources, and long term comparative advantage and formulating the country’s priorities and how its objectives can be met...’¹³⁴ Highly influenced by the so-called international best practice, ZTNO was a significant step towards economic planning for an independent Zimbabwe.

2.2.1 Zimbabwe Towards a New Order’s Proposed Way Forward

ZTNO dedicated three chapters to examining the Rhodesian macroeconomic management system and proffering policy proposals considered necessary for economic growth in a ‘new’ Zimbabwe. The tenets of the economic management system identified included public finance, public debt, inflation and interest rates and foreign investment. In this regard, ZTNO advocated for direct economic planning and initial centralized management of the economy, with the state as a major player in the economy. According to ZTNO, such direct economic planning would fulfil the urgent need for wealth redistribution to correct colonial imbalances thereby ensuring this would be achieved without nationalization of major economic entities through, among other things, the maintenance and expansion of parastatals.¹³⁵ In ZTNO, Kombo Moyana and A. Ten Kate advocated that planning be done through the input-output model, as prescribed by

¹³² Interview, Ibbo Mandaza.

¹³³ *Bill Gibson*, ‘Economic Planning in Developing Economies’, p2.

¹³⁴ Syrous K Kroos and Laura M Badeaux, ‘Economic Development Planning Models’, p121. At the time, UNECA was also very influential in supporting efforts towards economic planning on the African continent supporting for example the Monrovia Declaration (1979), the Lagos Plan of Action for the Development of Africa (1980-2000) and the Abuja Treaty (1991). See among many others, Eze Chris Akani, ‘From The Lagos Plan Of Action (LPA) To The New Partnership For African Development (NEPAD): What Went Wrong?’, *International Journal of Development Research*, Volume 7, Number, 7, 2017, pp.13517-13525. For more on the role of UNECA see Thandika Mkandawire, ‘The Spread of Economic Doctrines and Policymaking in Postcolonial Africa’, *African Studies Review*, Volume 57, Number 1, 2014, pp171-198.

¹³⁵ Kombo Moyana and A. Ten Kate, ‘Economic Structure, Models and Development Planning’, United Nations, *Zimbabwe Towards a New Order: An Economic and Social Survey Working Papers*, Volume 2, 1980, p133.

international best practice.¹³⁶ Among other uses, this model would be useful in providing the amount necessary for investment to achieve increased production and growth in the respective sectors. It would also be useful in determining the market price of outputs. Moyana and Kate advocated for a strengthened and fully funded statistical office to make planning successful.¹³⁷ Such a statistical body would provide credible statistics on economic indicators like Gross Domestic Product (GDP) and Balance of Payments (BOP), incomes, and inflation. The statistical body would provide social statistics useful for economic planning, for example, population statistics necessary in achieving equitable redistribution of wealth and social services.

The document emphasized the need for skills development, the promotion of the rights of workers, and the involvement of the majority in the economy. It advocated for people-led development that involved everyone freely participating in the development process and economic restructuring. Although this proposal is seemingly contradictory to the proposed centralized economic structure, the emphasis was that unlike the Smith regime, the new government must allow the people to be active players in economic development through, for example, free movement of labour and the unhindered operations of labour unions. It was further proposed that local government should be funded from the central government account because urban and rural councils were unable to self-cater for the African population previously ignored in local government priorities.¹³⁸ However, Moyana and Kate cautioned:

But care needs to be taken, especially in the rural sector so that popular enthusiasm and participation which alone holds the key to ensure that bureaucratic controls do not thwart the enormous latent resources. Trade Union participation in overall national planning and worker participation in management at the micro-level needs to be examined and implemented if the nation is to galvanize the creative energies of the people fully and pave the way for meaningful restructuring both at product and asset levels.¹³⁹

Finally, to finance government expenditure and fulfil the economic transformation agenda, ZTNO proposed that there be full utilisation of domestic resources with very little or no borrowing by the state. It advocated for ‘self-reliance’ such that Zimbabwe’s ‘development be reliant upon fullest exploitation of domestic materials.’¹⁴⁰ The argument went on to state that ‘...foreign aid and investment be considered a bonus excluded from the core of economic

¹³⁶ *Ibid*, pp132- 133. The input-output method is the brainchild of economist, Wassily Leontief. Wassily Leontief, *Input-Output Economics*, (Oxford: Oxford University Press, 1986).

¹³⁷ *Ibid*, p133.

¹³⁸ L. Harris and S. Wingwiri, ‘Public Finance and Public Debt’, United Nations, *Zimbabwe Towards a New Order*, p231.

¹³⁹ *Ibid*.

¹⁴⁰ United Nations, *Zimbabwe Towards a New Order*, p66.

planning to avoid false budgeting'.¹⁴¹ ZTNO emphasized that since there was a dire need for technical skills and skills training, any 'foreign capital formation be predicated to training Zimbabweans to be able to install, run and maintain any production plant if not the capacity to make the capital equipment involved.'¹⁴² It contended that it was necessary to have effective and controlled resource management, whether foreign or domestic so that resources are channeled to the most deserving sectors and population groups.

Although Chidzero repeatedly stated that ZTNO was not an economic plan for Zimbabwe, the contributors to the study were themselves under the impression that ZTNO would be more than just a survey that would not be adopted by government. For this reason, the supposed lack of wholesome adoption of ZTNO policy proposals was lamented by the three members of the team interviewed. Mandaza was of the view that the signing of Lancaster, during the writing of ZTNO, resulted in the haphazard completion of the survey. The LHA resulted in the state's inability to adopt ZTNO proposals *in toto*. He stated, 'I cried when Lancaster was signed because I knew the implications of what they had agreed to.'¹⁴³ Daniel Ndelela begrudgingly noted that the reasons for the non- adoption of ZTNO were political, including the character and leadership style of Mugabe. Ndelela recalled that Mugabe 'refused all things that are supposed to be right...Everyone who understood knew that if you don't toe the line, you would be fired. That is the system he introduced and kept'.¹⁴⁴ Internal party politics also resulted in the failure of the wholesale adoption of ZTNO as Chidzero was fought by party radicals who reasoned that 'if Chidzero begins to do this, he will be the Prime Minister's favourite...[but] he never fought in the liberation struggle, he was at the United Nations... so his hands were tied...Cabinet would not readily support his policy proposals...'.¹⁴⁵ For Moyana ZTNO proposals were not adopted because the state never had an appreciation of the importance of 'economic think-tanking'.¹⁴⁶

Although ZTNO was not adopted in its entirety, as to be demonstrated, critical recommendations made in ZTNO can be found in *Growth with Equity (GWE)* and the *Transitional Development Plan (TNDP)* – the two policy documents formulated between 1980 and 1985. However, as will be shown, there existed a fundamental difference between ZTNO

¹⁴¹ *Ibid.*

¹⁴² *Ibid.*

¹⁴³ Interview, Ibbo Mandaza.

¹⁴⁴ Interview, Daniel Ndelela in Mount Pleasant, Harare, 23 July 2019.

¹⁴⁵ *Ibid.*

¹⁴⁶ Interview, Kombo Moyana.

and the policy blueprints formulated in the early 1980s regarding state revenue generation. Unlike Lancaster and the policy documents, ZTNO emphasized internal resource mobilization based on the country's vast natural resources. The emphasis of aid at Lancaster and the early policy documents resulted in precisely what ZTNO cautioned against – 'false budgeting.' It also resulted in much bigger problems that Zimbabwe still suffers from 39 years after independence, namely, the over-reliance on aid and huge amounts of external debt.

2.3 The Zimbabwe Experiment's Economic Documents and Ideological Contestations for The New Zimbabwe

The newly established MEPD was responsible for economic planning, 'including formulation, publication and coordination, monitoring the implementation of National Development Plans'.¹⁴⁷ In addition to being in charge of the Central Statistical Office, the Ministry was also charged with the responsibility to 'mobilize economic and technical resources for the development of the country...and to do everything consistent with the promotion of government's economic relations'.¹⁴⁸ As prescribed by international best practice, therefore, the MEPD set out the envisaged economic path to be followed by the country in February 1981, via an economic blueprint, *GWE*. A more elaborate description of Zimbabwe's economic direction was provided in the TNDP published in November 1982.¹⁴⁹ The TNDP was a three-year transitional plan 'to meet special, in some cases unique, needs of an economy and society in transition from war to peace and, from an old to a new order.'¹⁵⁰ These documents also defined government's ideological inclination, which had become subject of debate domestically and internationally.

Both documents reflected the agreements made at Lancaster House and confirmed the adherence to the Zimbabwe experiment. *GWE* was void of any radical pronouncements that would significantly alter the economic management structure and ownership of the means of production. Although the document acknowledged previous racial imbalances and inequalities, the language used was overly cautious. *GWE* was designed not to trigger capital flight but to assure white investors and the international community that the status quo would be maintained.¹⁵¹ A compromise document, it was neither too radical as to cause an exodus of the white population nor was it too liberal to cause loss of confidence in the ZANU-PF led government by the majority black people that had voted it into power.

Unlike *GWE*, the TNDP had more socialist pronouncements and explicit socialist language. The Zimbabwean state was understood within the context of social classes and class struggle

¹⁴⁷ PoZ, *First Report of the Estimates Committee on The Ministry of Economic Planning and Development, Vote No 8: 1980 – 1981*, 26 August, 1981, p1.

¹⁴⁸ *Ibid.*

¹⁴⁹ The TNDP was an offshoot of the ZIMCORD agenda presented at the ZIMCORD Conference to be discussed in detail in the following Section.

¹⁵⁰ PoZ, *First Report of the Estimates Committee on The Ministry of Economic Planning and Development*, p1.

¹⁵¹ *GWE* was cautious in its depiction of racial imbalances shying away from the black-white racial divide. It also made cautious statements with regards to land redistribution shying away from mentioning the repressive legislation put in place to establish unfair land distribution during the colonial period. Regarding labour, *GWE* exercised the same caution in describing the discrimination against black employees. See Government of Zimbabwe (GoZ), *Growth with Equity*, 1981, pp1-2, 15, 18.

in line with Marxism. Thus, there was bold disaggregation of race, i.e., a black and white dichotomy, when discussing issues or making policy pronouncements.¹⁵² There were also Marxist/Leninist terms, bourgeoisie, proletariat, worker exploitation, petty bourgeoisie, middle bourgeoisie, and capitalists. There was an emphasis on the economic development process that is people driven. The call to raise the 'ideological consciousness' of the majority emphasized in the TNDP was in line with socialist thinking.¹⁵³ Yet neither document proffered radical changes in the country's economic management structure or a change in the ownership of the means of production.

Economic planning, as enshrined in the economic documents of the first five years of independence, ensured that the state was the dominant player in the economy, as had been earlier proposed in ZTNO. This was akin to the inherited economic structure; however, according to the two documents, in a new Zimbabwe, the scope of government activity would be expanded. Such expansion would be achieved through the maintenance, reform, and increase of State-Owned Enterprises. In this way, the state would be responsible for economic transformation, wealth redistribution, and monitoring progress of the Zimbabwe experiment.¹⁵⁴ For government, the maintenance and establishment of parastatals was a means of redistributing wealth and creating equity.¹⁵⁵

In the name of redistribution, the Zimbabwe Development Bank would be established for 'the mobilization of domestic and external financial resources to finance investment projects of high national priority'; the Agricultural Finance Corporation and the Industrial Development Corporation would be 'reorganized' and 'rationalised.' The Zimbabwe Development Corporation – 'a development arm of the nation operating in all sectors of the economy and serving particularly as the government's channel of participation in the economy...' would be created. The Mining Development Corporation, 'responsible for government's participation in the mining sector' and the Zimbabwe National Tourism Corporation that would '...have the overall responsibility for coordinating and undertaking other appropriate activities relating to tourist development', would also be created.¹⁵⁶ State institutions in the education sector would also be created namely the National Vocational and Technical Training Centre which would

¹⁵² GoZ, *The Transitional National Development Plan 1982/83 – 1984/85*, Volume 1, November 1982, pp102-103.

¹⁵³ TNDP understood Zimbabwe's problems within the context of racial segregation. See for example, *Ibid*, p17-18.

¹⁵⁴ GoZ, *Growth with Equity*, p17. GoZ, *The Transitional Development Plan*, p20.

¹⁵⁵ PoZ, *Hansard National Assembly Debates*, 18 September 1981, Column 504.

¹⁵⁶ GoZ, *Growth with Equity*, p17.

be ‘responsible for determining standards and coordinating the nation’s vocational and technical training, the licensing of training schemes, and the evaluation and standardization of training and certification of trainees’ and the National Science and Technology Foundation – whose role was not defined.¹⁵⁷ It must be noted that despite these provisions in the plan document, the state never set out to control the economy through a change in the ownership of the means of production with Chidzero explaining that, ‘what is important is not physical control as such, but influencing the activities of the economy.’¹⁵⁸ However, the unintended consequence, was that the increase in state institutions contributed to the unsustainable wage bill which in turn caused the budget deficit problem government faced since 1980.

Due to the need to balance between international geopolitics, that had resulted in the existence of the Zimbabwe experiment, and local politics that would keep the majority confident in the ZANU PF government, government’s main priority areas were identified as ‘resettlement and rehabilitation’ of people displaced during the war and ‘reconstruction’ of damaged infrastructure.¹⁵⁹ Economic sector restructuring, restructuring of macroeconomic management tools, i.e., fiscal and monetary policies to ensure participation by all in the economy and wealth redistribution, were also listed as priority areas. For these to be successfully implemented, emphasis was placed on the need for skills development. Through GWE, government ‘accepted that it had the primary responsibility, directly or indirectly, for providing trained manpower to industry...’¹⁶⁰

The Plan document had elaborate calculations on projected growth rates for each sector. It was also clear on the major drivers of each sector and what the contribution each would make on overall economic growth. The planned annual average real growth rate was pegged at 8% throughout the plan period.¹⁶¹ The driver for such a high growth rate was to be the ‘expansion and enhancement of the economy’s productive capacity.’¹⁶² Projections were also made on the current account, with exports expected to double over the plan period. The same projections were made on imports due to the need for capital equipment. The growth in imports was largely

¹⁵⁷ *Ibid*, p18.

¹⁵⁸ PoZ, *Hansard National Assembly Debates*, 18 September 1981, Column 491.

¹⁵⁹ *Ibid*, pp3-5.

¹⁶⁰ *Ibid*, p8.

¹⁶¹ *Ibid*, p22.

¹⁶² GoZ, *Transitional National Development Plan*, p101-102.

influenced by the fact that unlike GWE, the TNDP had an elaborate construction plan. Construction would be predominantly carried out by the National Army.¹⁶³

Unlike GWE, the TNDP relied on elaborate statistical data and the internationally accepted input-output method, to gauge the amount of investment required for each sector. The total investment needed to implement the plan was ZW\$6 096 million, which was projected to be an average of 26% of GDP by the 1984/1985 fiscal year, with ZW\$3.6 million coming from the private sector.¹⁶⁴ Revenue would be generated through inter alia, constant examination of the tax structure; investible surpluses; an effective pricing and tariff structure; and 'external financial and technical assistance for reconstruction and development.'¹⁶⁵ A Tax Commission to examine the fiscal system would be set up.¹⁶⁶ A large amount of investment required for the TNDP was to come from Overseas Development Assistance (ODA). In essence, government expenditure would be sustained by a yet to be defined tax system and borrowing. A National Development Fund was to be established to 'demonstrate to Zimbabwe's friends abroad the seriousness with which government views the development task, for 'mobilizing, or accounting for, domestic and external resources intended exclusively for development.'¹⁶⁷ Although the TNDP claimed that domestic financing would be used, in the same vein it contradicted itself by stating, 'while similar investment programs have, in the past, been financed largely from domestic sources, this will not be possible during the plan period, primarily because the economy's savings behavior has significantly changed'.¹⁶⁸ Thus government's financing plan in the first five years of independence was dependent upon variables the government could not directly control making the success of the economic documents unlikely from the onset. On its own admission the success of the TNDP relied on two conditions, the removal of significant distortions in the inherited economy and the generation of foreign funds at ZIMCORD.¹⁶⁹

Due to the need to adhere to the Zimbabwe experiment, the two documents failed to identify conditions in which the private sector would be involved in the economy. In the absence of a broad economic expansion plan and terms of engagement with the private sector, there was no guarantee the government would meet its target of 8% economic growth rate. The documents

¹⁶³ *Ibid*, p80. The programme of using the army to carry out reconstruction was referred to as Operation Seed in the EIU Report. The term is used again by the Prime Minister and Minister of Defence, Robert Mugabe, in Parliament. PoZ, *Hansard National Assembly Debates*, 18 September 1980, Column 1049.

¹⁶⁴ GoZ, *The Transitional National Development Plan*, pp39, 101.

¹⁶⁵ GoZ, *GWE*, p14.

¹⁶⁶ *Ibid*, p15.

¹⁶⁷ *Ibid*.

¹⁶⁸ GoZ, *The Transitional National Development Plan*, p39.

¹⁶⁹ *Ibid*, p23.

were also silent on, policies around of Foreign Direct Investment (FDI), Public-Private Partnerships (PPPs) or Build-Operate and Transfer agreements (BOTs) – all of which could result in much-needed investment for capital expenditure and ensure the avoidance of unnecessary reliance on aid and borrowing. Effective policy implementation would thus be heavily dependent upon government’s ability to instill disciplined and effective budget allocation mechanisms.¹⁷⁰

Both documents recognized the existence of an informal sector in Zimbabwe, due to years of exclusion and or peripheral involvement of the black population in the formal sectors. However, they fell short of providing a plan of how to either formalize it or curb its growth. They went only as far as acknowledging the need ‘to promote research into the socio-economic impact on the informal sector to understand better the role and importance of this sector in the economic and social development of Zimbabwe.’¹⁷¹ In a cursory fashion, both documents stated that the government would, promote, and assist the rural informal sector to absorb the growing labour force.¹⁷² The exclusion of the informal sector in planning was primarily influenced by western economic thinking, where the informal sector is not viewed as a viable agent of economic growth and transformation. This thinking is reflected mainly in the calculations of the GDP done through the system of NIA or its modification, the UNSNA, adopted by Zimbabwe at independence. Thus, successive economic plans were either cursory in their approach to the informal economy or silent about its existence. The absence of a plan on how to harness the sector, coupled with economic failure, resulted in its gradual growth between 1980 and 1997 and then rapid growth in post-2007. The industry grew unharnessed, uncontrolled, and under-regulated.

What comes out from a study of these documents is that government had no intention of pursuing a socialist path.¹⁷³ In an interview, Mandaza had this to say:

Politicians in ZANU PF veered away from strong ideological positions – there was never a commitment to socialism except in rhetoric – we wrote the speeches, we knew these people were not interested in what we were proposing, they called it nonsense... There was no ideology and no vision; we didn’t get that far – everything was overtaken by Lancaster. In the end, what they wanted was to do things the Kenya way; they were a class of bourgeoisie who were in power for self-accumulation and self-enrichment.¹⁷⁴

¹⁷⁰ *Ibid*, p102.

¹⁷¹ *Ibid*, p10.

¹⁷² GoZ, *Transitional National Development Plan*, p103.

¹⁷³ The ideological path taken in Zimbabwe has been subject of debate in literature. See, Section 1.2.1 of this thesis.

¹⁷⁴ Interview, Ibbo Mandaza.

Statements made by the leaders of government were also telling. In formal spaces, the PM was careful to label the economic thrust of the country socialist. Asked about the PM's ideology in the House of Representatives, former Governor of New York, Averill Harriman responded:

*...he has a Marxist philosophy, but he has made it very plain that in the administration of Zimbabwe he is a pragmatist and his pragmatism leads him to the conclusion that the large ranches should be retained, industry should be developed, and private enterprise should be encouraged to enter the country.*¹⁷⁵

In Parliament Nkala and Chidzero offered opposing views on Zimbabwe's ideological thrust. Nkala, like Herbert Ushewekunze, the Minister of Home Affairs, readily labeled the government 'socialist,' although that statement was sometimes followed with a proviso, that 'our socialism will be pragmatic and mild.'¹⁷⁶ Shava took a more radical stance, stating that what the government intended on practicing was 'socialism, not mild socialism, not Zimbabwean socialism...'.¹⁷⁷ Chidzero, on the other hand, was cautious about using the term socialism, revealing his diplomatic prowess, he described the ideological path of government in the following manner:

*...this country shall be a mixed economy with a strong socialist bent...with a robust public sector without destroying the private sector..., the public sector will carry direct investment itself, particularly in those areas where private investment is not likely to go and where the majority of our people live.*¹⁷⁸

White moderates in government and Parliament understood the need for reconciliation and supported the Prime Minister.¹⁷⁹ A moderate, Chris Andersen stated:

*Personally, I cannot see that there will necessarily be conflict between socialist philosophy and private enterprise and initiative. I think it's important that people should shed their preconceived ideas as to what socialism is – and bear in mind that this government does not intend to follow blindly and apply the socialist philosophy, without firstly examining whether or not it is suitable in the Zimbabwean context.*¹⁸⁰

The continued debate about ideology in Parliament was a direct result of the absence of consultation on economic policy by MEPD. The lack of debate in Parliament about economic

¹⁷⁵ HR, Committee of Foreign Affairs, p6. Mugabe expressed similar sentiments at other formal platforms. Also see Beverley Whyte, 'Thank You Civil Servants'. *PoZ, Hansard National Assembly Debates, 7 December 1983*, Column 1292.

¹⁷⁶ *PoZ, Hansard National Assembly Debates, 27 June 1980*, Column 1133.

¹⁷⁷ *Ibid*, 30 June 1980, Column 1234.

¹⁷⁸ *Ibid*, 9 September 1980, Column 802.

¹⁷⁹ *The Herald*, Saturday 13 October, 1983.

¹⁸⁰ Beverley Whyte, 'Andersen Speaks Out'.

planning at this early stage of Zimbabwe's independence ushered in four key things that were characteristic of post-colonial Zimbabwe's economic planning process. Firstly, the planning process was exclusionary in as far as Parliament and the general populace was concerned. Consultations only involved various economic organisations and societies that were run by the white minority.¹⁸¹ Chidzero described the economic planning process to Parliament as follows:

What we do is to define policy and in particular policy objectives in broad terms...we also set out objectives in relation to the provision of economic and social services, and measures to attain these objectives once they are defined in quantitative terms. This is central planning to be done to an extent with consultation with Ministries and a Cabinet decision taken. Once that is done, or in parallel to that exercise, guidelines will be sent to ministries, every ministry.¹⁸²

The black majority, either directly or through Parliament, were largely excluded from planning and policy formulation.

Secondly, the absence of consultation contributed to the centralization of power in Zimbabwe's Executive arm of government. Economic planning was primarily in the hands of Cabinet with the lack of a deliberate drive to involve government's Legislative arm. This kind of centralization of power made it easier to implement the 'whipping system' – where members of Parliament are expected to toe the Party line – and Parliament to be reduced to a 'talk shop' – where Parliament debated but its resolutions were seldom implemented by government; thus grossly undermining its oversight role. Over the years, Parliament thus failed to control public finance in a manner that curbs, for example, misappropriation of funds, acquisition of illegitimate debt, overspending, or abuse of public funds. Thirdly, coupled with political considerations, exclusion of Parliament in policy making contributed to the process of lack of policy consistency that is characteristic of Zimbabwe's general policymaking at both macroeconomic and microeconomic levels. Finally, over the years, Parliament has been unable to monitor and evaluate economic policy implementation because they are excluded from its formulation. Coupled with the flawed system of the election of MPs, characterised by rewarding of political party loyalists as opposed to competence, Parliamentarians are seldom able to discern if the budget is in sync with the economic policy blueprint or plan meant to be implemented as the former is the main avenue of financing economic plans. Thus, government

¹⁸¹ PoZ, *Hansard National Assembly Debates*, 9 September 1980, Column 797. Herbst provides more details on the consultations of the white minority groups in the economic planning process. He contended that these groups largely shaped the economic planning in this early period. Jeffrey Herbst, *State Politics in Zimbabwe*.

¹⁸² PoZ, *Hansard National Assembly Debates*, 9 September 1980, Column 807-808.

financing strategies and budget formulation processes ironically did not involve Parliament which was called upon to ratify and monitor the same.

2.4 Financing the Zimbabwe Experiment

The success of the Zimbabwe experiment depended upon the availability of resources to fund government programs. The plan was to raise government finances through foreign investment in its various forms. The fact that the inherited economy was foreign-owned did not deter the government from seeing the wisdom in inviting more foreign companies, conglomerates, and lenders. On the international front, there was a lot of hope and goodwill towards Zimbabwe conjured up through the Commonwealth and UN Security Council. To attract foreign funding, two Conferences were held in Salisbury. The International Resources Economic Resources Conference on Zimbabwe (IERCZ) and the Zimbabwe Conference on Reconstruction and Development (ZIMCORD) held in 1980 and 1981, respectively. While the conferences were designed to attract foreign investment, they were also a platform to reassure investors and the international community of the government's commitment to deracialized economic development. This section analyses these two Conferences within the context of the Zimbabwe experiment. It also explains their significance in Zimbabwe's economic development.

2.4.1 The International Economic Resources Conference on Zimbabwe (IERCZ)

Some local businesses embraced the call to participate in the new Zimbabwe in the face of capital flight and some parts of the white community exiting the country. One such part of the white population, was the Zimbabwe Promotion Council (ZPC) chaired by a businessman, C G Tracey. On the 1- 5 September 1980, the ZPC hosted the *IERCZ* under the theme, '*Zimbabwe: Land of Opportunity.*' The *IECRZ* was the first outward-looking Conference that sought to attract FDI to Zimbabwe. In the words of Tracey, the Conference was meant to expose Zimbabwe to the world because 'in the last 15 years details of Zimbabwe's economy had been kept under wraps, but the Conference would enable the world to understand [its] various resources.'¹⁸³ The *IERCZ* provided a platform for the Prime Minister to explain the envisaged state and assure those present and the international community that Zimbabwe was a safe destination for private investment, as he went on to do during his opening address.¹⁸⁴ It was a platform to demonstrate to the world that the government was committed to providing a conducive environment for foreign capital as Mugabe himself had already begun giving such

¹⁸³ *The Herald*, 'Foreign Investors Welcome- Mugabe', 2 September 1980.

¹⁸⁴ Extracts from the Prime Minister's speech at the Official Opening of the International Economic Resources Conference on Zimbabwe, September 1, 1980. Southern African Development Coordination Conference Communique, 'Zimbabwe: Land of Opportunity' International Economic Resources Conference on Zimbabwe, Seven Arts Theatre, Salisbury, 1- 5 September 1980, 12 September 1980, NAZ File Number S/SA 305, p9.

assurances to foreign investors in Western countries, including America.¹⁸⁵ The Conference was attended by over 300 participants from Africa, Europe, and the Americas, who represented business conglomerates and MNCs.

In his opening address, Mugabe took the opportunity to restate the government's commitment to building a state where both blacks and whites freely participated in the economy, which was the essence of the Zimbabwe experiment. Yet, his speech was also to assure the black community that it would be involved in the country's economic development process. The Prime Minister thus outlined the government's objectives, including the need to improve the 'standard of living of the majority,' employment creation, and provision of a 'wider domestic market for local industries, as well as local inputs for home industries.'¹⁸⁶ The delicate balancing act that the government had to pursue was captured at the Conference thus, 'the government remains committed to a socialist egalitarian, democratic society which recognizes the collective interest and collective demands, but which is anchored firmly by the rule of law, respect for individual rights and freedoms.'¹⁸⁷

IECRZ was held at a time when the government was of the view that the promised aid to Zimbabwe was not forthcoming. Until the time of the Conference, aid had not been as much as had been anticipated. These sentiments were echoed in Parliament by Nkala as he presented his 1980 Budget Statement, thus: 'I should be less than honest if I did not say that government is disappointed at the extent of the aid for development forthcoming so far. Aid is needed now, in the early years of independence and not necessarily in the later years.'¹⁸⁸ Other MPs expressed the same sentiments as Nkala, among them, J P Bassopo Moyo, MP for Victoria, who called for the British and Americans to 'respect the undertaking' they made to Zimbabwe.¹⁸⁹ D Divaris, MP for Kopje, posited that the task of rebuilding Zimbabwe would be that much more difficult in the absence of the promised substantial aid.¹⁹⁰ In the British Parliament, the amounts of aid committed to Zimbabwe were acknowledged as 'disappointing'. The 'general aid fund' proposed at Lancaster had not been established by the time of the IERCZ.¹⁹¹ At IECRZ therefore, the Prime Minister found it pertinent to express his less than

¹⁸⁵ HR, Subcommittee on Africa, p13.

¹⁸⁶ Ibid.

¹⁸⁷ Ibid, p10.

¹⁸⁸ PoZ, *Hansard National Assembly Debates*, 24 June 1980, Column 1135.

¹⁸⁹ *Ibid*, 30 June 1980, Column 1242.

¹⁹⁰ *Ibid*, Column 1224.

¹⁹¹ House of Lords Debates (HL), Zimbabwe Provision of Aid, 6 August 1980, Column 1485.

impressed view of the low amounts of aid pouring into Zimbabwe thus: ‘we have a job to do, and this job must be accomplished regardless of whether or not those who lured us along the garden path of ample aid fulfil their promises or not’.¹⁹²

The MEPD and Parliament played no role in the IERCZ. In Parliament, some ZANU-PF MPs expressed skepticism about the ZPC because of the role it had played during the UDI that of being a conduit for sanctions busting. In an apparent reference to the IERCZ, Mawema stated that the ZPC ‘assisted the past rebellious and puppet regimes to succeed during difficult times. Now they have come forth to say they can bring investors into this country’.¹⁹³ Apart from this veiled reference to the IERCZ, the Conference was not discussed in Parliament. In the MEPD, the Conference was not followed up by a concrete plan on the terms of engagement between the government and private capital. Apart from the PM mentioning that private capital must have a social responsibility to the nation and implement programs in line with government policy, by the end of 1981, the government was not transparent on the terms of engagement with private capital. The amounts of investment that were a direct result of the IERCZ are unavailable, however judging by the unanticipated stagnant growth of the Zimbabwe economy between 1980 and 1985 the Conference did not achieve its desired impact. The government’s continued emphasis on aid, fully exposed by its hosting of ZIMCORD, stifled the immense potential of the private sector that needed to be harnessed to ensure economic expansion and equitable distribution of wealth.

2. 4. 2 ‘Economic Self – Reliance’ That Never Was: ZIMCORD, Aid, and the Genesis of Zimbabwe’s Debt Problem

It was agreed at Lancaster House that for the Zimbabwe experiment to succeed, the West needed to make available ‘a substantial amount’ of aid to the new government. In the American Congress, former Secretary of State, Cyrus Vance, stated, that, for the ‘Zimbabwe experiment to succeed, the West must commit to funding it.’¹⁹⁴ The thinking was that the ‘magnitude of the task [and funds required] was such that no one donor country could provide it alone.’¹⁹⁵ Based on this thinking, delegates agreed to the setting up of a multi-donor fund where all

¹⁹² Southern African Development Coordination Conference Communique, ‘Zimbabwe: Land of Opportunity’ International Economic Resources Conference on Zimbabwe, p10.

¹⁹³ PoZ, *Hansard National Assembly Debates*, 9 September 1980, Column 790-91.

¹⁹⁴ HR Debates, Committee on Foreign Affairs, p3.

¹⁹⁵ HR Debates, Subcommittee on Africa, p12. The same sentiments were echoed in the British Parliament, which was in full agreement of the holding of a donors Conference in Salisbury. House of Lords Debates, Zimbabwe Provision of Aid, 6 August 1980, Column 1486.

members of the Commonwealth would contribute towards the reconstruction of Zimbabwe and the success of the Zimbabwe experiment.¹⁹⁶

Following Zimbabwe's independence, therefore, the matter of funding Zimbabwe was a topic of debate in the British Parliament and US Congress. The discussion centered on the form that financial assistance should take. British MP, Robert Hughes, who was also part of the British delegation at Zimbabwe's independence day celebrations, argued for the increase of financial support in the form of grants, to Zimbabwe as the country needed all 'the good fortune and assistance' to mitigate post-colonial 'tensions and undercurrents'.¹⁹⁷ To this end, Britain committed '£75 million... over a three-year period'.¹⁹⁸ This was in addition to the cancellation of a £22 million colonial debt and rescheduling the remaining £33 million over ten years.¹⁹⁹

On the part of America, Vance, and Harriman, also advocated that Zimbabwe should receive grants as opposed to loans to avoid a debt overhang.²⁰⁰ For Harriman, if America and others in the West failed to respond adequately, there was a serious likelihood that Zimbabwe would fail 'to meet the needs and expectations of its people'.²⁰¹ In September 1980, a decision was thus made to provide Zimbabwe with 'unconditional aid' as it would be 'counterproductive' and 'a mistake for Congress to try to specify what will be done with the money'.²⁰² America thus went on to commit US\$ 200 million, which was about 40 to 50 percent of the aid set aside for the whole of the African continent as a demonstration of its commitment to the success of the Zimbabwe experiment.²⁰³ Alongside these pledges was the discussion regarding the possibility of a donors Conference to be held in Salisbury. The British and the Americans hoped that the donors Conference would raise more money for the reconstruction of Zimbabwe and the success of the Zimbabwe experiment. Therefore, there was a call to support Zimbabwe's financial obligations for rehabilitation, resettlement, and rural development programs, in the international community, including at the UN Security Council.²⁰⁴

With the agreements and assurances of Lancaster House Conference in mind and evident international goodwill, Chidzero and the MEPD organised ZIMCORD. For Chidzero, there

¹⁹⁶ House of Lords Debates, Zimbabwe Provision of Aid, 6 August 1980, Column 1485.

¹⁹⁷ House of Commons (HC) Debates, Southern Rhodesia (Sanctions and Amnesty), 7 May 1980, Column 438.

¹⁹⁸ HL Debates, Zimbabwe Provision of Aid, 6 August 1980 Column 1485.

¹⁹⁹ HC Debates, 19 January 1981, Column 17. PoZ, *Hansard National Assembly Debates*, 24 July 1980, Column 1135.

²⁰⁰ HR, Sub-Committee on Africa on the Foreign Affairs, p7.

²⁰¹ *Ibid*, p9.

²⁰² HR, Sub-Committee on Africa on the Foreign Affairs, p11.

²⁰³ *Ibid*, p10.

²⁰⁴ Beverley Whyte, 'What 1981 Meant To Me: Celebrities Share Memories', *The Record*, January 1982.

was no other way of financing Zimbabwe except through aid. In Chidzero, the West and the government had found a driver of the experiment along the lines of so-called international best practice. He argued that bilateral and multilateral aid in the form of soft loans and grants was a much better alternative to ‘...denying ourselves the capital we need now for development, or borrowing it from commercial lenders, to be repaid, over the short term at high rates of interest.’²⁰⁵ Admittedly, Chidzero was not unconscious of the advantages of domestic resource mobilization over aid or the infinite nature of aid. He stated:

*... there are going to be limits, largely external, on the amount of foreign assistance we can expect...the re-activation of the growth process, expansion of employment and restructuring of the system will have to depend on domestic resources and possibilities... doing it yourself creates obvious but sometimes overlooked benefits. It generates employment and income with little or no inflationary impact.... It saves foreign exchange. And it preserves a country’s dignity and independence.*²⁰⁶

For this reason, ODA was envisaged as for a ‘limited time to tide the nation over a short transitional period of about three years, after which Zimbabwe should be in a position to carry on with the long term national objective of growth with equity fuelled by its resources’.²⁰⁷ It is under these circumstances that, Zimbabwe’s own ‘Marshall – Type Plan’ under the theme *Let’s Build Zimbabwe Together*, was held between 23 and 27 March 1981.²⁰⁸ 267 delegates from 45 countries, ten international agencies, and 15 UN agencies attended ZIMCORD with the majority coming from the West.²⁰⁹

ZIMCORD funds would finance three priority areas: reconstruction, resettlement and rural development and training.²¹⁰ The MEPD explained that ‘It was these areas that Zimbabwe had a just claim on the support of the international community.’²¹¹ The main objective of ZIMCORD was, therefore, to raise funds ‘...to uplift the poor, redress the imbalance in land distribution...and embark on ambitious manpower training programs as well as acquire in the short term external skilled personnel where appropriate’.²¹² Government made it clear that the

²⁰⁵ *Ibid.*

²⁰⁶ Address by Senator Bernard Chidzero at the Zimbabwe Economic Symposium, p5.

²⁰⁷ GoZ, *ZIMCORD: Question and Answer Booklet*, June 1981, p4.

²⁰⁸ In interviews in the run up to the ZIMCORD Conference, Chidzero often likened the plans outlined in ZIMCORD Documentation to those in the Marshall Plan of the US after the Second World War. See for example, *The Herald*, ‘Government Launches Massive Reconstruction Scheme’, 12 February 1981.

²⁰⁹ GoZ, *ZIMCORD: Report on Conference Proceedings*, Salisbury, 23-27 March.

²¹⁰ *Ibid.*, p35. Documents presented at ZIMCORD were prepared by an ‘Inter Ministry Task Force coordinated through and by the MEPD under the overall direction of the Cabinet. These documents will collectively be referred to here as the ZIMCORD agenda. After the Conference, the documents were merged into the TNDP. GoZ, *ZIMCORD: Conference Documentation*, p2.

²¹¹ GoZ, *ZIMCORD: Conference Documentation*, p17.

²¹² *Ibid.*

intention of ZIMCORD was not to seek opinions of donor countries on policy direction. As the MEPD maintained ‘control of [its] plan and or program’²¹³.

The ZIMCORD agenda was specific about the budget lines for which funding was sought. **Table 2. 1**, depicts the total amounts requested at ZIMCORD. Although funds sought by government were for capital expenditure, there was no investment sought for economic expansion and transformation. Like GWE in 1980 and the TNDP, apart for the investment in agriculture, and perhaps technical training, the ZIMCORD agenda did not show any planned investment for other critical sectors of the economy that could result in economic expansion, transformation and inclusivity such as industry, manufacturing, and mining.

Table 2.1: Capital Funding Programme Requirements (in thousands of ZWD Dollars)

PROGRAM	AMOUNT
Refugee Programme	78 580
Reconstruction	161 647
Land Settlement and Rural/Agricultural Development	786 344
Training Programmes	234 429

Source: ZIMCORD Conference Documentation

The ZIMCORD Conference was anchored on the government and fund provision for government initiatives and programs. Despite the IECRZ, by the time of the ZIMCORD government was yet to have defined terms of engagement with FDI. Lord Soames, former governor of Zimbabwe, lamented the absence of a strategy for engaging private investors, stating that, ‘There must also be an important place in your strategy for private investment...there is no doubt they [private investors] would be helped by a precise statement on the conditions in which you want them to operate in Zimbabwe.’²¹⁴ It was the government’s erroneous contention that the productive sectors, and the economic structure were intact, such that the only immediate areas that needed to be restructured to redress colonial inequalities were the three pillars identified for ZIMCORD funding. Yet restructuring and financing only three elements was tinkering around the margins as the economic structure itself was the cause of the inequalities. The government was, therefore misplaced in stating that:

...we are asking you to contribute generously to our efforts at post-war recovery, land and rural development, training, and technical assistance. The rest of the economy, namely mining, manufacturing, commercial agriculture, transport and communication, power, finance, and so

²¹³ GoZ, *ZIMCORD: Questions and Answers*, p13-14. Like GWE published in 1980 and the TNDP, the formulation of the ZIMCORD agenda was not a product of consultation. At a meeting in the run-up to ZIMCORD, Chidzero stated, ‘We have not consulted anybody ...because we think we understand what the private sector and the people as a whole in the country want.’ *The Herald*, ‘Chidzero Has Big Plans for Rural Areas’, 23 February 1981.

²¹⁴ GoZ, *ZIMCORD: Report on Conference Proceedings*, p35.

*on, is vibrant and thrustful enough, profitable, and resilient enough to attract investment of one kind or another on relatively advantageous terms.*²¹⁵

It did not take into account that the areas of the economy, it described as ‘intact,’ were created to absorb a small minority, not the majority, so they needed to be reformed, invested in, expanded and transformed to cater for the majority and bring about the much-desired equality.

At ZIMCORD, the government attracted more loans than grants giving rise to Zimbabwe’s dependency on aid and the debt problem. The MEPD reported that:

*ZIMCORD loans have a large grant element, i.e., they are on such easy terms that they pose a very light burden on government’s future budgets. They are at very low-interest rates and are to be repaid over a long period following a generous grace period. Given the anticipated 15% per annum inflation rate and the expectation of greatly increased government revenues resulting from the growth of the economy, we can confidently say we will be able to cope.*²¹⁶

In percentage terms, however, approximately 53% of all commitments made at the Conference were in the form of soft loans, while 47% were in the form of grants, signalling the beginning of Zimbabwe’s debt problem.²¹⁷

Parliament played a peripheral role in the planning and organisation of ZIMCORD. As early as 1980, it had in fact begun cautioning government against its appetite to borrow and rely on external aid. Members argued against it for two reasons. First, the ‘strings’ attached to loans could jeopardise the country’s ability to be ‘self-sufficient.’²¹⁸ Secondly, high-interest rates could result in Zimbabwe being ‘servants of lenders.’²¹⁹ E Shirihuru, MP for Mashonaland East, expressed his concerns thus, ‘the tendency is that the more you borrow, the more you have to pay, this is why we want the policy of self-reliance rather than depending on what we will get from outside’.²²⁰ Only a month before the Conference, P Shields, MP for Bulawayo Central, cautioned, ‘...government borrowing is heavy by any standards...I believe we should look at methods of earning money and less about borrowing’.²²¹ By 1983, the same MP angrily stated, ‘I believe that in the short space of three years, we have been re-colonised by the IMF and World Bank’ due to the high credit that the government was incurring.²²² In the same year, Chidzero admitted that ‘we have reached the level of national debt that prudence regards as

²¹⁵ *Ibid*, p51-52.

²¹⁶ GoZ, *ZIMCORD: Conference Documentation*, p17.

²¹⁷ GoZ, *ZIMCORD: Question and Answer Booklet*, p24. Elsewhere I argue I also demonstrate the importance of ZIMCORD in aggravating and shaping government debt see Tinashe Nyamunda and Geraldine Sibanda, ‘The Making of Zimbabwe’s Economic Crisis’, pp9-12, 16.

²¹⁸ PoZ, *Hansard National Assembly Debates*, 29 July 1980, Column 1239.

²¹⁹ *Ibid*, Column 1244.

²²⁰ *Ibid*, Column 1261.

²²¹ PoZ, *Hansard National Assembly Debates*, 18 February 1981, Column 2066.

²²² *Ibid*, 16 August 1983, Column 1338.

maximum.²²³ Although bilateral loans were much more than multilateral loans incurred at the time, it was clear that external debt was unsustainable regardless of its source.

Government borrowing continued unabated such that by 1985, the amounts of external debt Zimbabwe accrued had increased exponentially. **Table 2. 2** shows the monetised value of loans and grants disbursed from bilateral and multilateral sources between the period 1980 and 1985. Although the total disbursed in grants was more than that disbursed in loans, the problem is that the so-called ‘easy terms’ of the loans, averaged at an interest rate of between 6-10% per annum. Further, Zimbabwe was not only borrowing from multilateral and bilateral sources, but it was also borrowing from private lenders, many of whom were represented at ZIMCORD.²²⁴ **Figure 2. 1** shows the total external debt accrued between 1979 and 1985.

Table 2.2: Multilateral and Bilateral Loans and Grants Disbursed, 1980-1985 (in USD)

Year	Bilateral Loans	Multilateral Loans	TOTAL Loans	Bilateral Grants	Multilateral Grants	TOTAL Grants
1980	5 542	0	5 542	75 349	40 175	115 523
1981	45 708	94 927	140 635	109 120	15 923	125 042
1982	150 734	23 542	174 276	105 533	17 585	123 118
1983	99 547	44 268	143 815	109 554	22 833	132 388
1984	104 450	68 867	173 317	164 718	34 138	198 856
1985	82 074	77 259	159 332	166 608	20 573	187 181
Totals			796 917			882 108

Source: Collated from Ministry of Finance, Economic Planning, and Development documents

It must, however, be noted that a substantial amount of Zimbabwe’s external debt was inherited debt.²²⁵ Zimbabwe inherited a foreign debt of ZW\$353 300 000, thus by 1985, the new government had generated approximately ZW\$1.5 billion in external debt.²²⁶ A significant

²²³ *Ibid*, Column 1324.

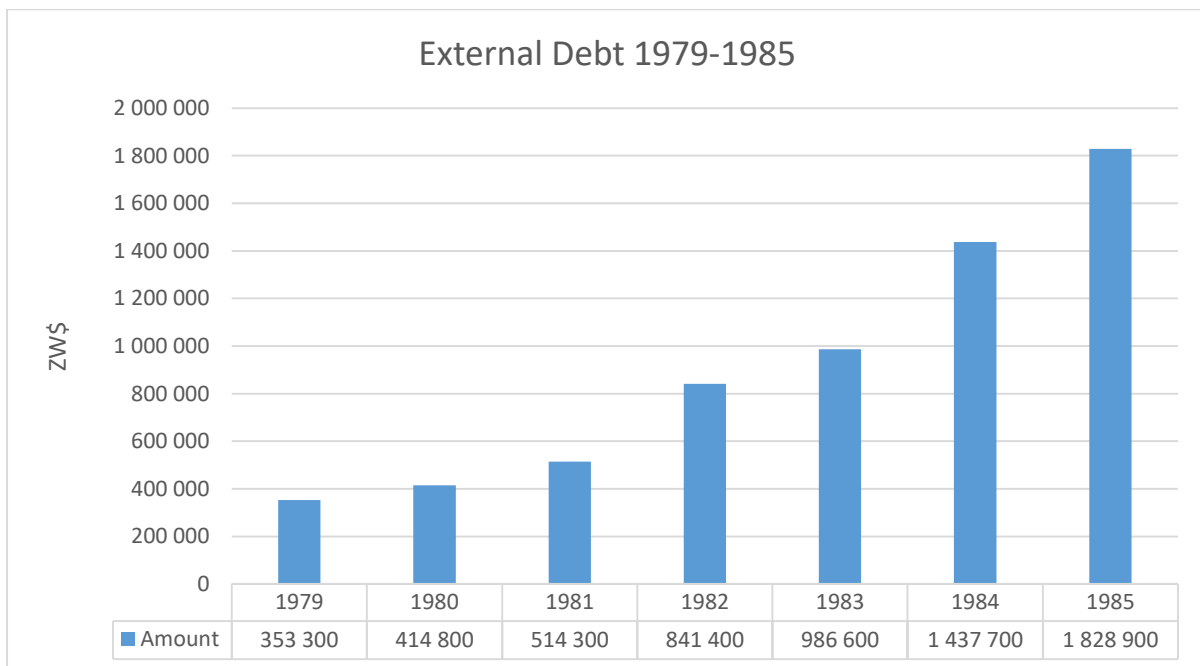
²²⁴ Borrowing from private lenders also started soon after independence. See for example, PoZ, *Hansard National Assembly Debates*, 9 September 1980, Column 798.

²²⁵ For more on inherited debt see Karen S Openshaw and Patrick C R Terry, ‘Zimbabwe’s Odious Inheritance: Debt and Unequal Land Distribution’. Rob Davies, ‘Foreign Trade and External Economic Relations’, Colin Stoneman (ed), *Zimbabwe’s Inheritance*, pp216.

²²⁶ Zimbabwe also inherited a domestic debt of ZW\$1 125.5 million. RBZ, *Quarterly Economic and Statistical Review*, December 1981, p47. In interviews, the RBZ Debt Management Office stated that inherited external debt was US\$750 million. But there was no documentation provided to support this by either the Ministry of Finance or the RBZ. Secondary literature has pegged Zimbabwe’s inherited debt at US\$750 Million, see Patrick Bond and

amount of inherited debt was owed to Britain, and the rest was divided among the multilateral lenders including the IBRD.²²⁷ The inherited debt was discussed in Parliament, where there emerged two extreme views. One, supported by, for example, Frederick Shava, MP for Manicaland, expressed gratitude to Britain for its debt cancellation despite the requirement to pay for the outstanding debt.²²⁸ A second view supported by M H Nyazika, MP for Mashonaland East, believed that debt should have been canceled entirely, to allow for Zimbabwe to start anew.²²⁹

FIGURE 2. 1



Source: Collated from RBZ statistics

From the onset, the chances of Zimbabwe being able to repay the loans were bleak, given the absence of substantial economic growth between 1980 and 1985, with an average real GDP growth rate of about five percent. The absence of a concrete policy on how to harness private capital and natural resources also meant the decline in potential revenue streams. Further compounding the problem was that the Zimbabwe dollar was devalued by 20% on the 9th of December 1982, at the insistence of the IMF, meaning that loans accrued were much more

Masimba Manyanya, *Zimbabwe's Plunge*. Karen S Openshaw and Patrick C R Terry, 'Zimbabwe's Odius Inheritance: Debt and Unequal Land Distribution'. Hevina Dashwood, pegged inherited debt at US\$ 786 million, see Hevina S Dashwood, *Zimbabwe: The Political Economy of Transformation*, (London: University of Toronto Press, 2000)

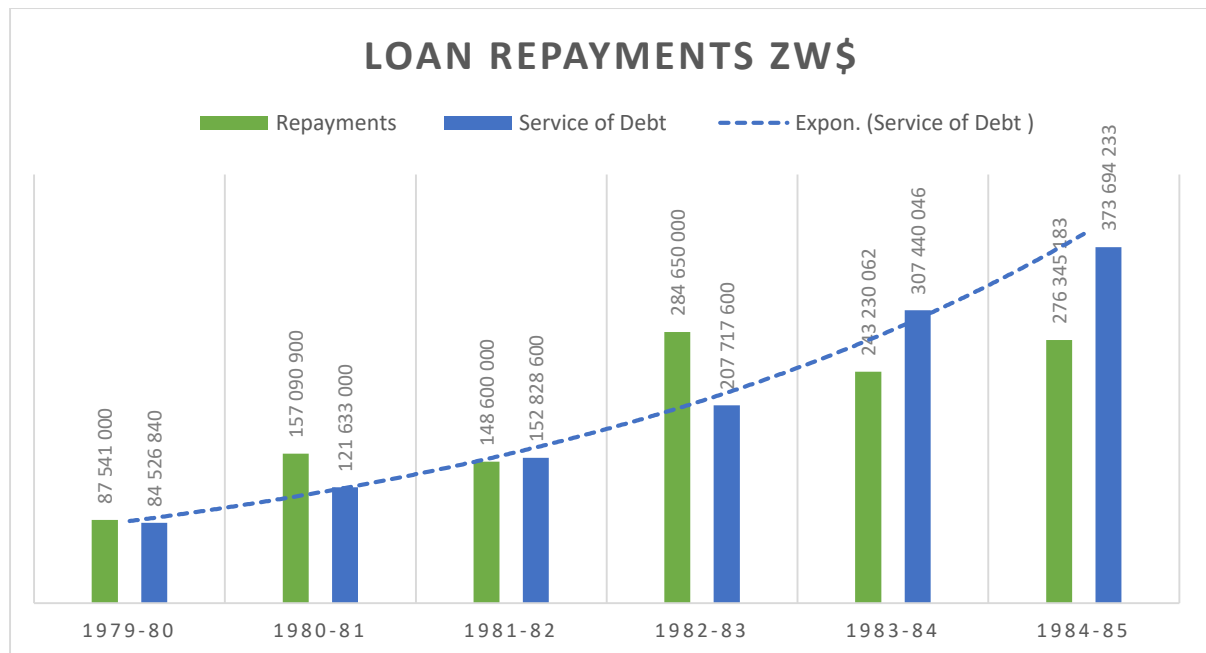
²²⁷ PoZ, *Hansard National Assembly Debates*, 24 July 1980, Column 1136.

²²⁸ *Ibid*, 31 July 1980, Column 1237.

²²⁹ *Ibid*, Columns 1254, 1264-65.

expensive than earlier envisaged.²³⁰ So, by the 1983-84 fiscal year, the amount required for debt service was more costly than debt repayment itself, **FIGURE 2.2** depicts this.²³¹ By 1983-84 interest rates alone were much more costly than loan repayments. In the 1984-85 fiscal year, interests on loans alone, were approximately ZW\$ 70 million more than loan repayment itself.²³²

FIGURE 2.2



Source: Collated from *Estimates of Expenditure, 1979-1985*

The situation, thus, brought a huge strain to the country’s fiscus contributing significantly to government’s skewed expenditure patterns prevalent during the era of the Zimbabwe experiment.

As has been shown, the financing plan developed for Zimbabwe was a skewed one. The IERCZ was a crucial conference that was tragically organised and coordinated outside government. Even after the Conference, the government did not follow come up with a concrete plan for the terms of engagement with the private sector. The value of the IERCZ, however, lay in the fact that it demonstrated the buy-in of key players in the private sector in the assurances by the

²³⁰ RBZ, *Economic Quarterly Economic and Statistical Review*, September 1984, p S36. For more on the austerity measures initiated by government in 1982 which included the devaluation of the dollar see Thandika Mkandawire, ‘Home Grown’ (?) Austerity Measures: The Case of Zimbabwe’, *Africa Development*, Vol 10, No 12 ½ (January-June 1985), pp 236-263.

²³¹ Service of debt consists of interest and miscellaneous charges, sinking funds and expenses of loans.

²³² GoZ, *Estimates of Expenditure, 1984*.

government of creating a country where both white and black could freely participate in the economy. In the same vein, financing the Zimbabwe experiment through aid had its problems. The structure of the funds obtained at ZIMCORD is what began the debt problems Zimbabwe struggles with today. ZIMCORD not only created the problem of debt and over-reliance on aid, it began the problem of false budgeting and deficit financing that had been cautioned against in ZTNO. In the final analysis, therefore, 'to the extent that the purpose of ZIMCORD was to attract external assistance for the development efforts of the country during the Three-Year Transitional Development Plan. It served its objectives well...'.²³³ However, it contributed significantly to the quashing of hopes of economic self-reliance and economic transformation because of the kind of funds it attracted and the way these funds were managed.

²³³ GoZ, Status Report on External Development Assistance to Zimbabwe, 1980- 1985, June 1986, p8.

2.5 Government Expenditure in the Era of the Zimbabwe Experiment

Analysing the developments of the early independence economy, Xavier Kadhani asks, ‘How does one explain the wide divergence between the plan and [economic] performance?’²³⁴ The plan was economic growth with equity and transformation, yet in fact economic growth declined -2 and -3% in 1982 and 1983, only picking up at 4% in 1984. This section posits that the answer to Kadhani’s question lies in the state’s allocation of resources. It studies government’s resource allocation during the first five years of independence. By so doing, it traces the extent to which the government was committed to financing its adopted economic plan. In existing literature, government is credited with financing social services during the period under review. Published material to date rightfully acknowledges the developments made in education and health sectors, which included free primary education, free primary health care, and the construction of schools and hospitals in the rural areas where the majority of the black population resided.²³⁵ While this is accurate, a closer look at the Estimates of Expenditure reveals that in the first five years of independence, the majority of government resources were channeled towards the military. This happened in two ways. First Vote Six was the second-highest funded Vote, between 1979 and 1985. [See **Annexure One for Vote Descriptions**] and second, through the military being the biggest beneficiary of the Construction Vote.

In the 1980 budget ironically termed, *The People’s Budget*, Vote Six received the highest budget allocation ahead of, for example, Votes 18 and 19, which were pertinent Votes following colonial rule and war.²³⁶ The same statement noted that, instead of the defense allocation declining with the end of the war, the allocation increased by 24%.²³⁷ Expenditure towards the military continued to grow exponentially, such that by 1985, the military was consuming ZW\$ 11 750 133 a day, about ten times more than its daily consumption during the war.²³⁸ **Figure 2.3** illustrates the allocations towards Vote Six between 1979 and 1985.

²³⁴ Xavier Kadhani, ‘The Economy: Issues, Problems and Prospects’, Ibbo Mandaza (ed), *Zimbabwe the Political Economy of Transition*, p100.

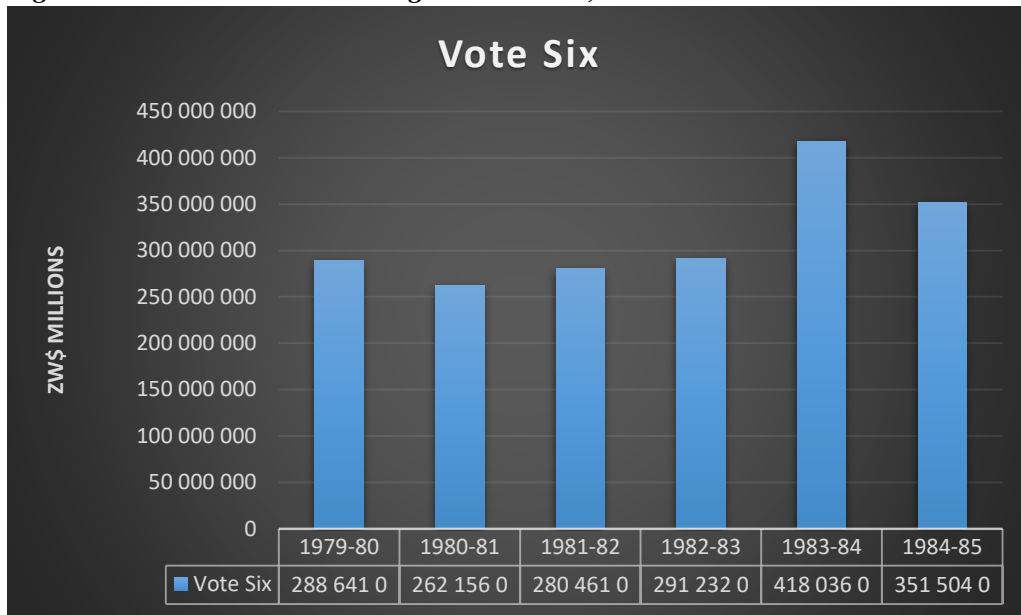
²³⁵ See **Section 1.2.1** of this thesis.

²³⁶ GoZ, *Estimates of Expenditure 1979-80*. Also See Annexure One.

²³⁷ PoZ, *Hansard National Assembly Debates*, 24 July 1980, Column 1158.

²³⁸ Military spending during the war of liberation was pegged at ZW\$1.2 million a day, PoZ, *Hansard National Assembly Debates*, 24 July 1980, Column 1158. PoZ, *Hansard National Assembly Debates*, 18 August 1983, Column 1378.

Figure 2.3: Vote Six Annual Budget Allocations, 1979-85



Source: Collated from Ministry of Finance Estimates of Expenditure, 1979-1985

Parliament raised concern over military expenditure, which they labelled as ‘uncalled for,’ ‘extravagant,’ and ‘exorbitant.’²³⁹ From as early as 1980, the majority of MPs, were against what seemed to them a high number of military men with Wing Commander R J Gaunt, MP for Highlands, seeking assurance that the army would be ‘apolitical’ and used for the ‘correct’ purposes.²⁴⁰ Parliamentarians across the political divide insisted that the defence forces should be no more than 30 000, saving government between ZW\$50 to ZW\$100 million per annum that could be channelled towards ‘development, production, and employment opportunities.’²⁴¹ Two reasons were given for excess military sending. The first was the ‘costly exercise of amalgamation of forces.’²⁴² Operation Seed was given as the other excuse for high military spending. As Minister of Defence, Mugabe argued that the role of the military was three-fold, ‘a defensive force, security force and productive force,’ and Operation Seed fell squarely within the productive capacity of the military.²⁴³ According to Mugabe, military expenditure was not excessive as the army was ‘a source of revenue to the state.’²⁴⁴ By 1985, there ceased to be a

²³⁹ Speeches by Honourable W D Walker, MP for Bulawayo North, D G Goddard, MP for Lundi in PoZ, *Hansard National Assembly Debates*, 31 July 1980, Columns 1248-1249, 1265.

²⁴⁰ PoZ, *Hansard National Assembly Debates*, 28 September 1980, Column 1072.

²⁴¹ W M Irvine, MP for Marlborough, PoZ, *Hansard National Assembly Debates*, 18 August 1983, Column 1378. E M Micklem, MP for Northern [sic], PoZ, *Hansard National Assembly Debates*, 23 August 1983, Column 1409. J Chinamano, PoZ, *Hansard National Assembly Debates*, 31 August 1983, Columns 105-106.

²⁴² PoZ, *Hansard National Assembly Debates*, 24 July 1980, Column 1158. Nyazika in PoZ, *Hansard National Assembly Debates*, 30 July 1980, Column 1263. Nkala in PoZ, *Hansard National Assembly Debates*, 16 September 1981, Column 396.

²⁴³ PoZ, *Hansard National Assembly Debates*, 18 September 1980, Column 1049-50.

²⁴⁴ *Ibid.*

mention of Operation Seed, leaving virtually no explanation for excessive military allocations. In the 1984-85 budget, the military was allocated ZW\$351 504 000 against an allocation of ZW\$131 374 000 towards health and ZW\$456 000 000 towards education.²⁴⁵ Vote Six cost the government a total of ZW\$1 892 030 000, second only to Vote 21 that cost government ZW\$1 996 224 000, a difference of only ZW\$104 184.²⁴⁶

Admittedly, the costs of the military amalgamation of the military could, indeed, have been the reason for excessive defence expenditure in 1980. However, military spending continued to increase and not decrease between 1981 and 1985, yet the bulk of such amalgamation would have taken place in the early years of independence. By 1985, military expenditure increased by more than 50% and was, for an unexplained reason, highest in 1983-84 budget year. Further, the amalgamation of the military involved substantial financial and technical support from Britain under the British Military Advisory Training Team (BMATT) program, which saw the formation and training of first to the fourth brigades, leaving it questionable how much more money was required for defence spending.²⁴⁷ The lack of transparency in the integration process leaves a lot of questions unanswered on military expenditure. Operation Seed if it existed did so only on paper, Parliament was not appraised of its operations and how much went to ensuring its existence. Thus, military spending in the first five years of independence largely went unexplained.

In addition to being the second-highest vote allocation during the period under review, the military was the biggest recipient of construction funding. The government allocated approximately ZW\$83 million towards the construction of military buildings against ZW\$59 753 000 towards the construction of schools and tertiary centres; and ZW\$25 511 000 for construction of hospitals and health centers. Ironically, both the plan and the economic policy blueprint stated that social services were going to be prioritised during the first years of independence. There was no explanation in the Estimates of Expenditure or Parliamentary debates as to why so much construction funding was channelled towards the military or what exactly the military was constructing. Understandably, this non-disclosure could have been for

²⁴⁵ GoZ, *Estimates of Expenditure: 1984 – 85*, pp.

²⁴⁶ See Annexure 1 for details on Vote Allocations between 1979 and 1985.

²⁴⁷ According to the debt Status Report by the Ministry of Finance, which sought to quantify technical and financial support received by government between 1980 and 1985, the bulk of bilateral support was offered by Britain. The report does not mention how much of such support went to the military. For more on BMATT see Hazel Cameron, 'The Matabeleland Massacres: Britain's Wilful Blindness', pp1-19.

security reasons. Being that as it may, such expenditure was exorbitant considering the pressing issues of reconstruction and social service delivery.

The high and unexplained military expenditure happened at a time of heightened talk about the creation of a one-party state, also endorsed by the successive Ministers of Finance. In 1981, Nkala was live on BBC calling for the creation of a one-party state. For Chidzero, the ‘one-party state was the only feasible way forward.’ The endorsement of the one-party state was accompanied by violence, torture and murder, against real or imagined spheres of dissent, encompassing ZAPU members, ‘dissidents,’ labour and ordinary citizens, committed by members of the security services.²⁴⁸ Parliament was awash with members, black and white alike, calling for the cessation of violence by the security sector.²⁴⁹ In 1984, Parliamentarians did not shy away from questioning the atrocities carried out by the Fifth Brigade, an arm of the army, in Matabeleland and Midlands.²⁵⁰ E Ndlovu, MP for Matabeleland South, boldly asked the PM:

*Does the PM accept that Matabeleland and parts of the Midlands have been transformed into fortresses, where politically orientated elements of the Fifth Brigade and the Youth Brigade are waging a campaign of lawlessness and anarchy in the name of ZANU-PF and that every Ndebele speaking person is now branded a dissident?*²⁵¹

The PM professed ignorance, merely responding, ‘I am not aware.’²⁵² Such debates were often thwarted by the then Speaker of Parliament, Didymus Mutasa, a staunch ZANU-PF member. The expenditure structure of the first five years of independence enabled the government to finance atrocious activities, thereby creating a state reliant on fear, repression, violence, and murder characteristic of post-colonial Zimbabwe, to amass and hold onto power. State resources were, thus, used to finance the intermittent use of violence by the security forces including in election years. As **Figure 2. 3** shows, the fiscal years 1983-84 and 1984-85,

²⁴⁸ See for example, Timothy Scarnecchia, ‘Rationalizing Gukurahundi: Cold War and South African Foreign Relations with Zimbabwe, 1981-1983. Ian Phimister, ‘The Making and Meanings of the Massacres in Matabeleland’. Hazel Cameron, ‘The Matabeleland Massacres: Britain’s Wilful Blindness’. In these early years, violence was also used to quash labour demonstrations see Lloyd Sachikonye, ‘State, Capital and Trade Unions’, *Zimbabwe: The Political Economy of Transition*, pp243-275. For the discussion on the one-party state, see Ibbo Mandaza and Lloyd Sachikonye (eds), *The One-Party State and Democracy: The Zimbabwean Debate*.

²⁴⁹ For instance, these sentiments were echoed by MPs S K Moyo, E Ndlovu, D Divaris and S Malunga - PoZ, *Hansard National Assembly Debates*, 27 September 1983, Columns 804 - 08.

²⁵⁰ These sentiments were aired by S Matibenga and Brigadier Probert - PoZ, *Hansard National Assembly Debates*, 11 July 1984, Column 246, 248.

²⁵¹ *Ibid*, Column 238.

²⁵² *Ibid*.

received the highest funding since 1980 at ZW\$418 036 000 and ZW\$351 504 000, respectively.²⁵³

The bulk of Vote Six was allocated to salaries. Apart from those formerly employed in the army, Brigades One to Four, an extra allocation was set aside for Pay and Allowances for National Service, Territorial Force, and Reserve Members Defence. This included ununiformed personnel and re-engagement and extended service gratuities. The people that were used to commit atrocities, which atrocities until today are not fully known, were financed by the taxpayer without their knowledge or consent. From the onset, the government used the flows within the inherited system to finance its creation of an autocratic state. The simple majority provision allowed the government to continue financing its skewed budget that was against the progress and development of the country and its citizens that needed employment and social services following a century of colonial rule.

2.5.1 Recurrent Expenditure

A significant proportion of government funds was used to finance recurrent expenditure. Such recurrent expenditure was channelled towards the sustenance of bloated positions held by politicians, of note cabinet, and from 1984, Provincial Governors. From 26 Ministers and Deputy Ministers in 1980, cabinet increased to 56 by 1983 and reduced to only 54 in 1985 out of a Parliament of 100. At salaries of ZW\$25 300 for Ministers and ZW\$19 992 for Deputy Ministers, cabinet salaries alone cost the government over ZW\$ 1.5 million per annum by 1985. In addition to Cabinet members, the PM appointed eight Provincial Governors in 1984, bringing the number of political appointees in positions of power to 64. The salaries of eight provincial governors cost the fiscus about ZW\$200 000 annually. The bigger problem lay in the government perks that these political appointees were entitled to. Perks included brand new top of the range vehicles, aides, entertainment allowances, fuel, local and foreign travel expenses, and holiday allowances, which increased recurrent expenditure. In an interview former Cabinet Minister, Simba Makoni, explained government excesses in the early years of independence thus:

Ian Smith's government even at the height of the armed struggle and we were burning petrol tanks in Workington, Ian Smith as Prime Minister was the only person who had a convoy, and his convoy was

²⁵³ Masipula Sithole, 'The General Elections: 1979-1985', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp75-98.

three vehicles. His ministers drove themselves to work; most of them were farmers, so they came to the office in their land rovers. They would park them, use the government allocated Peugeot 504s, not Mercedes Benzs. His deputy ministers drove the Peugeot 404; when they finished work they parked the government car.

Now when we came into office, because we had seen Nyerere, Kaunda and Machel riding these outrageous cars. That's what we resolved to do, and by mid-May, I remember this very clearly, we did not even understand what the country's budget was, what the financial system was - Mugabe made two decisions, that his Ministers would be allocated Mercedes 240Es and these ministers were assigned a chauffeur and an aide. He then upgraded his deputy ministers from Peugeot 404 to Peugeot 504s.

During the Smith government, if you were going out on unofficial business, no minister hired vehicles from CMED. When we came into office, there was no checking in; if you go to Muzarabani, it was the ministerial vehicle, and it was charged to CMED if you went kwa[to] Makoni kunoona ana Sekuru wako [to see your grandfathers/uncles], it was still a ministerial car with government fuel and aides.²⁵⁴

Expenditure on cabinet members was a topical issue in Parliament since 1981. Irvine, speaking on the subject, stated that ‘...all these ministers have to be paid, and they have to have cars. The cars are mostly chauffeured... and the new thing is ministers seem to have bodyguards and general hangers-on with them all the time. This costs a great deal of money’.²⁵⁵ E Ndlovu lamented that ‘money [is] being wasted through government vehicles...the danger is if it is not curbed at the level of the Ministers, at the level of the military or the level of civil servants, this might cause such economic crisis as to make those facilities not available in the future’.²⁵⁶ In the same year, similar sentiments were expressed by H S Elsworth, MP for Midlands thus ‘...we notice government cars traveling around the country, Ministerial cars with a bodyguard car in front, and a bodyguard car at the back. [At] State receptions, we notice that a lot of the drink there flows like water from a tap. Expenditure like this can be reduced’.²⁵⁷ In 1983/84, when Chidzero, announced a budget, he termed ‘A budget of Austerity,’ an unimpressed J Chinamano, stated that there was no austerity without cutting the expenditure of Cabinet.²⁵⁸ In a lengthy speech in Parliament, Chinamano expressed his anger, I quote here a small part of that speech:

They were [other] practical steps that could be taken to reduce it [government expenditure] – first, the reduction of the size of the cabinet – 56/57 Ministers too much....each Minister has a retinue of officers... government is spending money which could be saved for more useful projects. [There is] failure to distinguish between government, party, and personal work by Ministers...Government vehicles are used to carry Ministers' wives – whether the Minister is there or is not, the drivers drive them, and sometimes the driver claims for overtime, and the government has to pay...each Minister has got several body-

²⁵⁴ In 1980, Simba Makoni was Deputy Minister of Agriculture. In 1981, he became Minister of Industry and Energy Development until 1983 when he left government to return in 2001 as Minister of Finance and Economic Development. Beverly Whyte, ‘Meet Comrade Energy: Makoni Speaks’, *The Record*, April 1982. Interview with Simba Makoni, Headlands, 19 July, 2019.

²⁵⁵ PoZ, *Hansard National Assembly Debates*, 18 February 1981, Column 2069.

²⁵⁶ *Ibid*, 16 August 1981, Column 1020.

²⁵⁷ *Ibid*, 4 August 1981, Column 940.

²⁵⁸ *Ibid*, 31 August 1983, Column 107.

*guards at his House. I feel if we, with a clear conscience, say to the people, tighten your belts, we must also be seen to be tightening our belts. There is a danger that this concept may become our second nature, and it can be a precedent which can ruin our country, and also a precedent which we will find very, very difficult to eradicate.*²⁵⁹

In an attempt to defend his bloated Cabinet, the PM explained:

*When I decided to appoint deputy Ministers, it was because I realized that we had to try and achieve as much progress within as short a time as possible... as soon as I am satisfied that the basis has been laid, that what remains to be done, is just to get things going by way of routine work, I will look into this whole question of the Cabinet....I don't regard their salaries as being, that exorbitant, but of course taking the situation as it is, people are bound to complain that with the size of Cabinet and expenditure it entails.*²⁶⁰

A bloated Cabinet came with an equally bloated Civil Service due to an increase in Ministries. From 62 000 civil servants in 1980-81 to 86 000 in 1983-84, and by 1985, the total number had more than doubled that of 1980, a scenario which led the government to channel about a third of the annual budget to salaries. **Figure 2.4** depicts the increase in civil servants' salaries between 1980 and 1985. By 1983, there was a 262% increase in salary expenditure.²⁶¹ Parliamentarians continually expressed the wastage and unnecessary numbers of the public service. In 1981, Elsworth commented in Parliament that 'I was alarmed the other day when I saw the increase in the number of civil servants...I have gone round many of the government departments, and you see people sitting in chairs in the sun'.²⁶² In 1983, Divaris, emphasized that 'all that many civil servants are inefficient, they are irresponsible, and they are careless...this sort of thing has been brought out by others in this Hon House, but it has to be brought up time and time again until it sinks in and we do something about it'.²⁶³ Although the views expressed by these two MPs were seemingly extreme and certainly cannot be trusted to be representative of the conduct of all civil servants, the fact that the numbers in government employees were increasing cannot be disputed as the same is confirmed by increased salary allocations during the period under review.

²⁵⁹*Ibid*, Columns 107-109.

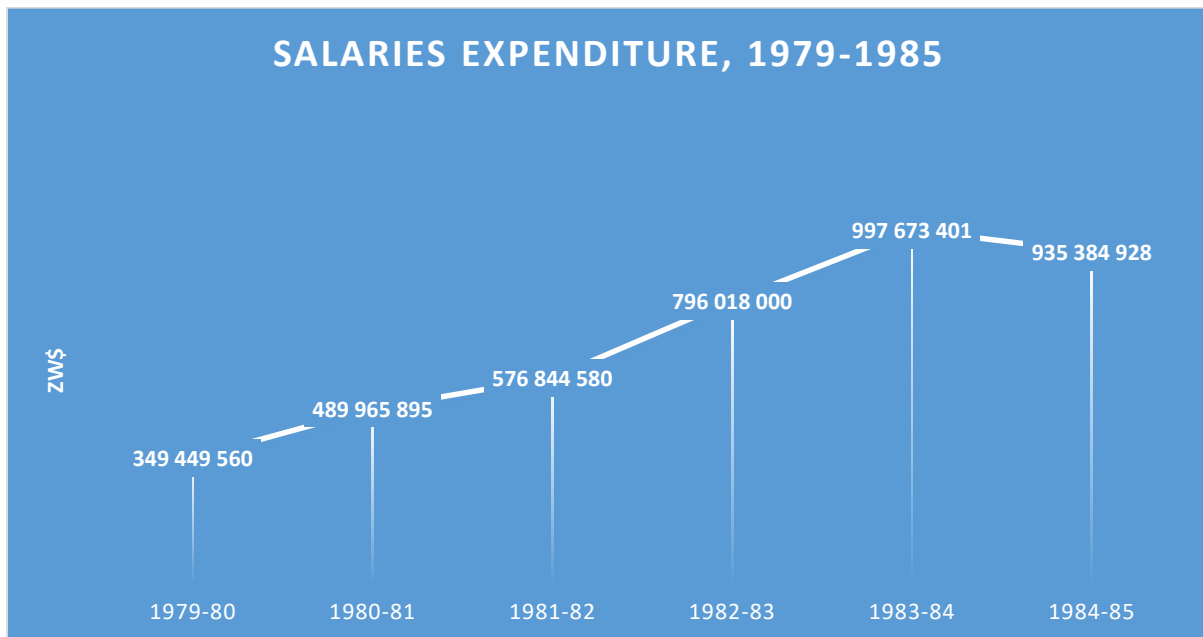
²⁶⁰ PoZ, *Hansard National Assembly Debates*, 28 September 1983, Columns 909 – 910.

²⁶¹ *Ibid*, Column 1380.

²⁶² *Ibid*, 4 August 1981, Column 940.

²⁶³ *Ibid*, 16 August 1983, Column 1326.

FIGURE 2.4²⁶⁴



Source: Collated from *Estimates of Expenditure, 1979-85*

The fact that one of the TNDP's main objectives was to put in place a robust skills training programme must be considered in analysing the expenditure patterns channelled towards salaries of civil servants. In fulfilment of this objective, the government founded the Ministry of Manpower Planning and Development with Edgar Tekere as Minister and Herbert Murerwa as the Permanent Secretary.²⁶⁵ Such a skills programme would no doubt increase the number of civil servants and the salary expenditure. However, the goal was for the white civil servants to train black civil servants so that eventually there would be more black civil servants and generally fewer government employees. Like the military, therefore, it should have followed that over the years, the number of civil servants would decrease and not increase. The Ministry of Manpower Planning was dissolved in 1983, and yet expenditure on salaries continued to increase such that by 1985, government spent approximately ZW\$1 billion of the ZW\$3.4 billion on wages alone. Further, the government continued to lament the shortage of skilled labour, leading P F Shields, MP for Bulawayo Central, to question the irony, 'How is it possible to get 17% more civil servants and we cannot get decent skilled labour increase? There is a severe shortage of skilled labour but no shortage of civil servants?'²⁶⁶

²⁶⁴ Salaries a collation of allocations on salaries and wages, allowances, cash in lieu of leave, Salaries of Ministers and Deputy Ministers, Salaries of Commission Chairpersons and Members e.g. Public Service Commission, State Service, Judges and Ministerial and Parliamentary Pensions - from both Constitutional and Statutory Appropriations and Vote Appropriations.

²⁶⁵ Interview, Herbert Murerwa, 30 June 2019.

²⁶⁶ PoZ, *Hansard National Assembly Debates*, 4 August 1981, Column 928.

Some civil servants were entitled to perks, including cars and fuel, which all came at the expense of the taxpayer. Parliamentarians lamented the increase in money spent on civil servants. Irvine recalled,

In the old days when I was a member of the government, civil servants under no consideration were allowed to drive government cars back and forth to work. But now, anyone using, for example, the Beatrice road, will find in the morning numerous cars with government number plates and the same going home. Again, this is something the taxpayer has to pay for.²⁶⁷

Parliamentarians were clear that a reduction in civil servants was one of the many ways to reduce government expenditure. They reasoned that if reduced by 10%, government would save about ZW\$82 million.²⁶⁸ The question as to whether the salaries of civil servants were commensurate with their output is irrelevant. The government could not afford excess recurrent expenditure in the face of spending required to increase social services and economic expansion, to cater to the formerly excluded black majority. To illustrate the strain caused by salaries on individual Votes, Vote 20 and 21, health and education, respectively, will be used. **Table 2. 3** shows the amount of money spent on wages in Vote 20 and 21 against the total Vote allocations, respectively. It demonstrates that the bulk of the Votes were spent on wages. Although education and health are mainly service-oriented, the recurrent salary bill was unsustainable as it left fewer funds available for the expansion of the sectors or other expenditures required, for example, the purchase of equipment or research. This was especially so in the case of Vote 21. By 1985, more than three-quarters of Vote 21 was spent on salaries. Vote 20 fared much better, but even then, by 1985, about half the Vote was dedicated to wages alone. In 1980 Parliamentarians across the political divide were in support of the allocations to social services.²⁶⁹ Some RF members like W Walker, MP Bulawayo North, cautioned against channelling the bulk of social service expenditure towards salaries.²⁷⁰ African Nationalists continued to defend the vote allocations, alleging that overspending in social services was a result of a ‘century of neglect,’ but they remained silent on the amounts spent on salaries as opposed to actual benefits to the masses.²⁷¹

²⁶⁷ PoZ, *Hansard National Assembly Debates*, 18 February 1981, Column 2069.

²⁶⁸ *Ibid.*, 18 August 1983, Column 1380. *Ibid.*, 23 August 1983, Column 1410.

²⁶⁹ Sentiments echoed by RF and African nationalist MPs alike such as Shields, PoZ, *Hansard National Assembly Debates*, 9 July 1980, Column 1193. J P Bassopo Moyo, MP for Victoria, and J N Kaparadza, MP for Mashonaland Central in PoZ, *Hansard National Assembly Debates*, 31 July 1980, Columns 1169, 1241.

²⁷⁰ PoZ, *Hansard National Assembly Debates*, 31 July 1980, Column 1252.

²⁷¹ *Ibid.*, 31 August 1983, Columns 103-104.

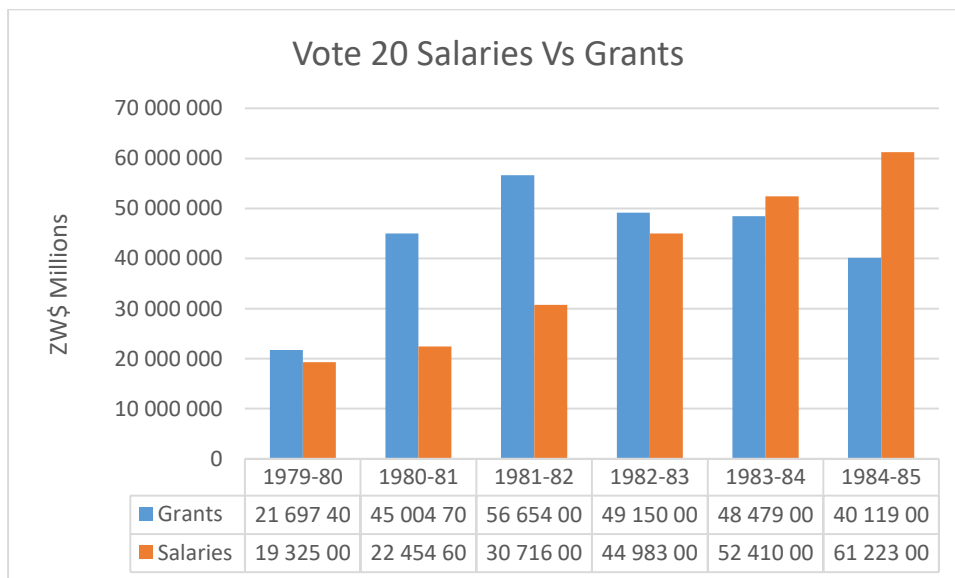
Table 2.3: Salaries Vote 20 And 21

Year	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
V20 Salaries	19 325 000	22 454 600	30 716 000	44 983 000	52 410 000	61 223 000
Total V20	54 226 000	83 729 000	108 936 000	130 000 000	138 999 787	131 374 000
V21 Salaries	103 101 000	174 751 000	218 803 000	318 236 000	388 893 000	365 064 000
Total V21	120 437 000	218 688 600	290 070 000	408 400 000	502 628 605	456 000 000

Source: Collated from Estimates of Expenditure, 1979-1985

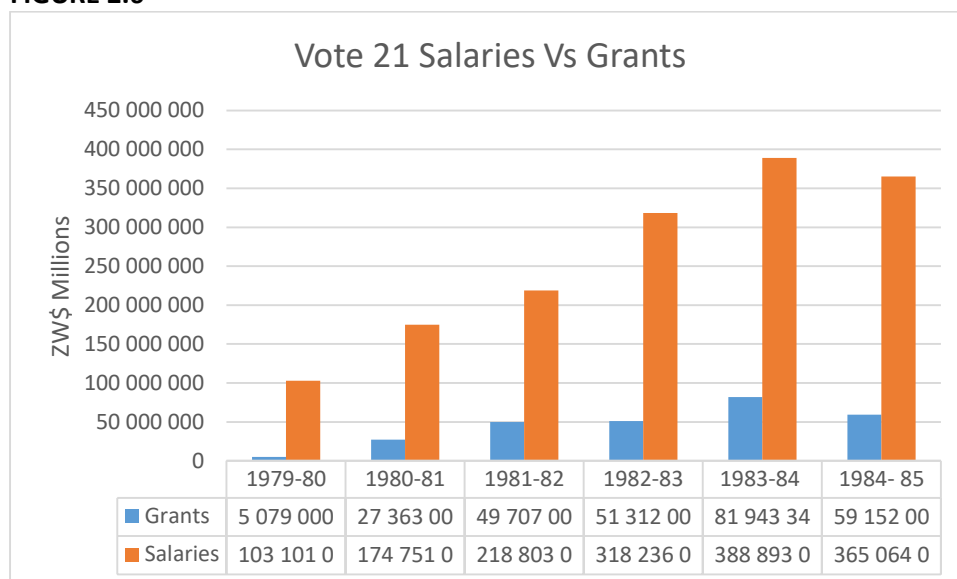
To further illustrate the unsustainable way the government allocated its resources in general and the strain caused by salaries on individual Votes in particular, wages of Vote 20 and 21 are juxtaposed with respective grant allocations. Grant allocations were allocations that directly benefitted the masses. In Vote 20, grant allocations included allocations towards local clinics, hospitals, and free access to primary health care. In Vote 21, these included allocations towards free primary education, tertiary institutions, and state scholarships. **Figure 2.5** shows that although Vote 20 allocated more money to grants than salaries in the early years of independence, since 1983- 84 budget, salary allocations surpassed grant allocations. **Figure 2.6** illustrates that much less was spent on grants as compared to salaries right from the onset. Both figures demonstrate that, as grant allocations were decreasing, salary allocations were increasing. The bloated Civil Service limited the productive use of government finances.

FIGURE 2.5



Source: Collated from Estimates of Expenditure 1979-1985

FIGURE 2.6



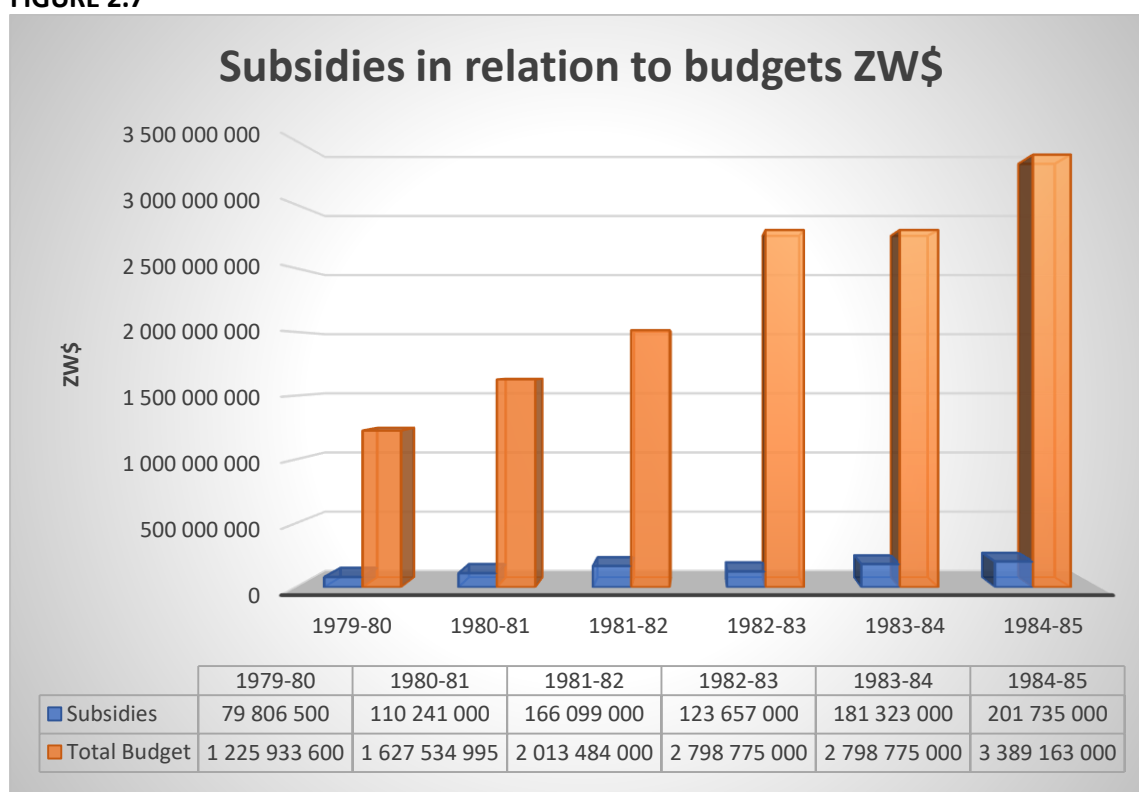
Source: Collated from Estimates of Expenditure, 1979-1985

Recurrent expenditure was also in the form of consumer subsidies. Subsidies were towards food, including beef, maize-meal, wheat, and opaque beer. They were also transport subsidies in the form of losses by the National Railways of Zimbabwe (NRZ) and Air Zimbabwe (AirZim). Of the total allocated to subsidies, ZW\$178 million was spent towards losses incurred by the NRZ and AirZim with the former creating an average loss of ZW\$36 million annually. On an annual basis, the government allocated less than a tenth of its funds towards subsidies [See Figure 2.7]. ZW\$862 861 500 was allocated towards subsidies between 1979 and 1985, far much less than was allocated to salaries, at ZW\$4 145 336 364 and less than Vote Six with ZW\$1 892 030 000. Throughout the first years of independence, successive Ministers of Finance purported to be providing very high quantities of subsidies to the majority, stating that government was redressing the ills of colonialism. Most Parliamentarians were in support of this stance, especially in the first two budgets after independence, arguing that ‘We should expect subsidies to remain part of our daily life...until such a time that our people throughout the country are capable of standing on their own...’²⁷² However, subsidies benefitted the urban dwellers more than they benefitted the rural populace, where the majority of the black people resided. There was no mechanism to ensure that subsidies accrued to the most deserving and poorest in society. In the end, even the rich benefitted, which widened the gap between the rich and the poor; for instance, subsidizing AirZim was essentially subsidizing the rich. This was

²⁷² PoZ, *Hansard National Assembly Debates*, 6 August 1981, Columns 1016 – 17.

acknowledged in Parliament beginning in 1981, ‘I believe that a method must be found so that the genuine poor within the country can benefit from these subsidies.’²⁷³ Between 1983 and 1985, Chidzero himself admitted to this on several occasions, after which he made an attempt to restructure the subsidies through the reduction of consumer subsidies, namely, the scrapping of the subsidy on opaque beer and reducing that on maize-meal, because ‘these were not benefitting the target groups...’.²⁷⁴ In the 1983-84 budget, this saved the government no more than ZW\$ 40 million. The continued emphasis on the need to reduce expenditure on subsidies gave the incorrect impression that much of government funds were being used to cushion the previously disadvantaged black majority, a misconception that exists to date.²⁷⁵

FIGURE 2.7



Source: Collated from *Estimates of Expenditure, 1979-85*

In its 1985 Country Economic Memorandum, the WB expressed concern on the increasing recurrent expenditure.²⁷⁶ It estimated that between 1979/80 and 1984/85, recurrent expenditure

²⁷³ PoZ, *Hansard National Assembly Debates*, Column 929.

²⁷⁴ PoZ, *Hansard National Assembly Debates*, 28 August 1985, Column 850.

²⁷⁵ *Ibid.*, 18 February 1981, Column 2044. PoZ, *Hansard National Assembly Debates*, Columns 938, 1083, 18 August 1981.

²⁷⁶ World Bank, *Zimbabwe Country Economic Memorandum: Performance, Policies and Prospects*, October 28, 1985.

was between 80 and 90% of the total expenditure.²⁷⁷ It attributed this situation partly to ‘government’s policy of directly redistributing wealth and partly to steps already taken to reduce the deficit further curtailing capital expenditure.’²⁷⁸ The Bank advised that:

*The greatest opportunities for savings lie in the area of subsidies to parastatals...it is the government’s intention to eliminate food subsidies. Progress on reducing the other subsidies would also be a necessary condition for further reductions in the budget in the future.*²⁷⁹

Thus the Bank erroneously attributed the recurrent expenditure problem to subsidies. The inaccuracy of the Bank’s conclusions lay in that the biggest spenders in the budget were the military, home affairs, a bloated cabinet, and salaries to civil servants. The government could afford to maintain subsidies but because of the emergence of the new elite, as detailed by, for example, Astrow, Mandaza, and Weiss, it sacrificed the majority of the people by cutting subsidies to maintain the lavish lifestyles of this new elite which was key in the power retention agenda.²⁸⁰ The Memorandum was silent on the increased military expenditure, in line with the international complacency with regards to the post-independence violence, including *Gukurahundi* detailed by Cameron and others.²⁸¹

Due to incessant recurrent expenditure, successive budgets between 1980 and 1985 made a limited attempt at capital injection in the productive sectors. Massive capital injection may have been one of the ways in which economic restructuring and change of ownership of the means of production could have been achieved. Votes catering for material sectors received the least allocation during the five years, of a total of ZW\$1 429 797 797, which was less than Vote Six.²⁸² The lack of investment in economic sectors meant that the government was unable to expand the economy, create employment, and transform the ownership of the means of production. This lack of investment in the economic sectors was raised in Parliament right from 1980. Irvine stated that industry was at risk of collapsing, especially iron and steel, in the absence of ‘considerable investment.’²⁸³ In the same year, members lamented that the structure of the budget was incapable of creating employment as there was no investment in the material sectors.²⁸⁴ In 1981, echoing the sentiments of the PM, Shields reminded the Minister of Finance that ‘...there has to be new wealth earned from new developments, without which all we will

²⁷⁷ Ibid, pxiv.

²⁷⁸ Ibid.

²⁷⁹ Ibid, Pxxv.

²⁸⁰ See among others Andre Astrow, *Zimbabwe: A Revolution That Lost Its Way*. Ibbo Mandaza(ed), *Zimbabwe: The Political Economy of Transition*. Ruth Weiss, *Zimbabwe and the New Elite*.

²⁸¹ Hazel Cameron, ‘The Matabeleland Massacres: Britain’s Wilful Blindness’.

²⁸² Votes 10, 11, 12, 16, 18 catered for material sectors. See **Annexure 1**.

²⁸³ PoZ, *Hansard National Assembly Debates*, 14 September 1980, Column 1596.

²⁸⁴ Ibid, Columns 1191, 1204.

be doing is ensuring everyone one of us, an equal share of less and less'.²⁸⁵ In 1981, 'well over a quarter of the budget has been spent on services which will give no [revenue] return either in the short term or the long term.'²⁸⁶ Further, only 'Four ministries are spending over 51% of the country's budget, and the four of them do not earn one dollar in foreign exchange'.²⁸⁷

Parliamentarians advocated the cutting of expenditure from non-productive sectors to productive sectors to generate investment and create employment. Some went to the point of calling for such cutting to occur in social services. Micklem, as though prophesying the Zimbabwe of the post 2000s, made the following contribution in 1983:

*Some economic and political decisions have to be made in education. There is little point in having the best-educated population in Africa with no opportunities for employment for those people that we educate...I believe if we continue our education system as it is at present, we are going to end up with a situation one of these days when our greatest national resource – our people – will become an exportable commodity because unless we have balances, without job opportunities, what other alternatives would they have other than to emigrate.*²⁸⁸

On the same debate, Ndlovu suggested:

*65% allocation given to education must be taken away and given to industry to generate more funds and create employment opportunities. 60% of defence must be deducted for the same purpose...the Ministry of National supplies should be abolished – and all those funds should be invested in the industry.*²⁸⁹

Coupled with the lack of investment in material sectors by the government was the lack of FDI channelled towards the same. This was an issue in Parliament since 1981, with MPs, mainly from the RF, encouraging successive Ministers of Finance to have deliberate systems that would attract investment. Parliamentarians begun tabling motions on the downward economic trend as the material sectors declined by 1%, and the economic growth rate was a paltry 2% in 1982/ 83.²⁹⁰ By 1983, the investment situation had not improved, and fiscal policy was not helping either leading to an unemployed estimate of 185 000 failing to get employment annually.²⁹¹

2.5.1.1 Deficit Financing

Between 1979 and 1985, the government spent money it did not have. From the first budget statement presented to Parliament on the 24th of July 1980, the government did not exercise

²⁸⁵ *Ibid*, 4 August 1981, Columns 927-928.

²⁸⁶ *Ibid*.

²⁸⁷ PoZ, *Hansard National Assembly Debates*, 16 August 1983, Column 1338.

²⁸⁸ *Ibid*, 23 August 1983, Column 1406.

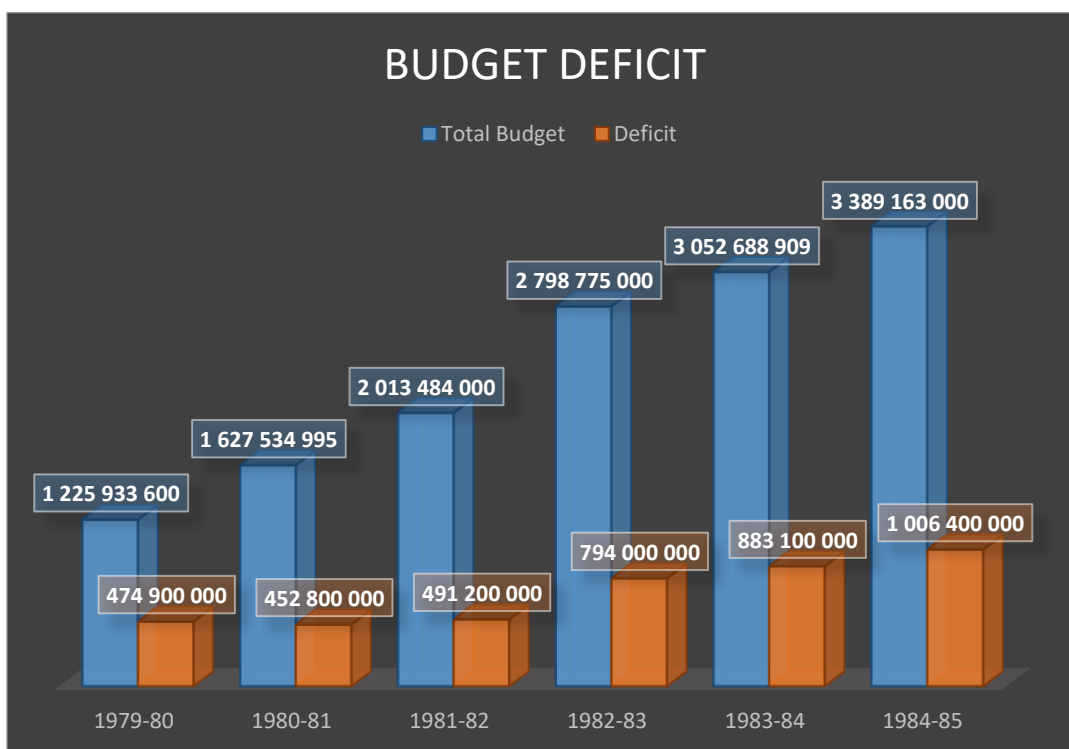
²⁸⁹ *Ibid*, Columns 1423-1424.

²⁹⁰ See Rodger C Riddell, 'Zimbabwe: The Economy Four Years After independence'. Xavier Kadhani, 'The Economy: Issues, Problems and Prospects', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, pp99-122.

²⁹¹ PoZ, *Hansard National Assembly Debates*, 16 August 1983, Column 1329.

cash budgeting, resulting in a budget deficit of ZW\$474 million.²⁹² By 1985, the budget deficit stood at more than ZW\$1 billion of a ZW\$3.3 billion budget. **Figure 2. 8** is a depiction of budget deficits against the total budgets from 1980-1985. For government, the solution to the budget deficit was not the cutting of unnecessary expenditure or the increase in production but debt creation. By 1985, 26% of all ODA support was channelled towards Balance of Payments Support, up from 11% in 1981. This left significantly less amounts for other key sectors, for example, support to agriculture declined from 28% in 1980 to 13% in 1985. The same stood true for industry receiving only 8% of ODA support in 1985.²⁹³ Recurring deficits of an average of 40% of the total budget per annum was a reflection of the absence of production and over-reliance on ODA, a development that government had been cautioned against in ZTNO.

FIGURE 2. 8



Source: Collated from *Estimates of Expenditure and RBZ Quarterly Economic and Statistical Review*

Since 1980, successive Ministers of Finance ironically lamented the budget structure characterised by excess recurrent expenditure, deficit, and balance of payments support but went on to announce budgets with the same structure on an annual basis. In 1980, Nkala

²⁹² *Ibid*, 24 July 1980, Columns 1156-1157.

²⁹³ GoZ, Status Report on External Development Assistance to Zimbabwe 1980-1985, p5.

emphasized the need for government to live within its means and commented, that budget deficits were only permitted in exceptional circumstances and for him, the first two years were such exceptions, because of the costly exercises of calming ‘civil strife’, repair of physical infrastructure, and restoration of ‘social services to a peacetime footing’.²⁹⁴ Almost contradicting himself and confirming that deficits were a result of non-investment in material sectors, he went on to say:

*A large proportion of the borrowing was to finance recurrent expenditure and the repayment of maturing debt. This in my view, is contrary to the principles of sound financial management, which require that borrowings by the state should mainly be for the purpose of financing capital development and that recurrent expenditure should be financed from revenue.*²⁹⁵

In his defence, he blamed colonialism and the Abel Muzorewa government, stating that, ‘I simply inherited an acceptable budget deficit arising from the massive financial mal-administration by the previous government’.²⁹⁶ Unlike the 1980-81 Budget that sailed through Parliament, 14 MPs voted against the passage of the 1981-82 budget, all of whom were members of the RF while the 35 that voted for its passage belonged to the African nationalist parties. The RF cited increased expenditure in defence, increased budget deficit, and increased recurrent expenditure as the primary reasons for voting against the budget.²⁹⁷ This ushered in a series of heated budget contestations that, however, did not end in the budget being disapproved as it was passed by a simple majority. Chidzero, who became Minister of Finance in 1982, also emphasized the need for government to live within its means, but as Elsworth put it, Chidzero’s 1982- 83 budget was characterised by ‘excess expenditure and squandering of money.’²⁹⁸ Chidzero termed the 1983-84 budget that of austerity but went on to create a budget deficit of almost a billion.

In 1985, the WB, gave the Zimbabwe government a glowing review despite its unsustainable budget deficit and skewed budget structure characterised by misplaced priorities and financing of power structures.²⁹⁹ Due to the incorrect diagnosis of the state’s management of its finances, it came as no surprise that from 1985, the focus of the economic plans shifted from being pro-reconstruction, rehabilitation and restructuring, to being pro-privatization. After the First Five Year Plan, government embarked on the much-criticised Structural Adjustment Programme

²⁹⁴ PoZ, *Hansard National Assembly Debates*, 28 July 1980, Column 1156.

²⁹⁵ *Ibid.*

²⁹⁶ PoZ, *Hansard National Assembly Debates*, 16 September 1981, Column 379.

²⁹⁷ *Ibid.*

²⁹⁸ PoZ, *Hansard National Assembly Debates*, 16 September 1983, Column 1328. PoZ, *Hansard National Assembly Debates*, 30 July 1980, Columns 1223, 1262, 1265.

²⁹⁹ World Bank, Zimbabwe Country Economic Memorandum. Pxiv.

which saw the total eradication of subsidies. Even then, Zimbabwe's fiscal problem characterised by insufficient revenue, debt and deficit continued because the subsidies were not the core problem. Unsustainable recurrent budget deficits were primarily a result of the government's inability to prioritize its expenditure. The government was prone to feeding its power structures in the form of defence, home affairs, a bloated cabinet, and bloated civil service. Government also dished out token handouts to the masses that did not enable their economic transformation or a transformation of ownership of the means of production; instead, this created citizens that were perpetual recipients of so-called state benevolence.

2.6 Conclusion

In line with the aim of the thesis, which is to examine economic planning and state finance in post-colonial Zimbabwe, the Chapter sought to answer several questions. The first question was: during the first five years of independence, did Zimbabwe plan its economy? If so, how? If not, why not? The Chapter finds that there was indeed a plan for Zimbabwe in the form of the TNDP that sought to transform the economy, redistribute wealth, embark on land redistribution and rural development and implement a robust skills training program. The Plan had four significant limitations. Firstly, it did not seek to change the ownership of the means of production, which was inconsistent with the objective of economic transformation. Secondly, it did not have a concrete plan for economic expansion, which was incompatible with the plan to involve the majority of the black population in the economy. Thirdly it did not have a concrete domestic resource mobilization strategy; it instead depended on external aid. Fourthly, it did not provide a plan for the informal sector.

The question as to what influenced government economic planning in the early years of independence was also answered. The Chapter posits that planning was influenced by the idea of the Zimbabwe experiment and inherited economic systems. Inherited systems were two-fold, i.e. the inherited way of economic management championed by the global North, through international organisations, and the inherited command colonial economy. This work finds that economic planning was not influenced by ideology, neither socialism nor capitalism. Despite the fact that the nationalist parties fought the war and won the elections on a socialist ticket, government policy never promised a socialist state. The language used in the documents bordered around socialist language, more in the economic plan than in the economic blueprint, but the proposals therein were not socialist. The masses were instead promised handouts in the place of transferring the ownership of the means of production from the minority to the majority.

In terms of process, government embarked on direct economic planning. In so doing, Parliament and the general population were excluded making it possible to centralise power in the Executive which was responsible for the authorisation of economic documents. Decisions on the economic path were not obtained from Parliament, so that it became difficult for Parliament to control public finance. This is shown more explicitly with regards to government external debt which increased exponentially between 1979 and 1985, and Parliament's inability to change the expenditure structure characterised by deficit, misplaced priorities and support of the creation of an autocratic state. Unlike in the economic plans and revenue generation

mechanism where the government adhered to the dictates of the Zimbabwe experiment and international best practice, government's allocation of resources stayed true only to the retention of power. The structure fed the echelons of power in the form of defence, home affairs, political appointments, civil servants, and handouts to the people. The expenditure structure caused the gradual decline in economic growth even more so because it was hinged on deficit financing, where debt was used to offset deficit. Finally, the economic planning and financing process in the early years of independence ensured that power was concentrated on Robert Mugabe, who was responsible for approximately ZW\$2 billion (ZW\$2 026 961 200) in public funds, between 1979 and 1985, by virtue of him being the Prime Minister and Minister of two ministries, Defence and Public Services.

CHAPTER THREE

Planning Through the Market: Skewed Expenditure Structure, and Fiscal Collapse, 1986-1997

3.1 Introduction

This chapter analyses the changes in the economic planning process, international involvement in the economy and central government's expenditure patterns during the period under review. In doing so, the chapter explores the shift in government policy towards neoliberalism. This found institutional expression and consolidation in the Framework for Economic Reform (FER) and the Second Five-Year National Development Plan (SFYNDP), source documents for the country's Economic Structural Adjustment Programme (ESAP). The Chapter demonstrates how, despite the change from planning by direction to planning through the market, planning and budgetary processes continued to support the power retention agenda. The processes continued to be exclusionary and centralized, ensuring that power continued to be vested in ZANU-PF and Robert Mugabe. Secondly, it casts light onto the intricacies of how IFIs, particularly the Bretton Woods Institutions (BWIs) financed the government during the era of market liberalism. By focusing on changes and continuities in the country's planning and financial processes as well as its expenditure patterns from this angle, this chapter engages with available literature on why ESAP was implemented, its consequences and the reasons for its failure.³⁰⁰ The chapter is divided into four sections. The first section analyses the changing economic planning processes. The second section details IFI involvement in the financing of the government. The third section analyses expenditure patterns during the period under review. The last section provides the concluding remarks.

³⁰⁰ For an appreciation of the literature discussing the ESAP period see **Section 1.2.2** of this thesis.

3.2 Planning through the Market

The change in economic planning from planning by direction to planning through the market, was first contained in the FFYNDP launched in 1986.³⁰¹ Prior to this, policy planning in Zimbabwe emphasized state control of the economy with the intention of correcting past racial imbalances and achieving ‘growth with equity’. Policy implementation, however, was largely at variants with the policy plans as the economy possessed characteristics of neoliberalism due to inherited colonial systems and a neoliberal Finance Minister. Further, the power retention agenda ensured that instead of the budget being utilised effectively as a tool for economic transformation, it disproportionately supported the military and related state apparatus, at the expense of social and material sectors. The establishment of parastatals progressed slowly such that by 1985, they were not major beneficiaries of state finance. Thus, following the dismal failure of the TNDP which had attempted a hybrid system of state control, ‘austerity’, and a vibrant white and foreign owned private sector, in 1986, the state pronounced its intention to gradually shift to a fully-fledged neoliberal economy.³⁰²

From 1986 to 1997, government launched the FFYNDP 1986-1990; FER, 1991-1995; SFYNDP, 1991-1995 and the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), 1996-2000. The change to planning through the market brought with it changes in six broad areas. First, a broader economic planning machinery was created. Second, the importance of politics and the power retention agenda was overtly expressed. Third, the thrust of the Public Sector Investment Programme (PSIP) shifted from investment in social infrastructure to investment in economic infrastructure. Fourth, there was overt involvement of IFIs in policy formulation and implementation. Fifth, the desire to involve government in the private sector through parastatals and partial ownership of economic enterprises was actualized. Sixth, for the first time in the planning process, a robust monitoring and evaluation component was introduced. These changes will be examined in turn.

³⁰¹ GoZ, *First Five-Year National Development Plan* (FFYNDP), 1986-1990, Vol I, April 1986.

³⁰² The failures of TNDP were numerous including, an unchanged economic structure which continued to be predominantly white and foreign owned; material production sectors declined by 3%, non-material sectors declined by 2%; total wage employment declined -1.2%; gross public debt increased, inflation increased; exports declined. Social indicators were also in the negative, 37 000 resettled of the targeted 162 000 by 1985. In urban areas only 7 500 houses were constructed of the targeted 20 000. See, RBZ Library, Confidential Memorandum by the Minister of Finance, Economic Planning and Development for Consideration by Cabinet: Framework for the First-Five Year Development Plan: 1986-1990, August 14, 1985. GoZ, *FFYNDP*, pp 3-10; 34-35, 44-45.

3.2.1 ‘Politics! Everything was Politics’: Politics, Power and the Evolution of Economic Planning³⁰³

Economic planning between 1986 and 1997 was a calculated process to preserve and strengthen ZANU-PF power. To begin with, the FFYNDP was the product of a rigorous scenario mapping exercise led by Chidzero, now a member of the ZANU-PF Politburo. In 1985, Chidzero presented Cabinet with three scenarios to consider for the best path to achieve socio-economic transformation whilst maintaining political power. According to Chidzero, scenario one was the ‘inherited scenario’, the status quo that prevailed between 1980 and 1985, where productive sectors of the economy were predominantly foreign owned, while government was restricted to social and infrastructure development.³⁰⁴ Scenario two was the radical shift to state ownership and control of the productive sectors of the economy. Chidzero explained the limitations associated with this scenario stating that:

*the level of financing necessary for implementation of this scenario would be far in excess of government capacity, especially since external capital inflows, including borrowing, would be difficult...the rapidly transformative scenario calls for radical measures...it would be necessary to reduce, radically, present consumption and allocations for social services. This reduction, which might be politically difficult.*³⁰⁵

Chidzero cautioned that the consequences of implementing scenario two would be ‘severe’ due to a decline in growth rate, shortages of consumer goods, and implementing the scenario would require ‘firmer political direction and action.’³⁰⁶ He concluded that government could not afford to implement this scenario due to the political consequences that would come with a cut in social expenditure, albeit its meagre value in the real sense.³⁰⁷ Chidzero preferred the third scenario as he reasoned it would preserve ZANU-PF power whilst achieving desired economic targets. In selling it to Cabinet, he stated that it, ‘...realistically aims at distributing state resources in favour of material sectors...Government would engage in productive activities singly or jointly with local or foreign capital under specified conditions. Scenario would result in increased growth rate ‘higher than that of population growth’.³⁰⁸ It is upon this scenario that the FFYNDP was based. Cabinet had chosen its preferred path and went about selling to its key party structures, including the Politburo and the Central Committee as the FFYNDP.

³⁰³ Herbert Murerwa in an interview, asked what influenced economic planning during his time as Minister of Finance.

³⁰⁴ RBZ Library, Confidential Memorandum by the Minister of Finance, p15.

³⁰⁵ Ibid, p16.

³⁰⁶ Ibid, p16.

³⁰⁷ Chapter Two detailed the expenditure structure between 1980 and 85.

³⁰⁸ RBZ Library, Confidential Memorandum by the Minister of Finance, p18.

Through the involvement of the party in economic planning, ZANU-PF was entrenched as the super-structure of the economic planning process in Zimbabwe. In the foreword of the FFYNDP, Mugabe stated:

For the first time and following the second People's Congress held in August, 1984, the Party and the government and the people of Zimbabwe have combined their efforts in formulating the Plan, with each playing its proper role in the process...the plan will serve as a most powerful vehicle in the prosecution of our second revolution that began at independence, namely the 'War for Economic Liberation' – it should serve as a key instrument in the continuing overall transformation of our society, from the old order to a socialist order.³⁰⁹

The FFYNDP goes on to state that 'of equal significance are the efforts that have been made to involve the masses in the planning process, a timely development that should enable the people not only to participate in the planning process but also to contribute to the development of the planning system which itself is still in its formative stages'.³¹⁰ By 'the people/the masses', the document was referring to ZANU-PF structures and members, and not the generality of the Zimbabwean population.

In the Preface of the Plan, it was Chidzero's turn to assert the importance of the Party. He announced the broadening of the economic planning process and the involvement of the Party in the planning process. He states:

the national planning machinery, which has been approved by the Central Committee of the ruling Party and by Cabinet, will consist of Cabinet and its Committee on Development, Planning Commission, Sectoral Planning Committees, Provincial Councils and Provincial Planning Committees, District Councils and Planning Committees, Village Development Committees and Ward Development Committees. Cabinet is the highest executive and administrative body in the planning process.³¹¹

He goes on to explain '...in the formulation of the present FFYNDP there has been a comprehensive co-operative effort in which the ruling Party, government and its various arms and the people from village committees to provincial committees have in one way or another participated.'³¹² The FFYNDP further emphasized that, 'the Plan was elaborated in line with the Economic Programme of the Central Committee of ZANU-PF which itself emanated from the decisions of the Second Congress of the Ruling Party.'³¹³ The extent to which the 'masses' were involved is questionable given the same document Chidzero presented in Cabinet on the 14th of August 1985, was the FFYNDP. Further, some proposals in the plan were a continuation of those made in the TNDP, for example, the establishment of parastatals, as these had not been

³⁰⁹ GoZ, Foreword of the FFYNDP.

³¹⁰ *Ibid.*

³¹¹ GoZ, Preface of the FFYNDP.

³¹² *Ibid.*

³¹³ GoZ, FFYNDP, p1-2.

achieved during the transitional period. However, the significance of mentioning the ZANU-PF structures and ‘the people’ was that it was important for the leadership to be seen to be involving the people following the disputed 1985 election.³¹⁴ Chidzero had become fully aware of his political responsibilities as a member of the politburo. Although the extent to which the ZANU-PF structures and members were actively involved in the formulation process was questionable, the major shift was that with the FFYNDP there was an effort to discuss the document with the party prior its launch. The generality of the people outside the ZANU-PF structures and Parliament, remained excluded.

With the formulation of the FER and SFYNDP, the process was slightly different although it was centered on the involvement of the party structures. After the formulation of these documents, Chidzero presented them to the Politburo and Central Committee. At the height of the implementation of ESAP, when Chidzero was asked the platform at which the programme had been discussed, he responded by outlining various Party structures ‘, we have discussed in the Central Committee and we will continue to do so as well as the National Consultative Assembly and through branches, districts, organisations where information is reaching us as well as caucus...’³¹⁵ Similarly, the Deputy Minister of Industry and Commerce responding to a motion on *Effects Of Structural Adjustment Programme* stated, ‘before the programme was launched, it was presented and discussed at ZANU-PF central committee meeting...it was also presented and discussed at the Caucus and at a ZANU-PF seminar in Gweru...’³¹⁶

Apart from the involvement of ZANU-PF, there were other changes to the planning process. Government introduced a ‘ ... National Planning Agency and its technical arm, the Central Planning Agency, Sectoral planning Committees, the National Consultative Committee, District Councils and District Development Committees, Ward Development Committees and Village Development Committees.’³¹⁷ The National Planning Agency was housed in the MoFED and it posted Chief Provincial Planners to all Provinces to lead the Provincial Planning processes.³¹⁸ Further, a National Consultative Council was established in December 1987 to ‘increase the participation of the Zimbabwean community in the planning process.’³¹⁹ In 1992, the National Economic Planning Commission (NEPC) was created. It was housed in the Office

³¹⁴ For more on the election see, Masipula Sithole, ‘The General Elections: 1979-1985’, Ibbo Mandaza, *Zimbabwe: The Political Economy of Transition*, pp75-98.

³¹⁵ PoZ, *Hansard National Assembly Debates*, 4 March 1992, Columns 4082-83.

³¹⁶ *Ibid*, 26 February 1992, Column 3912.

³¹⁷ RBZ Library, Confidential Memorandum by the Minister of Finance, p2.

³¹⁸ PoZ, *Hansard National Assembly Debates*, 17 August 1989, Column 1119.

³¹⁹ *Ibid*, 27 June 1989, Column 4.

of the President and Cabinet (OPC), with its Commissioner being the former Minister of Defense, Richard Chemist Hove. According to Hove, the purpose of the NEPC was to prepare and coordinate ‘annual medium term public sector development budgets in consultation with the sector Ministries, districts and provincial development committees...’³²⁰ It was also in charge of the Central Statistical Office which produced statistics including population, agricultural statistics, public finance, industrial, prices, employment, education, international migration and national accounts statistics.³²¹

Despite the setting up of all these arms, they were not utilized for the formulation of economic plans and policy blueprints. In practice, the MoFED and Cabinet remained firmly in charge of policy formulation. As will be shown in the next section the formulation of the FER involved the WB and the IMF with all these bodies virtually ignored by both the MoFED and the BWIs. Although the NEPC was housed in the OPC, it too had little say in economic policy formulation. When asked about its role and relevance, Ibbo Mandaza stated that it was created to ‘accommodate Hove’ who could not be thrown to the sidelines.³²² Asked the same question, former Minister of Finance, Murerwa was reluctant to confirm Mandaza’s assertion only stating that the Commission failed because it could not influence budget allocation done by Ministry of Finance.³²³ Further, none of these new structures involved Parliament. Parliament was not recognized as an arm of government where policy formulation was concerned. MP Mataure’s question to Chidzero in 1992 confirms the exclusion of Parliament and the generality of the population; ‘what platform or vehicle exists [to contribute to national policy],’ he asked, ‘all we have right now is an arrangement, a delivery from the top down’.³²⁴

In 1997, the government set up the National Economic Consultative Forum (NECF) which was the first body to involve labour in the formulation of economic policy. It was a platform meant for dialogue between government, labour and business, on all issues to do with the economy.³²⁵ Its formation came about following the apparent failure of the ESAP. Strikes and labour unrest

³²⁰ PoZ, *Hansard National Assembly Debates*, 26 July 1995, Columns 1487-88.

³²¹ *Ibid.*, 9 October 1996, Columns 2375-77.

³²² Interview, Ibbo Mandaza.

³²³ Interview, Herbert Murerwa.

³²⁴ PoZ, *Hansard National Assembly Debates*, 4 March 1992, Column 4082.

³²⁵ Godfrey Kanyenze, *Economic Governance and Human Development: Background Paper to the 2000 Human Development Report, Zimbabwe*, Paper Prepared for the Poverty Reduction Forum and UNDP, August 2000, p40. For more on the NECF also see Maxwell Parakokwa, *Social Dialogue and Socio-Economic Crisis: The Case of the Tripartite Negotiating Forum in Zimbabwe*, Unpublished PhD Thesis in Development Studies, Chinhoyi University of Technology, 2017.

mounted the necessary pressure on the then Finance Minister, Herbert Murerwa to set up the body.³²⁶ Speaking in Parliament, Mugabe reiterated the role of the NECF thus:

*All stakeholders, labour and business in particular have a collective responsibility for contributing towards the attainment of a positive economic environment, one which will not only enhance our political stability, but will also increase local and international confidence in our market-based reforms. To that end, I have inaugurated the NECF.... I look forward to your advice and contributions within that Forum as we forge ahead to create a mutually beneficial partnership which will enable Zimbabwe to hold its own within the globalized and highly competitive international economy.*³²⁷

According to Ibbo Mandaza, a former NECF member, though the formation of the NECF brought much hope, it turned out to be another power ploy for ZANU-PF. The platform, he added, morphed into a rubber-stamping body for ZANU-PF policies, sentiments which were shared by Godfrey Kanyenze in a separate interview.³²⁸ Unsurprisingly, the NECF did not achieve anything contrary to the expectations and dictates of ZANU-PF.

Finally, due to continuous economic failure and crisis, ZANU-PF acted outside the dictates of economic policy blueprints. Where necessary, the President invoked the Presidential decree to enact laws bypassing Parliament, an arrangement which persists to date. This was in terms of the 1986 Presidential Powers (Temporary Measures) Act, where the President was ‘granted significant-rule making powers that rivalled those of Parliament’ was passed.³²⁹ By the end of 1997 therefore, economic planning continued to be largely determined by the OPC and to a much lesser extent ZANU-PF structures.

3.2.2 Policy Continuities, Discontinuities and the Influence of IFIs

As the economy continued to register negative growth rates, the emphasis of the PSIP shifted from social and infrastructure sectors to productive sectors.³³⁰ The PSIP was the government’s instrument for participation in the economy. It outlined the capital projects for government investment to achieve the objectives of the prevailing economic plan. PSIP allocations were embedded in the various Vote Allocations of the national budget; a separate ring-fenced budget did not exist. As such there was no mechanism to monitor the implementation of the programme or compel government to allocate a certain percentage of the budget to it. In the absence of a separate budget and a law compelling adequate allocation to the PSIP, government

³²⁶ For detailed analysis on labour unrest in the 1990s see, Brian Raftopolous and Ian Phimister, *Keep on Knocking*.

³²⁷ PoZ, *Hansard National Assembly Debates*, 9 December 1997, Columns 2689-90.

³²⁸ Interview, Godfrey Kanyenze, Belgravia, Harare, 15 July 2019.

³²⁹ GoZ, *Presidential Powers (Temporary Measures) Act [CHAPTER 10:20]*. Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival*, p56.

³³⁰ RBZ Library, Confidential Memorandum by the Minister of Finance, p49.

was unable to fulfil its PSIP obligations and as was also the case in the previous epoch, the biggest beneficiary of government financing became the military and other power structures ahead of the PSIP.³³¹ It is against this background that the FFYNDP initiated these ‘structural changes in the PSIP’ I.e., the shift of focus from social to productive sectors. The FFYNDP envisaged that about 34% of the total PSIP allocation would be channeled towards agriculture, mining and the manufacturing sector to ‘increase the participation of government in the productive sectors of the economy’ and ‘lay the foundation for building a national economy.’³³² The PSIP also allocated 17.6% to transport and communication, 18.4% to housing and only 9% to health and education, the only social sectors that would be supported in the 1986-1990 PSIP.³³³ This emphasis marked the initial gradual shift in government policy to explicit neoliberalism. Apart from policy formulation, government shift to a market led economy was visible in its implementation of some microeconomic policies. These were not enshrined in the FFYNDP but Chidzero and the MoFED realized the need for reform to revive the economy and achieve fiscal balance. In 1987, Mugabe himself admitted that the country had gradually become market-oriented, stating that ‘we are more capitalist than we are socialist... We have socialist objectives, [but] we are far from establishing a socialist society.’³³⁴

The gradual road to a market-led economy had thus begun by the cutting of food subsidies, including maize and beef. The decision to eliminate food subsidies was made in 1983 and gradually implemented over the years.³³⁵ By 1986/87 there were only maize subsidies remaining on the budget and even then, expenditure towards them had been drastically reduced. The subsidy was reduced, from ZW\$ 15 million in the 1985/86 budget to ZW\$ 2.5 million in 1986/87. This marked the last allocation towards the maize subsidy, under Vote 11 and by 1987/88 direct maize subsidies had been eliminated. What remained in the budgets were subsidies and grants to parastatals and other non-parastatal grants such as those to various funds, and grants to education and health. The government also targeted on eliminating these expeditiously to curtail budget overruns.³³⁶

³³¹ PSIP budget allocations between 1980 and 1982 were 37.3% of the budget. They declined by about 17% between 1983 and 1985. Ibid.

³³² RBZ Library, Confidential Memorandum by the Minister of Finance, p50.

³³³ Ibid.

³³⁴ PoZ, *Hansard National Assembly Debates*, 1 April 1987, Column 1879.

³³⁵ Ibid, 9 September 1986, Column 1144. PoZ, *Hansard National Assembly Debates*, 25 July 1988, Column 788. Other MPs also called for the removal of subsidies especially losses to parastatals such as ZISCO, ARDA and AirZim, PoZ, *Hansard National Assembly Debates*, 6 August 1986, Column 728. PoZ, *Hansard National Assembly Debates*, 9 September 1986, Column 1143.

³³⁶ GoZ, *Budget Statement: 1989*, July 27, 1989, p9. Non-parastatal grants are often those that benefitted the masses directly in the absence of a state institution as the middleman, these included various trusts, funds, and

In the 1988 Budget Statement, Chidzero announced another shift towards a market-led economy by confirming that guidelines for economic liberalisation and an investment code were at an advanced stage.³³⁷ In the same budget statement, he announced that ‘there is work going on internally, within government, designed to come out with an overall economic adjustment programme. This exercise will define the specific parameters for solving present economic problems, particularly in relation to imbalances on the Budget and the balance of payments.’³³⁸ To reassure Parliament, he stated, ‘I would like to disabuse members of any feelings that we are going to dismantle the structure of this economy overnight. We shall transform it constructively...’³³⁹

Market-led reform would also entail a reduction in government’s involvement in the economy through the reduction of parastatals and the removal of grants and subsidies to these enterprises.³⁴⁰ In 1988, through an Act of Parliament, a Parastatals Commission was established. It was permanent, housed in the OPC and headed by Vice President Simon Muzenda. Its mandate was to ensure ‘sanity and viability’ in parastatals in a manner that ensured their generation of profits.³⁴¹ The Commission would also be responsible for appointing board members, some directors and deputy directors of parastatals.³⁴² Its establishment was stipulated in the FFYNDP and came after an ad-hoc Committee of Inquiry into the Administration of Parastatals.³⁴³ However, problems surrounding the method of operations of both Commissions arose, especially that Commissioners were ‘political elites’ and not businesspeople who would likely have more knowledge about making a business profitable.³⁴⁴ These problems notwithstanding, the government was alive to the need for parastatal reform.

Civil service reform was also a key component of reform that the government identified before 1990 to reduce government’s recurrent expenditure. MPs called for the reduction of the civil

expenditure to women, youth, farmers and some food subsidies. Non-parastatal expenditure also includes grants to private primary, secondary and tertiary institutions.

³³⁷ GoZ, *Budget Statement, 1988*, July 28, 1988, p8.

³³⁸ *Ibid*, p9.

³³⁹ PoZ, *Hansard National Assembly Debates*, 31 August 1988, Column 1322.

³⁴⁰ Parastatals fully operational during the period under review include, Zimbabwe Reinsurance Corporation and Zimbabwe Development Bank (ZDB), Agricultural Finance Corporation (AFC), Zimbabwe Mineral Development Corporation (ZMDC), Industrial Development Corporation (IDC), Urban Development Corporation(UDC), Minerals Marketing Corporation (MMCZ), Affretair, ZISCO, Air Zimbabwe (AirZim), ARDA. See GoZ, *FFYNDP*, pp 10, 21, 29, 42.

³⁴¹ PoZ, *Hansard National Assembly Debates*, 16 August 1988, Columns 855-58.

³⁴² *Ibid*, Column 856.

³⁴³ GoZ, *FFYNDP*, p16, 44.

³⁴⁴ PoZ, *Hansard National Assembly Debates*, 16 August 1988, Column 857.

service.³⁴⁵ The Minister of Public Service, Chris Andersen, also admitted that the Civil Service was too large, but explained that ‘it is not my Ministry which determines the size of the Civil service’.³⁴⁶ Thus the Public Service Review Commission was set up to rationalise the Civil Service. Again, government was alive to the need to reduce government expenditure and actively initiated a process to curtail its increase.

On the 8th of May 1989, government also announced the first *Promotion of Investment: Policy and Procedures* (PIPP) that made Zimbabwe closer to achieving market liberalism.³⁴⁷ The regulations were designed to rejuvenate the private sector and attract FDI. The Zimbabwe Investment Centre was also established as a ‘one-stop’ shop for investors. Investment regulations were streamlined and regulations pertaining to remittances were relaxed.³⁴⁸ In the same year, some members were already calling for the full liberalisation of the economy as the solution to the looming economic crisis evident by 1989. MP M. Bhebhe boldly stated in 1989 that ‘The Minister knows very well what he should be doing in this country, that he must liberalise the economy and must not be afraid of that.’³⁴⁹ MPs, S. J Nkomo, and A. N Mudzingwa, concurred adding that, economic controls around imports urgently needed to be lifted.³⁵⁰ In the same year, the Deputy Minister of Finance, Tichaendepi Masaya, assured ‘members that the government is in the process of implementing a wide-ranging programme of economic adjustment which will take some time to complete.’³⁵¹ In 1989 the IMF reported these ‘fundamental’ changes to economic policy that were being initiated by government, to ‘attain the recovery of investment, employment, and sustainable higher growth with external account viability’.³⁵²

It is against this background that the FER was launched in May 1991. Zimbabwe was in dire need of reform, because of missed growth targets, a shrinking economy and a visible fiscal disequilibrium. All the changes that the government had begun to make were consolidated and expanded in the FER, and in the SFYNDP launched in November of the same year. In a letter to the WB, Chidzero admits that ‘after analyzing Zimbabwe’s economic performance, we have

³⁴⁵ PoZ, *Hansard National Assembly Debates*, 8 August 1989, Columns 809-810.

³⁴⁶ *Ibid.*

³⁴⁷ *The Herald*, ‘New Economic Plan Promises More Jobs and Investment’, 9 May 1989. GoZ, *Economic Policy Statement: Macroeconomic Adjustment and Trade Liberalization including the Budget Statement 1990*, 26 July 1990, p27.

³⁴⁸ *Ibid.*

³⁴⁹ PoZ, *Hansard National Assembly Debates*, 8 August 1989, Column 794.

³⁵⁰ *Ibid.*, 17 August 1989, Column 1122.

³⁵¹ *Ibid.*, Column 1121.

³⁵² IMF, IMF Preliminary Observations of the 1989 Article IV Consultation Mission to Zimbabwe, 30 August 1989, p5-6.

concluded that comprehensive policy reform is required to generate a recovery in private sector investment and to increase economic efficiency.³⁵³ The Bank itself noted that ‘unlike many other African countries, this decision was not forced by crisis or outside pressure, but came from a recognition that per capita incomes were declining and that improvements in social welfare since independence could not be sustained without creating a more rapid and labour absorptive pattern of economic growth.’³⁵⁴ The AfDB concurred stating that, ‘after a careful study, the GOZ, on its own, initiated a comprehensive reform programme, ESAP.’³⁵⁵ The consolidation of all these reforms into one economic plan was necessary as IFIs expected there to be in place a plan for them to provide aid.

Between 1990 and 1997, the involvement of IFIs, in Zimbabwe’s planning process was overt. They were involved in the formulation, implementation, financing, monitoring and evaluation of the FER, SFYNDP and to a lesser extent, ZIMPREST. IFI involvement was systematically increased by the government joining the more private sector- and investment - oriented arm of the WB, the Multilateral Investment Guarantee Agency (MIGA) in 1989. In 1990, the government signed the USA’s Overseas Private Investment Corporation (OPIC) Agreement which would give Zimbabwe access to more development aid.³⁵⁶ In the same year Zimbabwe became IDA eligible which essentially meant it had access to Special Drawing Rights.³⁵⁷ Combined, these measures meant to reassure investors and the international community that Zimbabwe’s economic thrust would be overtly neo-liberal at the same time increasing the country’s chances of obtaining ODA for economic reform. Thus, began the overt intervention of IFIs with the key players being, WB, IMF, and AfDB. The World Bank acknowledged that the FER ‘was produced by the government with the assistance from Bank and Fund staff.’³⁵⁸ Most of the recommendations made by the IMF in its Preliminary Recommendations of the Article IV Report, were incorporated into the FER.³⁵⁹

³⁵³ World Bank, Letter of Development Policy from Minister of Finance, Economic Planning and Development, Bernard Chidzero to World Bank Vice President Africa Region, Edward V K Jaycox, [undated].

³⁵⁴ World Bank, Memorandum of the President of the IDA to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Zimbabwe, 1 May 1997, p3.

³⁵⁵ AfDB, Zimbabwe Economic Structural Adjustment Programme, Project Performance Evaluation Report (PPER), Operations Evaluation Department, 9 December 1997.

³⁵⁶ GoZ, *Economic Policy Statement*, p27. Also see Godfrey Kanyenze, Background to Human Development Report, p26.

³⁵⁷ Ibid.

³⁵⁸ World Bank, Report and Recommendation of the President of the International Bank of Reconstruction and Development and the International Development Association to Executive Directors, December 23, 1991, p3; p10; p17.

³⁵⁹ These included a cut in subsidies and grants towards social services, reduction in the wage bill, ‘cost recovery’ measures in parastatals and ‘a market determined price structure’. IMF, Preliminary Observations, p9-12.

As was the case in 1981 at ZIMCORD, Chidzero sought the technical and financial support of the donor community, this time, in Paris at a Consultative Meeting in 1991.³⁶⁰ A meeting in Paris was held again in 1992, by that time, ‘a number of bilateral and multilateral donors [had] either already provided financial support to the adjustment programme or indicated their intention to do so in parallel with the assistance from the WB and IMF.’³⁶¹ As had been the case in other countries that had implemented structural adjustment, the BWIs put in place programmes specifically designed to support Zimbabwe’s implementation of ESAP.³⁶²

A Mlambo and M Simpson and T Hawkins argue that ESAP started with trade liberalisation in 1990. However, what has been demonstrated above is that the state had a long and calculated process of gradually moving towards market-led development, as Chidzero its architect in government was a firm believer in it. Though Chidzero was a staunch ZANU-PF member, he had no socialist leanings typical of his fellow members that joined the Party before independence like he did. His background was and continued to be, that of an international civil servant, who believed in the efficiency of the market.³⁶³ Admission to the gradual nature of implementation of market-liberalism consolidated in the FER and the pressing need for reform, is not supporting the incorrect notion that ESAP was home grown. This was conveniently stated by most government officials, Chidzero included, to get by-in for the programme. All market-led policies implemented since independence, and the FER and SFYNDP, were in fulfilment of the dictates of the BWIs especially the IMF whose support was on condition of implementation of structural reforms.³⁶⁴ As Morten Boas and Desmond McNeill rightly explain IMF support, financial and technical, was ‘tied to compliance with structural adjustment targets.’³⁶⁵ Further, in 1982 and 1987 the WB commissioned two reports on industry, the Jansen and Belli Reports respectively, that concluded that Zimbabwe should

³⁶⁰ AfDB, Zimbabwe Economic Structural Adjustment Programme, p5.

³⁶¹ World Bank, Report and Recommendation of the President of the IBRD, p11; p17. *The Herald*, ‘ESAP Needs Outlined In Paris’, 19 February 1992. *The Herald*, ‘Donors Pledge \$5Bn for ESAP’, 20 February 1992.

³⁶² World Bank, Program Completion Report: Zimbabwe Structural Adjustment Program, 3 January 1995, p5.

³⁶³ Chidzero held various international posts, including Chairman of the Board of Governors of the African Development Fund, Chairman of the joint IMF/WB Development Committee and UNCTAD President. See *The Herald*, ‘Chidzero New Bank Chairman’, 6 May 1986. *The Herald*, ‘Chidzero Chairman of IMF Organization’, 4 October 1986. *The Herald*, ‘Chidzero Voted New President at UNCTAD Talks’, 11 July 1987.

³⁶⁴ SAPs were implemented in many countries in the so-called developing world over a period of about two decades beginning in the early 1970s at the instigation of the BWIs with aid being provided under the banner of structural adjustment. Literature detailing their dismal failure is abundant see among many others Thandika Mkandawire and Charles C Soludo (eds), *African Voices on Structural Adjustment: A Companion to Our Continent, Our Future*, (Dakar: CODESRIA, 2003).

³⁶⁵ Morten Boas and Desmond McNeill, *Multilateral Institutions: A Critical Introduction*, (London: Pluto Press, 2003), pix.

embark on trade liberalisation to revive its industries.³⁶⁶ By its own admission, the WB was ‘instrumental in setting in motion a Trade Liberalisation study in 1988 which, together with some formal and informal technical assistance provided by our staff, became crucial for the formulation of the government’s strategy for economic reform.’³⁶⁷ MP Nzarayebani openly stated ‘ESAP was imposed on us by the World Bank and the IMF. Some people in government may not want to accept this but at least we are fully informed that ESAP is no coinage of the African man...’³⁶⁸ David Chapfika, former deputy Minister of Finance, lamented the lack of consultation in the formulation and implementation of ESAP as there was no buy in from the populace.³⁶⁹ Thus, the involvement of IFIs in policy formulation ushered in new neoliberal policies. The WB reiterated that ESAP ‘designed to re-orient economic management away from administrative controls that hampered economic development...and to promote economic growth in a climate of macroeconomic stability.’³⁷⁰ New policy proposals included the reduction of number and expenditure towards parastatals, reduction of the number of civil servants, move from foreign exchange allocation system to a market-based system by 1995, devaluation of the Zimbabwe dollar, creation of the Social Development Fund (SDF) and liberalisation of grain marketing.³⁷¹

However, despite the shift to planning through the market and later the involvement of IFIs some aspects of the policy plans remained the same. Two of these continuities are important. The first is that like other plans before them, market-led development policies were based on a financial plan with variables that the government could not control and on external funding. The FFYNDP, was a seven-billion-dollar plan, to be financed from 70% domestic savings and 30% foreign sources. The envisaged financing from domestic savings, including from the underperforming parastatals, was unrealistic, at a time when the economy had shrunk and unemployment had increased, chances of the availability of these savings were slim.³⁷²

³⁶⁶ For a detailed analysis on WB and IMF pressure towards market-led reform and the Jansen and Belli Reports see Colin Stoneman, ‘The IMF and World Bank in Zimbabwe’. Colin Stoneman, ‘The Industrialization of Zimbabwe: Past, Present and Future’, pp245-282.

³⁶⁷ World Bank, Report and Recommendation of the IBRD, p8.

³⁶⁸ PoZ, *Hansard National Assembly Debates*, 23 August 1995, Columns 1838-39.

³⁶⁹ Interview with David Chapfika, 17 July 2019.

³⁷⁰ World Bank, Project Completion Report: Zimbabwe Structural Adjustment Program, 3 January 1995, p33.

³⁷¹ See among others, GoZ, *Zimbabwe: A Framework for Economic Reform*. GoZ, *Second Five Year National Development Plan*. Godfrey Kanyenze, Background to Human Development Report. Literature has written extensively on ESAP, what it meant to achieve and the consequences of its policies on various sectors. See among many others, Peter Gibbon (ed), *Structural Adjustment and the Working Poor in Zimbabwe*. Alois Mlambo, *The Economic Structural Adjustment Program*. Patrick Bond and Masimba Manyanya, *Zimbabwe’s Plunge*. Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival*.

³⁷² GoZ, *FFYNDP*, p16.

Parastatals and the private sector were to contribute to the financing of the FFYNDP without there being a mechanism for increased performance and compliance by both sectors.³⁷³ ESAP on the other hand was ambitiously hinged on front-loading at a time that the government had a deficit of over a billion dollars. This aspiration essentially meant that front loading would be achieved through more borrowing from the IFIs.³⁷⁴ However, unlike in GWE and the TNDP, in the policy documents during the period under review, the state was clear about the need for joint ventures.³⁷⁵

Second, the economic planning process continued to exclude the general population and Parliament. When MPs called for liberalisation they never imagined it would be implemented in the form of ESAP, as they envisioned that elements of government policy would remain intact, such as food subsidies which were still necessary to cushion the unemployed.³⁷⁶ Admittedly, under ESAP, for the first time in post-colonial Zimbabwe there were publicity campaigns, aimed at informing the public about the economic direction the country was pursuing as enshrined in the FER and SFYNDP.³⁷⁷ Seminars and Workshops were held with MPs to explain ESAP so that ‘they in turn would explain it to the people in their constituencies.’³⁷⁸ Similarly, ZIMPREST which was touted as ESAP II, to complete the ‘unfinished agenda in macroeconomic stabilization and structural adjustment’, was drafted without consultation of the people or Parliament. Murerwa, acknowledged this by stating that ZIMPREST ‘was drafted by government with the assistance of local consultants’.³⁷⁹ While, ‘the compilation was done through consultations with the major stakeholders which included the private and public society...the ZCTU, ZNCC, CZI, were approached for contributions which were fully considered in drafting ZIMPREST.’³⁸⁰

A shift to market liberalism brought with it a multi-pronged approach to coordinate and monitor progress of economic plans. During the era of ESAP, the MoFED set up an inter-ministerial technical committee chaired by the Senior Secretary for finance, Elisha Nyikadzino Mushayakarara. The Committee reported to Chidzero, now Senior Minister of Finance,

³⁷³ *Ibid*, pp19-22.

³⁷⁴ Godfrey Kanyenze, Background Paper to Human Development Report, p27.

³⁷⁵ RBZ Library, Confidential Memorandum by the Minister of Finance, p12. GoZ, *FFYNDP*, p10.

³⁷⁶ PoZ, *Hansard National Assembly Debates*, 8 August 1989, Column 796.

³⁷⁷ *Ibid*, 5 September 1991, Column 2211.

³⁷⁸ *Ibid*, Columns 2221, 2228. *The Herald*, ‘Public Awareness Campaign on Economic Reform Launched’, 9 November 1991.

³⁷⁹ PoZ, *Hansard National Assembly Debates*, 1 July 1997, Column 2. World Bank, Implementation Completion Report: Republic of Zimbabwe Second Structural Adjustment Credit, 30 June 1998, p18. AfDB, Zimbabwe Economic Structural Adjustment Programme, p25.

³⁸⁰ PoZ, *Hansard National Assembly Debates*, 14 October 1997, Column 1975.

Economic Planning and Development overseeing all economic ministries and housed in the OPC, who in turn reported progress to Cabinet. The committee made ‘periodic reports and propose[d] necessary policy modifications. The Committee also monitor[ed] the supply response of the economy and the social impact of the adjustment programme.’³⁸¹ The RBZ also played a part in implementation and monitoring of aspects of ESAP. Its Import Unit was responsible for verifying and classifying imports, and its Gold and Foreign Unit was responsible for monitoring the movement of funds in the special account set up for the purposes of ESAP funds provided by donors. The RBZ was also responsible for the preparation of quarterly financial reports and the statement of expenditure relating to the donor funds.³⁸² The WB had a supervision and monitoring system. It was carried out through the resident mission, review mission and the Consultative Group and Donor Coordination meetings. Further, Bank and IMF staff were ‘in permanent consultation on the programme’ since its inception.³⁸³ In addition to the role IFIs played in formulation, coordination and monitoring of the FER and SFYNDP, they played an even more critical role in financing the plans.

³⁸¹ World Bank, Report and Recommendation of the President of the IBRD, p20.

³⁸² AfDB, Zimbabwe Economic Structural Adjustment Programme, p2, p9.

³⁸³ World Bank, Report and Recommendation of the President of the IBRD, p10.

3.3 ‘Zimbabwe is Credit Worthy and Generally Attractive to Investors’: External Financing of Zimbabwe’s Economic Structural Reform Programme³⁸⁴

IFIs began directly financing policy reform in 1991 with the Framework for Economic Reform informed by the belief that the country was both credit-worthy and ‘under borrowed’.³⁸⁵ Prior to directly financing economic structural reform in 1991, IFIs, with the exception of the IMF, had financed sector specific projects.³⁸⁶ IFIs financing in Zimbabwe was two pronged; first the financing of sector specific programs in 1980-1990, and direct financing of structural economic reform and financing sector specific projects, 1991 – 1997.³⁸⁷ The major players during the latter period were the BWIs and AfDB. Despite Zimbabwe’s fiscal imbalance, as early as 1991, the IFIs still proceeded to finance the FER through the provision of loans and balance of payments support. Ironically the fiscal imbalance included a deficit of ZW\$1 596 700 000 in the 1990/91 financial year, and debt in excess of ZW\$ 16 billion in 1991, which had ballooned from ZW\$ 4 639 billion in 1985.³⁸⁸

3.3.1 Outline of IFI External Financing, 1980-1990

To understand the changes in the financing system in the era of ESAP, it is critical to have an appreciation of the dynamics of state borrowing between 1980 and 1990. The AfDB and WB financed key economic sectors in line with the TNDP and the FFYNDP. Unlike the IMF that was involved in Zimbabwe’s monetary policy formulation prior to 1991, the WB was not directly involved in economic policy formulation. The WB focused on ‘Economic and Sector Work (ESW) to foster greater awareness of the need for a broad-based macroeconomic policy reform and encourage understanding of the fact that such reform was a precondition for increased Bank assistance.’³⁸⁹ WB support was based on the hope that the government would eventually implement economic structural reform. The Bank stated that, ‘ESW [was] aimed at fostering an awareness of the need for a broad-based economic policy reform.’³⁹⁰ **Table 3. 1**

³⁸⁴ Lewis T Preston, President of the International Bank of Reconstruction and Development and the International Development Association in World Bank, Report and Recommendation of the to the Executive Directors on a Proposed Loan to the Republic of Zimbabwe for a Structural Adjustment Program, Dec 23, 1991, p22.

³⁸⁵ World Bank, Project Completion Report, p18.

³⁸⁶ IMF funding is not captured in a country’s overall public debt as it is considered ‘bank to bank’ lending, i.e. from the IMF to the country’s Central Bank. Zimbabwe signed a Standby Agreement with the IMF in 1982 which came with the condition to devalue the dollar by 20%. For a detailed analysis of the Agreement see Thandika Mkandawire, ‘Home Grown (?) Austerity Measures’.

³⁸⁷ See Chapter Two for external ODA dynamics between 1980 and 1985 discussed within the confines of the ZIMCORD.

³⁸⁸ RBZ, *Reserve Bank of Zimbabwe Quarterly*, 1991, pS28.

³⁸⁹ World Bank, Report and Recommendation of the President of the IBRD, p8.

³⁹⁰ Ibid, p17. RBZ, Debt Management Office, written response to interview questions, 22 July 2019.

details the amounts provided by the WB and the AfDB, showing the bias towards sectoral funding. Loans from these IFIs and other bilateral sources greatly contributed to Zimbabwe's debt problem. External debt stood at ZW\$ 4 618 billion by 1990.³⁹¹

Table 3.1: Total Loans Disbursed by Sector, 1980-1990³⁹²

SECTOR	WB (USD millions)	AfDB (UA)
Agriculture	102	19 686 524.01
Agriculture Line of Credit		19 976 612.92
Industry		96 607 614.96
Communication		7 000 000.00
Electric Power and Energy	149	25 212 987.24
Finance/Institutional Development	10	8 142 172.48 ³⁹³
Health, Nutrition and Population	10	
Water Supply and Sanitation		26 141 720.17
Multisector	136	
Oil and Gas	1	
Social Protection		3 623 176.62
Transportation/Infrastructure Development	141	27 193 363.04
Urban Development	123	

Source: WB, AfDB

External lenders provided aid to Zimbabwe despite the lack of clarity in the appropriate borrowing channels resulting in government acquiring national debt illegally until 1987. Firstly, loans were acquired without Parliamentary ratification and second, the President exceeded borrowing limits set out in the event of the utilisation of Presidential Powers. In 1987 Deputy Minister of Finance, Paul Malianga brought to Parliament a Bill seeking ratification for previous government loans whose funds had been utilized. He noted that since 1974,

³⁹¹ Central Statistical Office

³⁹² World Bank, Zimbabwe Country Assistance Evaluation, Operations Evaluation Department, May 21, 2004, p40. African Development Bank Projects In Zimbabwe: 1982 to May 2013,

<https://www.afdb.org/en/countries/southern-africa/zimbabwe>. RBZ, Debt Management Office.

³⁹³ Support went towards the Zimbabwe Development Bank

authority for the Minister of Finance to borrow was granted by the State Loans and Guarantees Act (Chapter 176) of 1974, and ‘due to an oversight the Minister continued to borrow under the General Loans Act of 1963...the money unlawfully borrowed under these circumstances up to June 30 1986 amounts to \$213 464 169.’³⁹⁴ Further, Presidential authorities ‘ specified the maximum amounts which he could borrow, in terms of the State Loans and Guarantees Act, the borrowings at times exceeded the maximum amounts specified...contrary to the requirements of the said Act. The authorized amounts have been exceeded by Z\$ 235 102 875 as at 30 June 1986.’³⁹⁵ Although the Bill was passed, Parliament expressed, mistrust of the MoFED and OPC contending that the two had connived to bypass Parliament. Bhebhe charged ‘It is almost becoming a *modus operandi* of this Ministry that oversights must be made and then MPs are taken unawares and asked to condone...A mistake has been made...it is a deliberate mistake, although it has now been declared it was an oversight...’³⁹⁶ Many other Parliamentarians concurred, questioned the plausibility of the error and why ‘the Ministry had waited seven years to fix a colonial anomaly.’³⁹⁷ The anomaly went unnoticed by IFIs who were keen on keeping the notion of the Zimbabwe experiment intact by providing aid to government.

IFIs also failed to exercise due diligence in examining Zimbabwe’s total debt. These Institutions relied on the notion of ‘credit worthiness’ which erroneously focuses more on examining external debt than domestic debt. Also considering the fluidity of the exchange rate, IFIs ‘should have been aware of the implications of overloading the Zimbabwe economy with debt’.³⁹⁸ Official statistics reveal that inflation rose from 9.7% in December 1985 to 17.8% in December 1990, making loans acquired more expensive than they would have been in a lower inflationary environment.³⁹⁹ Further, the complexity of total debt service lay in the fact that government spent more on debt service, interest rates, sinking funds, expenses, and miscellaneous expenses, than it did on actual loan repayments. **Figure 3.1** makes it clear that by 1990, debt service cost the government double the cost of loan repayment.

³⁹⁴ PoZ, *Hansard National Assembly Debates*, 25 March 1987, Column 1726.

³⁹⁵ *Ibid*, Column 1727.

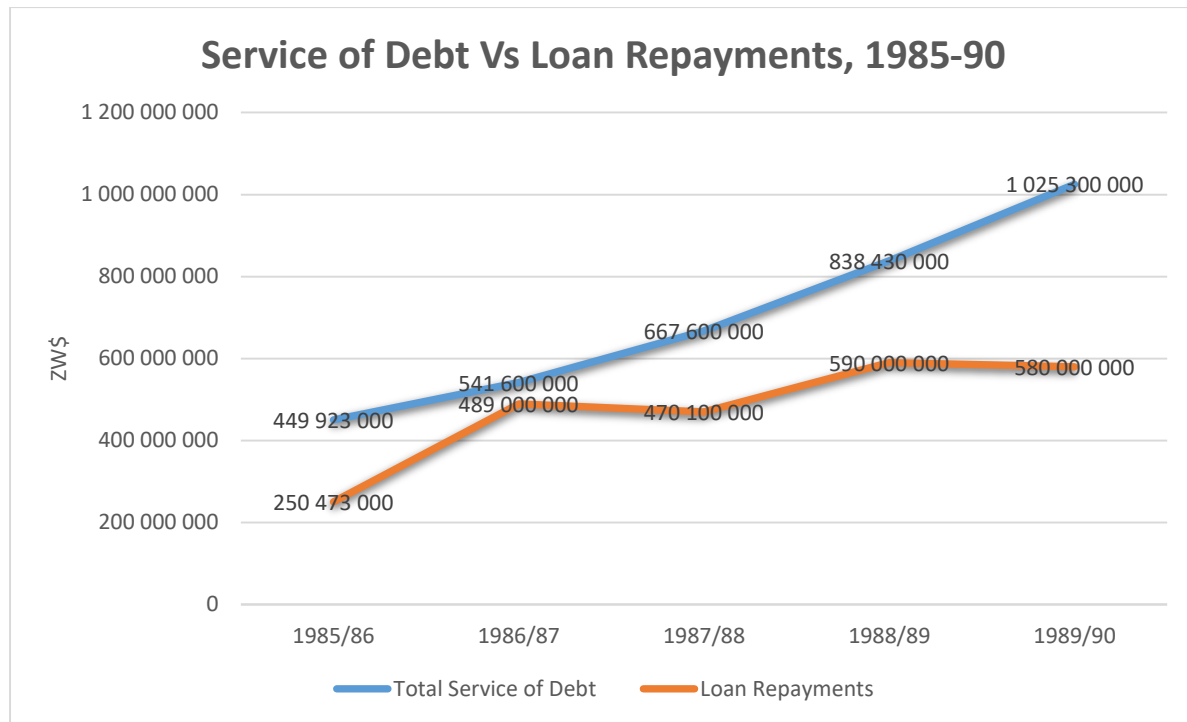
³⁹⁶ *Ibid*, Columns 1727-28.

³⁹⁷ Some Members were for the debate, *Ibid*, Columns 1729- 30, 1737-38.

³⁹⁸ Patrick Bond and Masimba Manyanya, *Zimbabwe’s Plunge*, p22.

³⁹⁹ Central Statistical Office

FIGURE 3.1



Source: Collated from *Estimates of Expenditure, 1986-1990*

IFIs also largely ignored that the government's expenditure pattern showed fiscal imbalance by 1990.⁴⁰⁰ Even clearer, was that with a negative balance of payments, increasing deficit, debt and inflation, Zimbabwe could not afford to acquire more debt by 1990, as the prospects of its ability to service the debt were almost non-existent. The total amount spent on debt service alone between 1985 and 1990, was more than double the amount invested in all economic sectors combined. Economic sectors were allocated a total of ZW\$2 818 546 000, whilst debt service cost the fiscus ZW\$5 902 426 000.⁴⁰¹

3.3.2 Economic Structural Reform Financing, 1991 – 1997

Although financial plans saw domestic sources as providing the bulk of ESAP financing, the GoZ, in fact relied on external loans to fund ESAP. The WB provided the bulk of these loans at a total of US\$300 million, through the IBRD and IDA, with the former contributing a single Structural Adjustment Loan of US\$ 125 million (SAL I) and the latter providing two Structural Adjustment Credits of US\$ 50 million (SAC I) and of US\$125 million (SAC II).⁴⁰² DANIDA,

⁴⁰⁰ Government's expenditure pattern will be discussed in detail in the next section.

⁴⁰¹ Economic Sectors considered here are Votes 10, 11, 12, 18, 35 – See Annexure 1 for Vote Descriptions.

⁴⁰² SAL I and SAC I were approved on 21 January 1992. SAC II was approved on 29 June 1993. Structural Adjustment Credits were in the form of Special Drawing Rights; thus, the two were SDR 39.5 million and 88.3 million respectively. World Bank, Project Completion Report, pp 4, 21. World Bank, Implementation Completion Report, preface.

on behalf of Denmark co-financed SAL I and SAC I through a Grant Agreement signed on December 29, 1992, of Dkr 75 million.⁴⁰³ Germany and Netherlands co-financed SAC II at US\$28.4 million and US\$26.3 million respectively.⁴⁰⁴

SAL I and SAC I financed deficit reduction, external trade liberalisation – specifically the importation of goods and services under the Open General Import License (OGIL) and the Export Retention Scheme (ERS), domestic deregulation and initiatives to cushion the poor and disadvantaged. SAC II on the other hand, financed deregulation of road transport, loss reduction and improvement of parastatal performance and the deregulation of agricultural marketing. This was in addition to financing the mitigation of the social impact of adjustment by ‘implementing initiatives targeted to the poor.’⁴⁰⁵

Table 3.2: Total multilateral and bilateral loans Disbursed by Sector, 1991-2000

SECTOR	WB (USD Millions) ⁴⁰⁶	AfDB (UA) ⁴⁰⁷	IMF (USD millions)	Bilateral (USD Millions) ⁴⁰⁸	
Agriculture	164			China	225
				Japan	2
Industry				China	20
Export Credits				UK	300 ⁴⁰⁹
Defence				China	100
				Spain	16 ⁴¹⁰
Economic Policy	300	125 005 259,99	150		
Electric Power and Energy	90	663 916.65			
Environment	63				
Water and Sanitation Services		1 003 232.06		China	8
Health, Nutrition and Population	90			Spain	12
Private Sector Development	70				
Social Protection	60	4 600 000			
Transport-Infrastructure Development	39	21 685 565,82		Germany	8

⁴⁰³ World Bank, Project Completion Report, piv.

⁴⁰⁴ World Bank, Implementation Completion Report, preface.

⁴⁰⁵ Ibid, p1.

⁴⁰⁶ Loans, 1991-2000.

⁴⁰⁷ UA refers to Units of Account, the AfDB’s monetary base.

⁴⁰⁸ AfDB, IMF and Bilateral loans, unless specified, are between 1990 and 1997.

⁴⁰⁹ Obtained from UK’s Export Credit Guarantee Department (ECGD), a ministerial department in UK’s finance ministry. For more on the agency see, <https://www.gov.uk/government/organisations/uk-export-finance>

⁴¹⁰ For the purchase of arms.

				Finland	5
Communication		26 378 370.12			
Vehicle Purchase				UK	33
				Spain	14
Meteorology				UK	9
				Spain	2
Urban Development	12				
Printing Equipment				Spain	1

Source: WB, IMF, AfDB

WB loans were disbursed in tranches whereupon government was obliged to meet FER targets prior to the disbursement of each tranche. Conditions imposed included the reduction of government deficit by at least 3% of GDP by the 1991/92 financial year and rationalisation of recurrent and capital expenditure in line with ESAP.⁴¹¹ Rationalisation of expenditure entailed a reduction of subsidies and grants to parastatals and a reduction in overall parastatal deficits.⁴¹² Reduction of government deficits would also be achieved through selective price increases and a reformed wage bill. By accepting the loans, government also agreed to implement cost recovery measures in the social sectors and parastatals like ZESA and PTC.⁴¹³ SAC II explicitly stated that, the second tranche would be provided only after ‘the borrower has introduced a framework satisfactory to the Association for the operations of ZESA’.⁴¹⁴ The Loan Agreement between the two parties further stipulated that the PSIP would be determined in ‘consultation with the Bank’.⁴¹⁵

Despite the negative impact of ESAP by 1992, the WB, in September 1992, granted waivers for the disbursement of second tranches for the continuation of structural adjustment. Waivers were granted with respect to failure to fulfil reduction in fiscal and parastatal deficits. The WB reasoned that ‘financial overruns were attributable to the impact of drought’.⁴¹⁶ According the WB, the 1992 drought was a major factor contributing to government’s inability to meet the target.⁴¹⁷ Although government made provision for drought relief since 1980, this allocation indeed increased during the great 1992 drought, from a total of ZW\$29 915 000 in 1985 -90 to

⁴¹¹World Bank, Report and Recommendation of the President of the IBRD, p19.

⁴¹² Ibid.

⁴¹³ Ibid.

⁴¹⁴ World Bank, Development Credit Agreement, Second Structural Adjustment Credit between Republic of Zimbabwe and International Development Association, July 14 1993.

⁴¹⁵ World Bank, Loan Agreement (Structural Adjustment Loan) between the Republic of Zimbabwe and International Bank for Reconstruction and Development, February 4 1992, p8.

⁴¹⁶ World Bank, Project Completion Report, pvi, p8.

ZW\$1.3 billion between 1990 and 97. Despite the increase, drought expenditure occupied an insignificant portion of government expenditure during the specific drought years and throughout the period under review. Even when taken together with expenditure for all agricultural subsidies, drought relief expenditure was less than the deficit, and was insignificant in the face of the total national budget. It is no wonder why economist John Robertson, criticized financial institutions for the waiver. He argued that in the face of missed targets, it was tantamount to ‘rewarding (GoZ) for its failures rather than leaving it to face penalties for inefficiency’.⁴¹⁸

The AfDB and IMF were also involved in financing ESAP. The AfDB approved ‘UA125 million to provide balance of payments support [while] the African Development Fund [provided] UA4.6 million’ to support the SDF.⁴¹⁹ The IMF, financed the government through an Extended Fund Facility (EFF) approved in January 1992.⁴²⁰ Amended in September of the same year, following the approval of a 3 year programme under the Enhanced Structural Adjustment Facility (ESAF) and, EFF provided a total of SDR 133.8 million.⁴²¹ The EFF and ESAF were predicated upon increasing GDP growth to 4% in 1992, reducing inflation to 15%, and reducing the FY1991/92 budget deficit to 7.1% of GDP. Like the WB, the IMF also demanded that the government limits its parastatal losses and went further to stipulate that losses should not exceed ZW\$370 million during 1991/92. Finally, it demanded the partial decontrol of prices.⁴²²

IFIs responded differently to the failure of ESAP. The IMF refused to continue financing Zimbabwe, given the government’s inability to meet expected targets. ‘As a result of unsatisfactory macroeconomic performance’ reported the IMF; ‘the ESAF and EFF programs were left to expire in 1995 without a third year.’⁴²³ It declared ESAP ‘off-track’ in 1995, as a result of the inability to maintain a sound fiscal framework.⁴²⁴ Unlike the IMF, the WB went through episodes of internal contestation on how to finance Zimbabwe. Contestations were caused by differences in rating the progress of ESAP as the Project Completion Report (PCR) and Performance Audit Report (PAR) held divergent views on this issue. The PAR concluded:

⁴¹⁸ *The Herald*, ‘Chidzero Criticised Over Wrong Picture of Economy’, 4 August 1992

⁴¹⁹ AfDB, Zimbabwe Economic Structural Adjustment Programme, p1, p5.

⁴²⁰ World Bank, Project Completion Report, p5.

⁴²¹ *Ibid.*

⁴²² World Bank, Report and Recommendation of the President of the IBRD, p10.

⁴²³ World Bank, Country Assistance Strategy, p21.

⁴²⁴ World Bank, Implementation Completion Report, p15.

*Program outcome is rated as marginally satisfactory, compared to the PCR rating of the overall outcome of the project highly satisfactory and the preparation and implementation of the borrower rated highly satisfactory and satisfactory respectively...the sustainability of the program is rated as uncertain, compared to the PCR rating of likely.*⁴²⁵

The PAR also castigated the design of the SDF which overlooked ‘social safety nets and implementation capacity.’⁴²⁶ As far as parastatal reform was concerned, the Report also blamed the government for failing to ‘act decisively’ resulting in continued fiscal imbalance.⁴²⁷ Due to these contestations, the 1997 Country Assistance Strategy recommended continued support to the Zimbabwe government but ‘with a greater emphasis to non-lending services’ i.e. analytical and advisory activities.⁴²⁸ However, by the time the BWIs decided to change their aid strategy to Zimbabwe the damage to the country’s debt capacity had already been compounded as debt was the biggest drain to the fiscus by 1997. Ironically, the WB expressed optimism about Zimbabwe’s external debt servicing stating that ‘Zimbabwe has been cautious in foreign borrowing and has never had to default or enter into a debt rescheduling’.⁴²⁹ But prospects of Zimbabwe continuing on that trajectory were visibly bleak. The AfDB expressed the same optimism, praising Zimbabwe for its impeccable payment record.⁴³⁰ There was unfortunately emphasis in the ability to pay back debt as a measure of a performing economy, regardless of the unsustainable drain to the fiscus such repayments were. The broader consequences of an ‘impeccable’ repayment record were not considered as government allocated more to debt servicing than to all economic sectors combined.

As the IFIs were expressing optimism on external debt, they ignored the fact that Zimbabwe was largely borrowing for consumption. **Table 3.2** above, shows that the MoFED borrowed from bilateral partners for non-capital goods and commodities such as vehicles, arms, military vehicles and printing material. Further, as had been tradition since 1980, it was also borrowing from private commercial lenders to finance purchase of expensive foreign goods and commodities such as cars, vehicle spare parts, computers and election material. These included

⁴²⁵ World Bank, Performance Audit Report, Structural Adjustment Program, Operations Evaluation Department, 30 June 1995, p8. World Bank, Project Completion Report, pp22-24.

⁴²⁶ Memorandum to the Executive Directors and the President, 30 June 1995

⁴²⁷ World Bank, Performance Audit Report, p10

⁴²⁸ World Bank, Memorandum of the President of the International Development Association to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Zimbabwe, 1 May 1997, p15.

⁴²⁹ World Bank, Memorandum of the President of IDA, p1

⁴³⁰ AfDB, Zimbabwe: Country Portfolio Review Report, August 1997, p10.

banks such as the Standard Bank, Italy's Mediocredito Centrale, Germany's development bank Kredistanstalt fur Wiederaufbau and the International Bank of Israel.⁴³¹ The government also borrowed from international lending institutions like the American based Commodity Credit Corporation.⁴³² The terms of the loans were often unfavourable for instance, lenders often prescribed that companies in their home countries be used in provision of the required services at exorbitant prices. The government's unquenchable appetite for borrowing was reprimanded by Parliamentarians on several occasions to no avail.⁴³³

IFIs also praised government's track record despite domestic debt. Yet as expenditure increased, 'government resorted to domestic borrowing to finance essential programs resulting in the failure to manage the budget deficit.'⁴³⁴ **Table 3.3** demonstrates that during the period 1991-1997, although foreign debt outpaced domestic debt, the latter continued to increase unabated. Instead of achieving fiscal balance as targeted by ESAP, deficit and public debt increased due to the contracting economy.

Table 3.3: Annual Debt, 1985-1997

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total	4	5	6	7	9	11	16	20	25	31	47	53	59
Debt	639	450	552	923	460	318	264	399	054	131	503	201	303
Domestic	2	3	3	4	5	6	7	7	9	12	24	31	30
Debt	810	227	868	824	796	700	849	993	071	875	671	407	371
Foreign	1	2	2	3	3	4	8	12	15	18	22	21	28
Debt	829	223	684	099	664	618	415	407	983	257	832	793	932

Source: collated from official statistics provided by the Central Statistical Office

As in 1985-90, as demonstrated in **Figure 3.2**, combined debt service was much more expensive than loan repayment. By 1997, service of debt including interest, sinking funds and expenses, was four times more than actual loan repayment. In fact throughout the period between 1985 and 1997, interest rates alone were much more expensive than loan repayment

⁴³¹ PoZ, *Hansard National Assembly Debates*, 13 June 1995, Column 500. PoZ, *Hansard National Assembly Debates*, 17 August 1995, Column 1720.

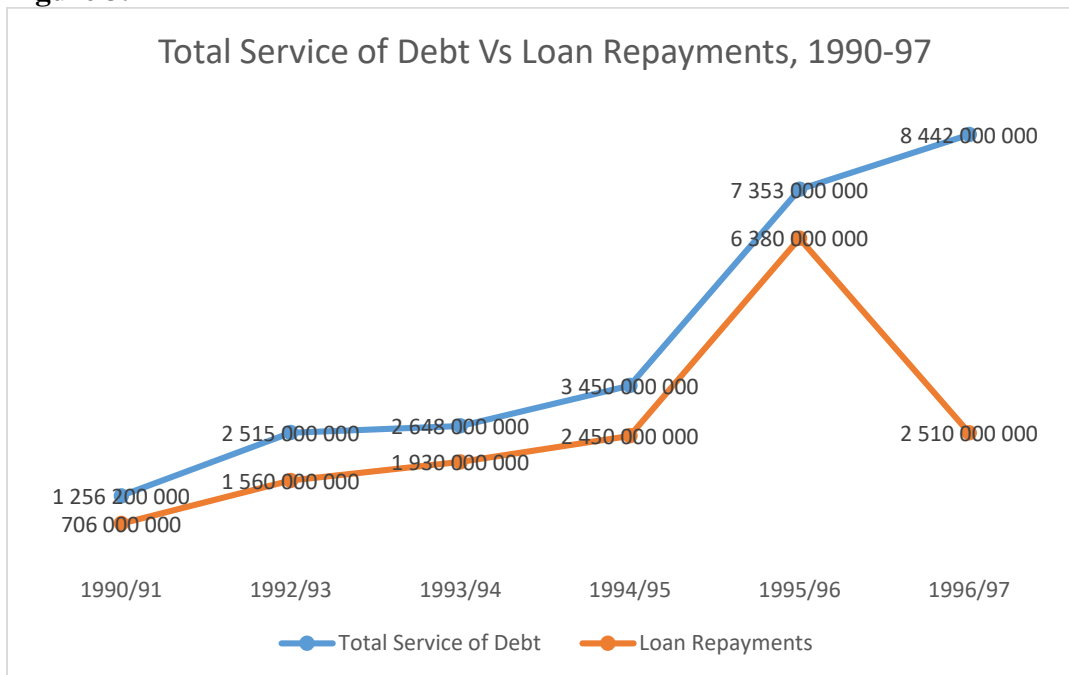
⁴³² PoZ, *Hansard National Assembly Debates*, 16 July 1992, Column 316.

⁴³³ *Ibid*, 17 August 1995, Columns 1733-34. *Ibid*, 17 August 1995, Column 1736-37, 1745.

⁴³⁴ World Bank, Statement by Joaquim Carvalho on the Board Meeting of 22 May, 1997

itself, a situation earlier foreseen by Irvine who warned, ‘in the end interest rates will strangle the economy of this country’.⁴³⁵ **Figure 3.3**, depicts this scenario.

Figure 3.2



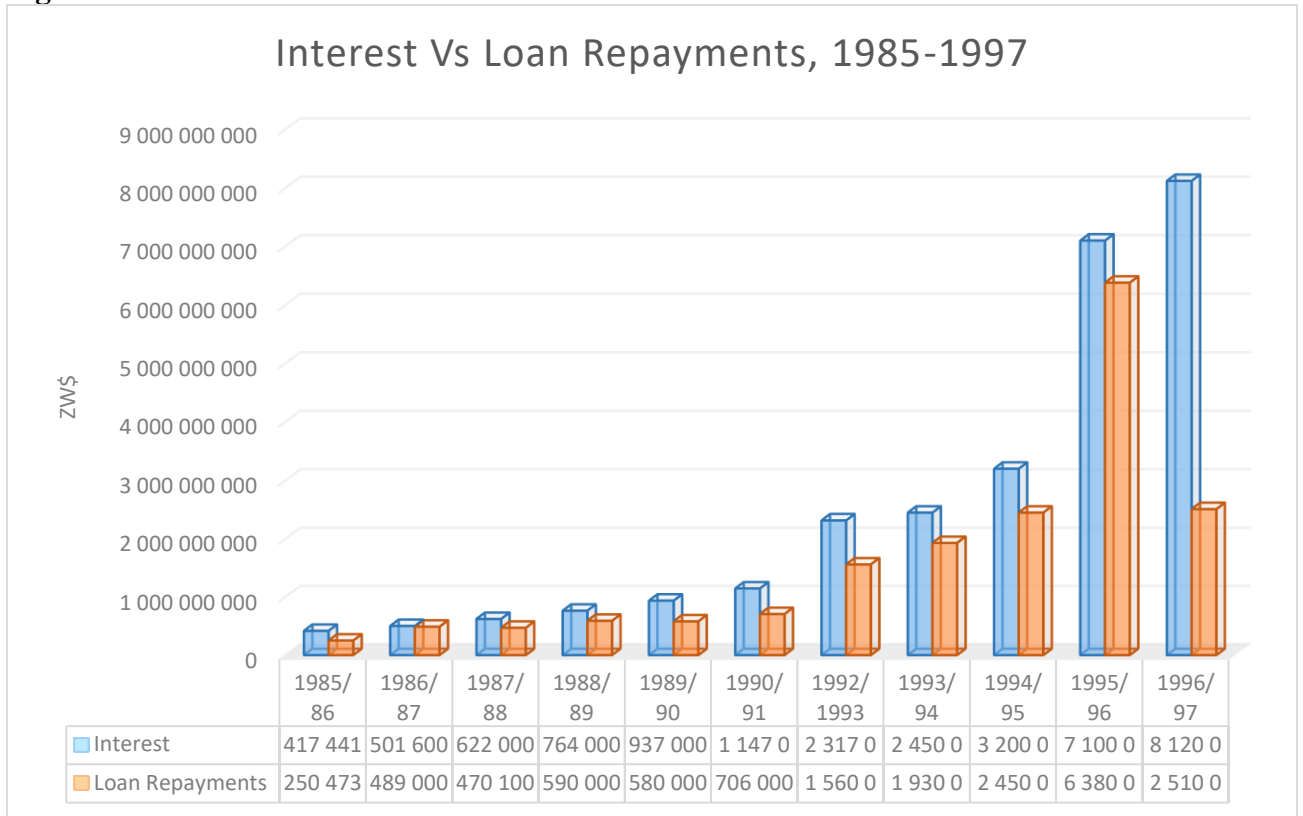
Source: Collated from *Estimates of Expenditure, 1990-1997*

IFIs expressed optimism seemingly without fully considering the amount of money spent on debt service against the total national budget, which showed that debt service was actually choking the overall budget. Due to the weakening of the Zimbabwean dollar, total debt service was more expensive than earlier envisaged. Inflation had begun its upward trend in 1990, increasing from 14.1% in January 1990 to 17.7% in January 1991. It further increased throughout 1992 from 29.9% in January 1992 to 45% in January 1993. Although it stabilized at 19.8% in December 1997, these fluctuations showed the instability of the dollar, which had brutal effects on the exchange rate, with the ZW\$ trading at 11.29 to US\$1.⁴³⁶ By 1997, about a third of the budget was going towards the repayment of debt. **Figure 3.4** outlines total debt repayment vs the total budget allocation.

⁴³⁵ PoZ, *Hansard National Assembly Debates*, 6 August 1986, Column 728.

⁴³⁶ All inflation statistics acquired from the Central Statistical Office.

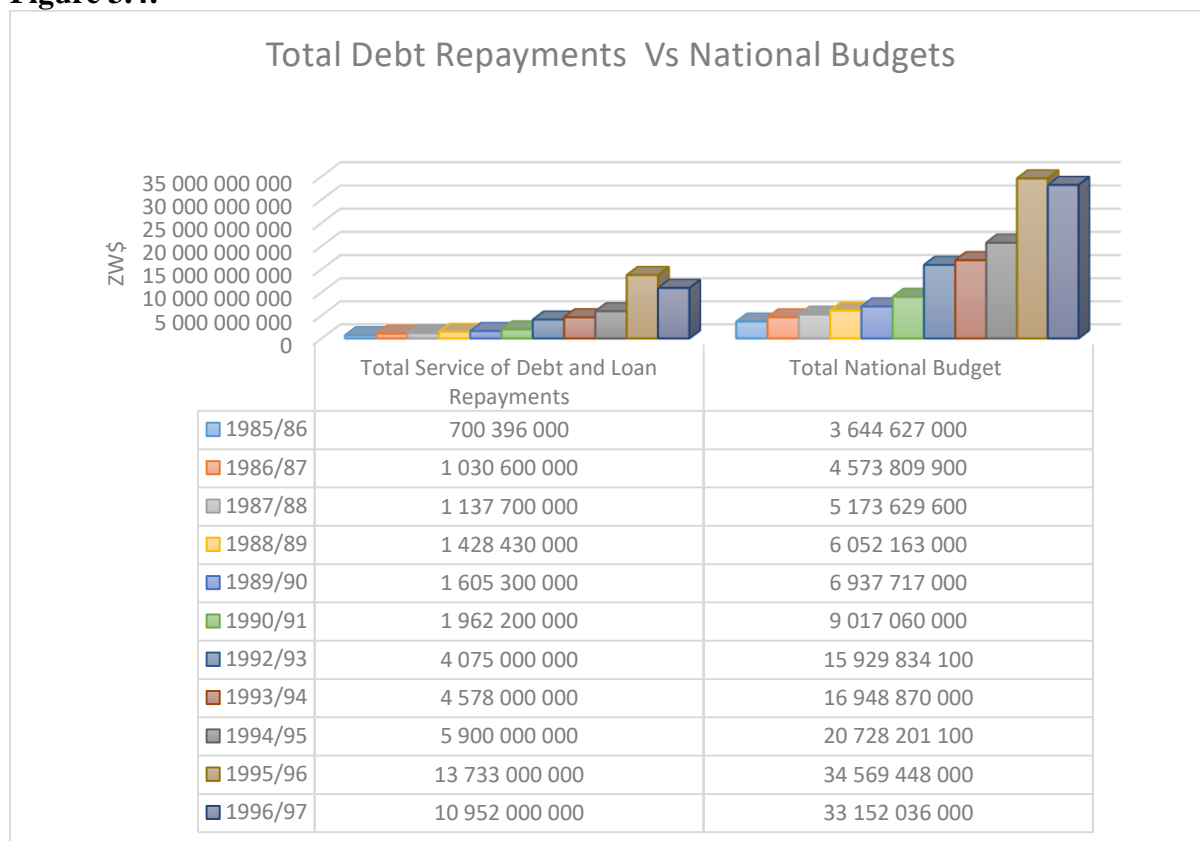
Figure 3.3



Source: Collated from Estimates of Expenditure, 1985-1997

Total debt repayment between 1990 and 1997 was ZW\$41 200 200 000. This was about double and seven times the allocation towards education and health at ZW\$21 681 429 000 and ZW\$6 777 750 000 respectively. Expenditure toward debt repayment was about seven times more than the total allocation towards the economic sectors, which received a miserly ZW\$6 301 546 000. All this was happening in a climate where the government was collected revenue of ZW\$31 226 billion, including grants, in 1997.

Figure 3.4:



Source: Collated from *Estimates of Expenditure, 1986-1997*

Contrary to the view expressed by Tor Skalnes that ‘Parliament never developed as a significant institution for expressing the interests of the African majority’, Parliamentarians were extremely vocal in expressing the negative effects ESAP.⁴³⁷ Members were keen on highlighting its negative effects on the economy which was translating to hardship and even more poverty for the ordinary people.⁴³⁸ Three motions on the state of the economy were brought to Parliament during the implementation of ESAP. These covered the negative effects of ESAP, unemployment and the deterioration of the Zimbabwe dollar.⁴³⁹ Some went to the extent of advocating the scrapping of income tax during the implementation of ESAP to cushion the few remaining workers in the formal sector.⁴⁴⁰ While others favoured abandoning the programme midway due to its obvious failures and drought.⁴⁴¹ These concerns were

⁴³⁷ Tor Skalnes, *The Politics of Economic Reform: Continuity and Change in Development*, p9.

⁴³⁸ PoZ, *Hansard National Assembly Debates*, 4 March 1992, Column 4072-75. PoZ, *Hansard National Assembly Debates*, 18 August 1992, Columns 777-79. PoZ, *Hansard National Assembly Debates*, 1 September 1992, Columns 1466, 1469-70.

⁴³⁹ *Ibid*, 25 August 1992 Columns 1064-65. *Ibid*, 1 September 1992, Column 1468.

⁴⁴⁰ *Ibid*, 4 March 1992, Columns 4079-80. *Ibid*, 1 April 1992, Column 5066.

⁴⁴¹ *Ibid*, 4 March 1992, Column 4076. *Ibid*, 26 August 1992, Column 1168.

however, not reflected in the IFI reports nor did the IFIs use them to determine the kind of engagement and support Zimbabwe needed.

Concerns were also raised on the excessive amounts of debt that the government was incurring to implement the programme.⁴⁴² They were especially concerned about the procedure of acquiring state loans which often lacked the consent of the House and were utilized prior to Parliamentary ratification. Mavhaire took a dig at ESAP and the procedure of acquiring loans stating, 'Most of the times we come into this House to ratify lots of monies, but are never given a chance for a proper report as to how the finances were used and if that money was used productively... We are saying this against the background of ZIMCORD where a lot of money was lost. This brought about a lot of rumours and doubts. Up to now no justification has been put across'.⁴⁴³ Patrick Chinamasa, the then Prosecutor General in 1992 expressed similar sentiments, stating two years into ESAP and there is no tangible accomplishments, 'all we hear is loan after loan, we are not very clear where these loans are going to'.⁴⁴⁴

Yet, IFIs continued to ignore Parliament's repeated advice against over-borrowing. Chidzero too ignored the unbalanced ratio of repayments against debt service and the strain this was causing on the fiscus insisting, 'anyone who reads literature with regards to the indebtedness of developing countries will see Zimbabwe on top of the list. It is honouring its debts and has a very small debt service ratio'.⁴⁴⁵ Reduction of deficit largely predicated upon the state's ability to reduce its borrowing was not achieved. Like in other countries, ESAP failed to achieve fiscal balance and increase the much-emphasized GDP growth. It is only in 2004 in a damning WB Country Assistance Evaluation Report, that the Bank more brazenly spoke about the lack of political will to see ESAP through. It states that one of the major reasons why Zimbabwe was unable to cut expenditure and achieve macroeconomic stability was the 'the borrower [GoZ] showed little commitment to macroeconomic stability and poverty alleviation...[and] unwillingness of the highest political leadership to make critical adjustments...'.⁴⁴⁶ The Report chastised the Bank's continued lending to the in the absence of a change in government's expenditure structure, missed target especially deficit. It stated:

given the necessity of macroeconomic stability, especially achieving fiscal sustainability, the Bank should have undertaken a PER prior to 1995, should have been more forceful in ensuring that credible steps to

⁴⁴²*Ibid*, 4 March 1992, Columns 4086, 4090. *Ibid*, 1 April 1992, Column 5066. *Ibid*, 16 July 1992, Columns 318, 322.

⁴⁴³ *Ibid*, 27 February 1992, Column 3928.

⁴⁴⁴ *Ibid*, Column 3932.

⁴⁴⁵ PoZ, *Hansard National Assembly Debates*, 5 September 1991, Column 2222.

*achieve fiscal sustainability were incorporated in adjustment lending, and should have formed a judgement not only about the macroeconomic/fiscal targets, but also about the likelihood of their implementation....in the absence of political leadership, the Bank should have insisted that conditions be fulfilled and not proceed to lend on the basis of promises. The Bank's willingness to lend sent the wrong message to the client and to the partners.*⁴⁴⁷

It is only in 2004 that the Bank admitted the challenges around public finance decision making process in Zimbabwe. While it supported the decision to implement ESAP in Zimbabwe, the report stated the following about the formulation, implementation and financing of ESAP:

*...if the Bank had analyzed the extent of ownership of reforms, based on the degree of consensus among decision makers, the locus of policy initiatives (whether local or external), the existence of upfront actions, and the participation of major stakeholders, it would have realized that ownership was weak, and it would not have relied so heavily on commitments with technocrats in the ministries....if it had monitored the impact of its assistance on income distribution, it might have made a different choice of lending or design of specific projects.*⁴⁴⁸

The failure of ESAP was partly a failure of sequencing. The government must have been called upon to restructure its expenditure pattern such that there was reduced recurrent expenditure, reduced debt and reduced deficit prior to the provision of more aid to support ESAP. These activities did not require more money per se, as will be demonstrated in the next section, expenditure towards the power structures including parastatals, was draining the fiscus. These should have been reduced prior to the government being given access to millions of aid, as its unrestrained propensity to borrow was evident, by 1991. These stringent measures prior to the implementation of ESAP were not insisted upon because the West was keen on proving the success of the Zimbabwe experiment, hence the bilateral aid provided by Western countries. Multilateral institutions on the other hand desperate for a structural adjustment success story in Africa, ignored the visible signs of Zimbabwe's incongruous expenditure structure. Although the IMF pulled out its funding in 1995, the goodwill it had shown and its declaring Zimbabwe a safe place for investment had only served to dig Zimbabwe's hole of debt even deeper.

⁴⁴⁸ World Bank, Country Assistance Report, p26-27.

3.4 Government Resource Allocations in the Era of Planning Through the Market

This section analyses government expenditure patterns during the episode of market reform. It investigates the connection between the economic plan targets and government expenditure. Importantly, the section examines the effects of the budget formulation process which became a topical issue in Parliament beginning in 1992. Although this chapter demonstrates that the period 1986 – 1997 was collectively a period of implementation of market-oriented policies, in terms of expenditure, the epoch is divided into two distinct phases. The five-year phase 1985-1990 during the implementation of the FFYNDP and the phase between 1990 and 1997 during the implementation of ESAP.

3.4.1 The Expenditure Paradox: Financing Production and Ballooning Recurrent Expenditure, 1985- 1990

To fulfil the dictates of the FFYNDP, the government created, operationalised and financed parastatals. Paradoxically, parastatals and participation in the private sector increased government expenditure, inflated the wage bill, increased the deficit and aggravated public debt. The paradox was further deepened by government's expenditure towards the military, para-military structures, the Zimbabwe People's Militia (ZPM) and the Zimbabwe Youth Service (ZYS), the Central Intelligence Organisation (CIO), the police and the top-tier civil servants. By 1990, instead of the parastatals evolving into profitable enterprises, they became incorporated into the power matrix through which government provided disguised subsidies and grants, as a means of fulfilling its promises to the electorate. This sub-section analyses expenditure patterns between 1985 and 1990, bringing out the inconsistencies in government expenditure which resulted in there being a deepened recurrent expenditure and debt problem.

3.4.1.1 Galloping Recurrent Expenditure

Recurrent expenditure expanded uncontrollably between 1985 and 1990. It occupied the largest allocation of funds at an average of 75% of the budget per annum. Parliamentarians again warned against lack of capital investment by the government, but to no avail.⁴⁴⁹ Whilst recurrent expenditure varied, the expenditure items were parastatal subsidies and grants, salaries and to a lesser extent social spending, particularly expenditure towards education. Expenditure towards parastatals increased on an annual basis due to the large amounts of losses

⁴⁴⁹ PoZ, *Hansard National Assembly Debates*, 5 August 1986, Column 686. PoZ, *Hansard National Assembly Debates*, 16 August 1988, Column 823. PoZ, *Hansard National Assembly Debates*, 1 August 1989, Column 634.

they registered. Losses by parastatals were attributed to mismanagement and the absence of user fees. As early as 1986, MPs advocated the viability of parastatals to reduce their reliance on government handouts.⁴⁵⁰ In 1988, W. Irvine, MP for Marlborough, advised, 'I do not believe we can go on paying huge sums of money to parastatals which are badly managed....if we could eliminate parastatals then the budget would be reduced to manageable levels.'⁴⁵¹

Subsidies to parastatals were either direct or disguised as 'contributions and assistance' or 'contributions and grants', loans and losses. During the period under review, government spent a total of ZW\$3 744 247 000, on parastatal subsidies.⁴⁵² Of this amount, ZW\$1 558 293 000 was towards parastatal losses.⁴⁵³ The biggest losses were incurred by NRZ at a total of ZW\$460 million in 198-90. AirZim also incurred significant losses at ZW\$130 million and the Agricultural Finance Corporation (AFC) incurred ZW\$65 923 000 worth of losses during the same period. Loans to parastatals between 1985 and 1990 constituted, ZW\$427 004 000. ZISCO was the biggest recipient of subsidies disguised as loans, to the tune of ZW\$127 million. Other beneficiaries were Local Government bodies which received ZW\$103 689 000 000, Agricultural Marketing Organisations, ZW\$47 915 000, NRZ ZW\$41 528, ZESA ZW\$30 million and ZBC ZW\$12 264 000. These subsidies were in addition to what Estimates referred to as 'Investments' where most parastatals were allocated more money. For example, between 1985 and 1990, ZISCO received ZW\$100 million under the 'investments' sub-Vote. Parastatals also benefitted from amounts of money from the 'Private Sector Participation' sub-Vote of the MoFED, which was allocated a total of ZW\$138 440 000, since its introduction in the 1987/88 budget.

In the absence of food subsidies parastatals became the avenue government used for populist hand-outs, a key component of the power retention agenda.⁴⁵⁴ This however is not to deny the existence of genuine beneficiaries of state 'benevolence'. A section of the population benefitted from Vote allocations towards education. In addition, free primary education, government

⁴⁵⁰ PoZ, *Hansard National Assembly Debates*, 5 August 1986, Column 698.

⁴⁵¹ *Ibid*, 16 August 1988, Column 826.

⁴⁵² Unless otherwise stated, parastatal grants and subsidies are to those institutions largely or wholly owned by the government, including government institutions in productive and financial sectors, including state schools and tertiary institutions, and urban and rural councils.

⁴⁵³ This amount included ZW\$863 101 000, allocated towards 'Agricultural subsidies and losses.' Successive Estimates of Expenditure noted that these were with respect to 'sterling acceptance credit facility of the AMA, and subsidies and losses of the CSC, Dairy Marketing Board and the GMB'. Due to the inconsistency in revealing the specific allocations to the stated parastatals, it was impossible to ascertain how much was spent towards each of them during the period under review. See for Example, GoZ, *1986/87 Estimates of Expenditure*, p49.

⁴⁵⁴ The use of parastatals as a tool for power retention has been detailed by Jabusile Shumba, *Zimbabwe's Predatory State*.

invested in tertiary education through grants and subsidies. Grants to the University of Zimbabwe amounted to a total of ZW\$264 610 000 between 1986 and 1990. The Parirenyatwa Hospital Group received grants and subsidies totaling ZW\$159 282 000 while local clinics, mission clinics and other health care centres combined received an allocation of ZW\$225 223 000 throughout the period under review.⁴⁵⁵ These grants went towards operations, the purchase of equipment, furniture and medical supplies thereby directly benefitting the populace. In addition, there existed non-parastatal subsidies and grants totalled ZW\$646 400 000 between 1985 and 1990. These subsidies largely comprised of various funds, for instance the National Housing Fund, which received the lion's share of ZW\$146 241 000. Many of these were designed to directly benefit the people.

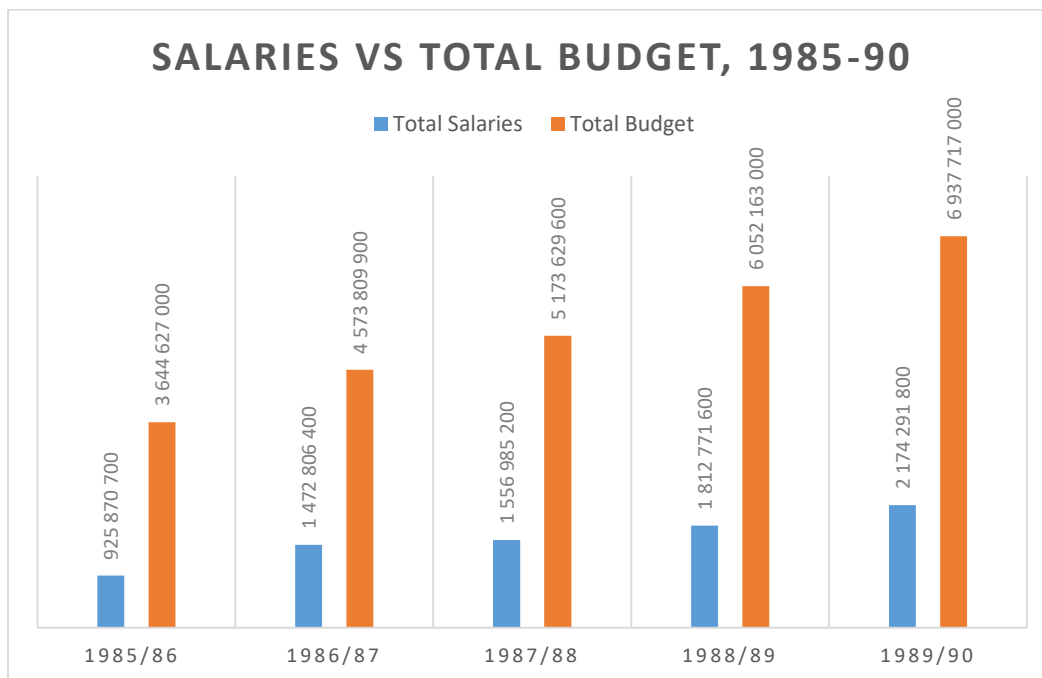
Year after year, Parliament heatedly debated the removal or maintenance of subsidies to parastatals with insults often hurled across the House. Most Parliamentarians cautioned the MoFED against unreasonable parastatal expenditure. H. Elsworth, MP for Highlands, was likened continued support for ZISCO, as being 'like a bottomless pit...to put that amount of money each year into steel works is merely pouring taxpayer's money down a drain.' Nzarayebani expressed similar sentiments, adding, '...these parastatals must be told in very clear bold terms that either they go self-reliant or they go.'⁴⁵⁶ Despite huge parastatal and non-parastatal subsidies, the wage bill was the largest recurrent expenditure item. The government spent most of its finances on the wage bill at a total of ZW\$7 942 725 700 between 1986 and 1990.⁴⁵⁷ **Figure 3.5** shows that annually, the government spent about a third of its total budget on salaries alone.

⁴⁵⁵ Allocation included expenditure towards Parirenyatwa Hospital, Mbuya Nehanda Maternity Hospital and Sekuru Kaguvi Hospital. See for example GoZ, *1987/88 Estimates of Expenditure*, p87.

⁴⁵⁶ PoZ, *Hansard National Assembly Debates*, 8 August 1989, Column 791.

⁴⁵⁷ Allocations towards salaries here include those of the President and Cabinet members.

FIGURE 3.5



Source: Collated from *Estimates of Expenditure, 1986-1990*

3.4.1.2 Financing the Military, CIO and the Police

The military, whose expenditure was allocated under Vote Six, received the largest share of government finances throughout the period under review. During this period, the government found creative ways of channeling funds towards the military. The military was supported overtly through Vote 6 with the Vote being the second highest funded Vote, second to Vote 21. The total expenditure towards the military in 1985 -1990 was ZW\$3 426 044 000, about double that of health and agriculture with ZW\$1 320 910 000 and ZW\$1 643 408 000 respectively. Vote Six was six times the allocation for Industry and Energy Development, which received a paltry ZW\$503 553 000, and a staggering twenty-two times that of mining, which received a miserly ZW\$154 477 000 throughout the period under review.

The military received extra financing through Vote 39. Vote Six received the highest allocation of construction funding captured under Vote 39. It received ZW\$368 481 000 to construct among other facilities, military barracks and houses for military personnel. Construction financing towards the military was higher than that channeled towards the construction of schools, tertiary institutions, hospitals and various other infrastructural projects. The allocation was almost double the allocation towards Vote 21 which received ZW\$113 404 000 and five times that of the crucial Vote 20 which received a paltry ZW\$73 750 000. There was never an

explanation as to why the military received the largest allocation under the construction of Vote.

Successive Ministers of Defence, Chidzero and Mugabe, defended the allocation under Vote Six.⁴⁵⁸ It was justified on the basis of the destabilization bombings waged by the South African apartheid regime. In his State of the Nation Address in 1988, President Mugabe outlined some of the security concerns in various regions in the country including the army's deployment to the Beira corridor, Tete-Zobue route and Chicualacuala -Maputo Corridor.⁴⁵⁹ In Parliament, opposition to allocations to Vote Six was less than previous epoch because while noting the drain Vote Six caused to the fiscus, many MPs agreed with the gravity of the destabilizations by South Africa.⁴⁶⁰ Parliamentarians were however, weary of discussing military expenditure because government did not take heed of their concerns. The government was determined to fund military expenditure under any circumstance, and equally determined to keep the actual use of that money a secret.⁴⁶¹ The bulk of the Vote was allocated to salaries. Of the ZW\$3 426 044 000 allocated in 1985-90, ZW\$1 854 448 000 was spent on salaries alone, including those salaries to the para-military unit of the Zimbabwe Defence Forces, the Zimbabwe People's Militia (ZPM).

The military was also funded covertly through the introduction of the Political Affairs Vote in the 1988/89 budget, whose allocation is captured in this work as Vote 42. Political affairs is considered an allocation to the military for two reasons. Firstly, the bulk of the Vote was channeled towards the National Service. According to Martin Rupiya, the National service absorbed the ZPM. Defence Minister Enos Nkala, stated that the ZPM were spies used to gather military intelligence, and to stop the destruction caused by dissidents and protect the country's infrastructure against attacks from RENAMO.⁴⁶² The youth brigades were notorious for running the terror campaigns on behalf of the ruling party, especially so during elections.⁴⁶³ It was no coincidence that in its formative stages, following the signing of the Unity Accord in 1987, Political Affairs was housed in the OPC with Tapfumaneyi Maurice Nyagumbo, as its

⁴⁵⁸ PoZ, *Hansard National Assembly Debates*, 7 September 1989, Column 1743.

⁴⁵⁹ *Ibid*, 7 December 1988, C2090.

⁴⁶⁰ *Ibid*, 6 August 1986, Column 727-728. PoZ, *Hansard National Assembly Debates*, 24 August 1988, Column 1164. *Ibid*, 24 August 1988, Column 1156.

⁴⁶¹ *Ibid*, 14 April 1987, Column 2161.

⁴⁶² *Ibid*

⁴⁶³ Martin Rupiya, 'An Examination of The Role Of The National Youth Service/Militia1 In Zimbabwe And Its Effect On The Electoral Process, 2001-2005', *Journal of African Elections*, Volume 4, Number 2, 2005, p107-108.

Minister of State.⁴⁶⁴ After a cabinet reshuffle in 1989, the Ministry had three Ministers, and two deputy Ministers – one of whom was the former Minister of Defence, Ernest Kadungure. In 1990, Didymus Mutasa, became the Senior Minister for Political Affairs. While the two Ministers of State were Welshman Hadane Dube and Hon Brigadier General Felix Muchemwa. The latter was specifically in charge of the National Youth Service.

The government also supported other security structures in the form of the Zimbabwe Republic Police (ZRP) and the CIO. The ZRP was a sub-Vote contained in Vote 24. The total allocation towards Vote 24 between 1985 and 1990, was ZW\$972 885 000 two-thirds of which was channeled to ZRP alone.⁴⁶⁵ Like all other Votes, the bulk of Vote 24 was directed towards salaries, with the latter gobbling ZW\$652 111 000 of the Vote. Salaries to the ZRP occupied three quarters of the total salary allocation at ZW\$596 745 000, with an additional ZW\$10.1 million directed towards the police reserve. Of the Construction Vote, vote 24 received the fourth highest allocation, for the construction of police stations and police accommodation. The CIO on the other hand, were provided for under a sub-Vote titled, ‘Special Services’ contained in Vote 1.⁴⁶⁶ Of the total ZW\$230 986 000, allocated towards the OPC in 1985 - 1990, ZW\$192 382 000 was allocated towards Special Services. In addition to not being debated in Parliament, the Estimates of Expenditure explicitly stated that ‘part of the expenditure on this item will not be subject to audit by the Comptroller and Auditor General’.⁴⁶⁷ Expenditure to the country’s notorious intelligence service went unquestioned and unaudited. The budget also made provision for expenditure for the political elites. Travel of Cabinet officials, government personnel and ambassadors were topical discussions in Parliament.⁴⁶⁸ MP Bhebhe observed, ‘our budgeting system is not that good. We budget for Ministers at the top, but this budgeting does not go down’ to benefit the people’.⁴⁶⁹ The foregoing illustrates that the power structures remained well resourced at the expense of crucial sectors of the

⁴⁶⁴ *Ibid.*

⁴⁶⁵ Other sub-Votes included Administration, National Museums and Monuments, the Registrar General.

⁴⁶⁶ Prior to the removal of the ceremonial President and the establishment of the Executive President, the Special Services Sub-Vote was under Vote 3 – Office of the Prime Minister and Cabinet. The Special Services Sub-Vote was also used to pay for other tokens of patronage including state of the art vehicles for Ministers and loyalists. In an interview, Simba Makoni recalled during his tenure in office, when Mugabe utilised this allocation to buy Ministers vehicles after the former advised that there was no room in the budget for the purchase of Ministerial vehicles.

⁴⁶⁷ PoZ, *Hansard National Assembly Debates*, 20 August 1986, Column 794. PoZ, *Hansard National Assembly Debates*, 16 August 1988, Column 856. GoZ, *Budget Estimates: 1990/91*, p7.

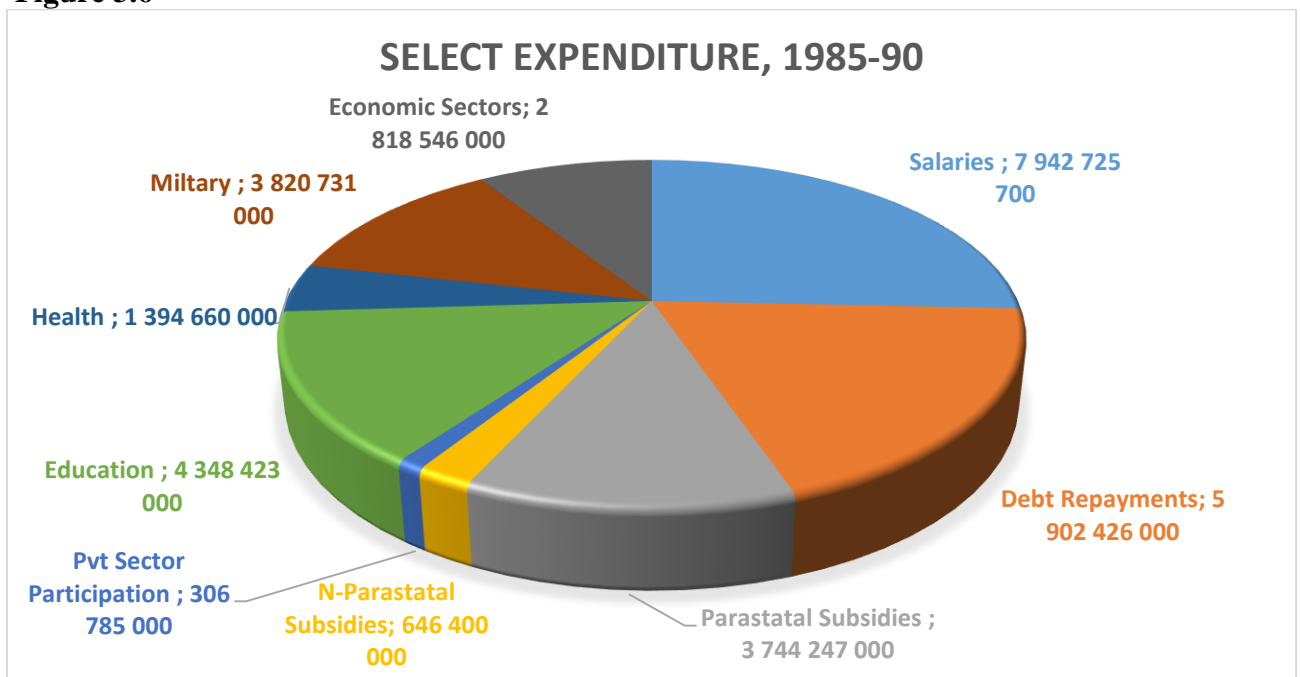
⁴⁶⁸ *Ibid*, 5 August 1986, Column 698.

⁴⁶⁹ *Ibid*, Column 692.

economy. Further, it is expenditure such as this that contributed immensely to government deficit and debt that are a constant feature in post-colonial Zimbabwe's financial history.

Much as the budget financed some of the policy areas set out in the FFYNDP, a close collation of all government budget items in both the Vote Appropriations and Statutory and Constitutional Appropriations, reveals a paradoxical expenditure structure designed to finance power and unable to ensure economic growth. To illustrate this paradox, **Figure 3.6** summarizes key components of government expenditure between 1985 and 1990. It reveals six key things. Firstly, the largest expenditure item on the budget was the wage bill. Second, debt repayments were draining the fiscus as they were the second largest expenditure item on the budget. Third, military expenditure alone, was the third largest expenditure item on the budget. Fourth, in terms of Vote appropriations, education received the highest Vote allocation. Fifth, economic sectors combined, received negligible government funds, which were much less than the total military expenditure and the education Vote Appropriation. Sixth, subsidies and grants to parastatals although high, were far less than the military allocations. The implications of such an expenditure structure were that the government was not able to increase its revenue collection or create employment. The government also spent excessive amounts on investment in non-revenue generating activities like the military and subsidies to parastatals.

Figure 3.6



Source: Collated from Estimates of Expenditure, 1985-1990

3.4.2 Missed Targets and Disguised Subsidies, 1990 - 1997

The gradual implementation of market-based policies after 1985, brought with it increased contestation in Parliament over the budget formulation process. Conflict turned on the exclusionary nature of the budget, as Cabinet did not directly consult the public nor did it consult Parliament or civic groups. These wrangles increased with the implementation of ESAP and its evident failure after 1992. For the first time in a ZANU PF- Parliament, many MPs called for the rejection of the 1992/93 budget.⁴⁷⁰ MPs accused Cabinet of ignoring the role of Parliament, and insensitive to the plight of the people.⁴⁷¹ In 1992, Stephen Vuma, MP for Silobela, complained, ‘the budget does not consider the problems inherent in various constituencies that should be embodied in the budget. We will never succeed in the budget formulation process unless and until MPs and Party structures are involved...We are not regarded...as constructors of the budget but as the endorsers of the budget’.⁴⁷² According to MPs, the budget had become a tool used by Cabinet members to advance personal agendas. An angry Sydney Malunga, MP for Makokoba, stated, ‘When I look at the Estimates of Expenditure, I have every reason to believe that some of the allocations were made subjectively because they were made for individual Ministers.’⁴⁷³ They expressed unhappiness with the MoFED for not taking into account the views expressed during budget debates. Dzikamai Mavhaire, MP for Masvingo Central, questioned, the point of debating the estimates ‘when we know that these estimates we are given to debate will not change.’⁴⁷⁴ Because of the economic downward spiral until 1997, the issue of a change in the budget formulation process was still a matter of contestation.⁴⁷⁵ Despite all these interventions by Parliament, the budget formulation process continued to be exclusionary and in the hands of Cabinet.

3.4.2.1 The Crisis of Persistent Recurrent Expenditure

One of the major targets of ESAP was fiscal balance through spending less on the wage bill and parastatals. To reduce the wage bill, FER targeted the reduction of civil servants’ posts as the civil service had increased three-fold since 1980. The government established ‘efficiency units’ to ‘analyze each Ministry, why it exists, how large it is, how many functions it is

⁴⁷⁰ PoZ, *Hansard National Assembly Debates*, 25 July 1992, Column 1070.

⁴⁷¹ *Ibid.*, 23 August 1995, Column 1830.

⁴⁷² *Ibid.*, 25 August 1992, Column 1066, 1075.

⁴⁷³ *Ibid.*, 1 August 1992, Column 766- 67.

⁴⁷⁴ *Ibid.*, 24 August 1995, Column 2012. M Mvenge, MP for Mutare Central, echoed the same sentiments in 1996, *Ibid.*, 20 August 1996, Column 807.

⁴⁷⁵ *Ibid.*, 17 September 1997, Column 1309.

performing, how relevant those functions are and whether they duplicate the functions of other Ministries....⁴⁷⁶ By June 1992, 7 000 posts had been eliminated, however, in June 1993, the government missed its target of 12 000 by eliminating 10 000 posts. The WB noted that government had reluctantly implemented civil service reform, it hesitated to ‘further add to an already serious employment problem’.⁴⁷⁷ The AfDB attributed the failure of the process to its ‘politically sensitive’ nature, but also pointed to unresolved negotiations with the civil service and unions, the shortage of funds for retrenchments.⁴⁷⁸

Throughout the period of the implementation of ESAP, there was no decline in the wage bill. The reduction of the bill hinged on the reduction of posts as opposed to the reformation of the salary structure, was problematic as there was no specific salary component attached to the targeted posts. Sachikonye details the labour challenges posed by the targeting of posts, such that those retrenched were not necessarily the highest paid.⁴⁷⁹ In 1995, the WB made the same observation, admitting that , ‘It is perhaps, questionable whether it was appropriate for the policy to have focused on the reduction in the number of posts, rather than the aggregate size of the public sector wage bill...it may have been more appropriate to have focused on the aggregate wage bill.’⁴⁸⁰ **Figure 3.7** shows the increase in the wage bill on an annual basis such that by 1996/97 the bill constituted about a third of the total budget.

⁴⁷⁶ *Ibid.*

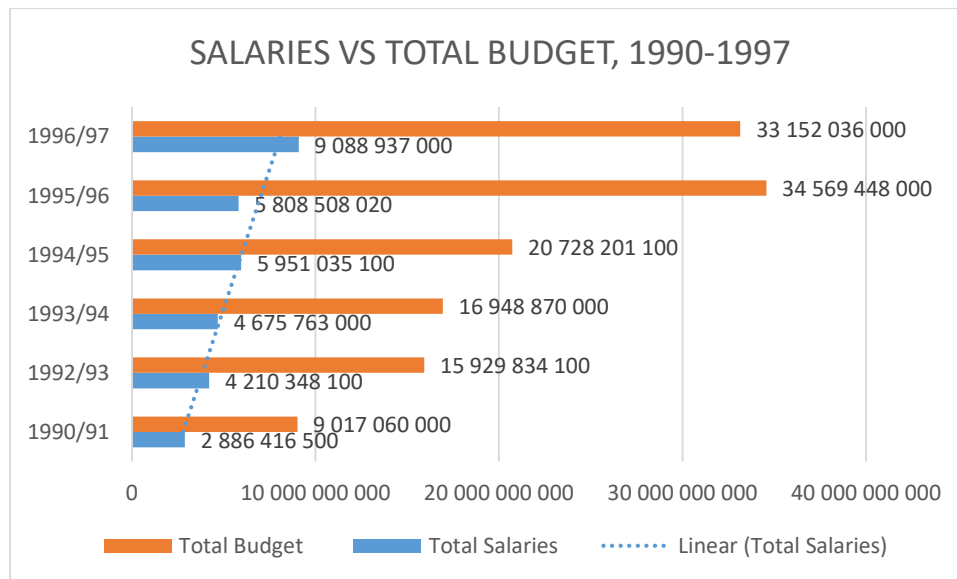
⁴⁷⁷ World Bank, Statement by Joaquim Carvalho on the Board Meeting, p1.

⁴⁷⁸ AfDB, Zimbabwe Economic Structural Adjustment Programme, p21.

⁴⁷⁹ Lloyd Sachikonye, ‘Industrial Restructuring and Labour Relations under ESAP in Zimbabwe’, Peter Gibbon (ed), *Structural Adjustment and the Working Poor in Zimbabwe*.

⁴⁸⁰ World Bank, Project Completion Report, p9.

Figure 3.7⁴⁸¹



Source: Collated from *Estimates of Expenditure, 1986-1990*

The Parastatal Reform Task Force led by VP Muzenda proved to be ineffective.⁴⁸² Parastatal reform was meant to achieve a 25% reduction in expenditure towards parastatals through a reduction in the number of, and in subsidies to, parastatals.⁴⁸³ Yet subsidies to parastatals during the period under review increased from ZW\$872 442 000 in 1989/90 to ZW\$1 559 716 000 in 1996/97. ZISCO alone received ZW\$1 071 229 000 during the period under review. NRZ received ZW\$678 million to cover the losses with the entity losing ZW\$255 million 1990/91 alone. The CMED received ZW\$55 million to cover its losses while a staggering ZW\$1. 599 billion was spent covering losses to agricultural organisations such as the GMB and CSC. It is only in 1997 that subsidies to parastatals were slightly reduced as opposed to the upward trend from 1990-1996. Allocations towards subsidies were reduced from ZW\$2 504 491 000 in 1995/96 to ZW\$2 198 566 000 in 1996/97. Traditional beneficiaries of subsidies received much smaller allocations or nothing at all. Allocations to cover the losses of the NRZ declined from ZW\$172 million in 1995/96 to ZW\$57 million in 1996/97. The AFC received no subsidies for two consecutive years after 1994/95. The allocation to ZISCO was reduced from ZW\$ 292 443 000 FY1995/96 to ZW\$202 786 000, in the 1996/97FY. Smaller subsidies were possible because in January 1995 government took over the accumulated losses of three agricultural parastatals, the GMB, Cotton Marketing Board (CMB) and CSC.⁴⁸⁴ Despite these

⁴⁸¹ Collations exclude figures for the 1991/92 fiscal year.

⁴⁸² *The Herald*, 'State Sets Up Task Force to Uplift Economy', 6 July 1991.

⁴⁸³ World Bank, Report and Recommendations to the President of the IBRD, p12.

⁴⁸⁴ Ibid.

slight reductions in the FY1996/97, overall subsidy expenditure totalled of ZW\$9.328 billion at a time when government was spending ZW\$6 301 546 000 on all economic sectors combined.

The reasons why targets regarding parastatal reform were missed varied. The WB attributed it to government's failure to 'act decisively in reforming the parastatal sector'.⁴⁸⁵ The Bank noted that in addition to delays in coming up with action plans and proposals for reform, government did not pay much attention to 'resolving of the underlying structural problems in the enterprises'.⁴⁸⁶ The AfDB on the other hand noted that 'For a time after ESAP started, the issue of the burden of parastatals were not given the urgency it required.'⁴⁸⁷ Parliament attributed this failure to the government's inability to prioritize and structure parastatal reform strategically.⁴⁸⁸ Parastatal reform failed largely because parastatals had become the avenue of government's populism in the absence of direct food subsidies and the pressure to fulfil election promises. Subsidies to agricultural parastatals for example, were used to entice most of the population which still resided in the rural areas and relied heavily on subsistence farming. Emerging political opposition characterised by Edgar Tekere's formation of the Zimbabwe Unity Movement (ZUM), saw increased politicization of food relief as the government made it clear that voting for ZUM would result in the discontinuation of grain handouts.⁴⁸⁹ These grain handouts were obtained from GMB funded through the national budget. Further, top political bosses were ZANU-PF allies and serving or former military men. Parastatal boards were used to reward the loyal and government could not readily remove these tokens of patronage.⁴⁹⁰

3.4.2.2 Financing the Military, CIO and the Police 2

The military continued to receive the bulk of government financing during the implementation of ESAP. Vote Six received a total of ZW\$ 10 295 042 000 between 1990 and 1997, second only to Vote 21. Vote Six received more money than the crucial Vote 20 whose total was ZW\$6 497 372 000 while Vote 10 crucial for economic transformation received ZW\$1 591 464 000

⁴⁸⁵ World Bank, Memorandum to the Executive Directors and the President, p8.

⁴⁸⁶ World Bank, Project Completion Report, p10.

⁴⁸⁷ AfDB, Zimbabwe Economic Structural Adjustment Programme, p17.

⁴⁸⁸ Parliamentarians often referred to the issue of ZISCO reform where more money was spent on consultants or arrears payment than was spent in investment and or restructuring. See for example, PoZ, *Hansard National Assembly*, 23 August 1995, Column 1823-24.

⁴⁸⁹ For a detailed debate on ZUM and the growth of the opposition political parties in Zimbabwe see among others Liisa Laakso, 'Opposition Politics in Independent Zimbabwe', *African Studies Quarterly*, Publication details Unavailable, 2004.

⁴⁹⁰ For more detail see Jabusile Shumba, *Zimbabwe's Predatory State: Party, Military and Business*.

about an eighth of Vote Six. The total allocated to Vote Six alone during 1990-1997, was much more than was allocated to all economic sectors combined which received ZW\$6 301 546 000. Unlike between 1985 and 1990 where Parliament seldom castigated military expenditure, between 1985 and 1997, Parliament persistently called for the reduction of Vote Six. In 1992 Malunga suggested that spending towards the military be 'cut by half and that money be made available for use elsewhere'.⁴⁹¹ In 1994, Lazarus Nzarayebani, MP for Mutare South, called for the reduction of the army and redirection of expenditure to developmental programmes.⁴⁹² One year later, the situation had not changed.⁴⁹³ Some MPs suggested that instead of funds being spent on the military, they should be channeled towards the SDF or the PSIP.⁴⁹⁴ Fewer MPs supported the defence allocation on grounds of the importance of peace as a 'fundamental instrument for development.'⁴⁹⁵ Despite MPs' complaints about excess spending towards the military, the House always approved the Appropriations Bill without amendment. This status quo displayed the ineffectiveness of Parliament which was unable to protect public funds from misappropriation.

As before, the military received the highest portion of the Construction Vote totaling ZW\$801 384 000 for the construction of military buildings, bases and housing. This was roughly double the allocation of Vote 21 which received ZW\$325 126 000, for the construction of schools. It was nine times that of Vote 41, which received ZW\$85 733 000 for the construction of tertiary institutions. Vote 20 received a paltry ZW\$280 378 000 for the construction of hospitals and clinics. The crucial Vote 10 entrusted with the expansion of industry received a miserly ZW\$2 231 000 between 1990 and 1997.

In addition to Vote Six and the highest allocation in construction finances, the military also benefitted from other disguised expenditure in the form of the Defence Procurement Fund and the Zimbabwe Defense Industries. It received ZW\$30 million divided equally in the two years since the 1995/96 budget, to purchase of military needs including equipment and uniforms for the armed forces. The Zimbabwe Defense Industries was allocated ZW\$62 060 000 in the 1996/97 budget. Military expenditure was also in the form of the Ministry of Political Affairs which received a total of ZW\$49 417 000. The Ministry was disbanded in 1992 after an outcry

⁴⁹¹ PoZ, *Hansard National Assembly Debates*, 1 August 1992, Column 767-68. *Hansard National Assembly Debates*, 25 August 1992, Column 1060.

⁴⁹² *Ibid*, 1 August 1992, 23 August 1994, Column 912.

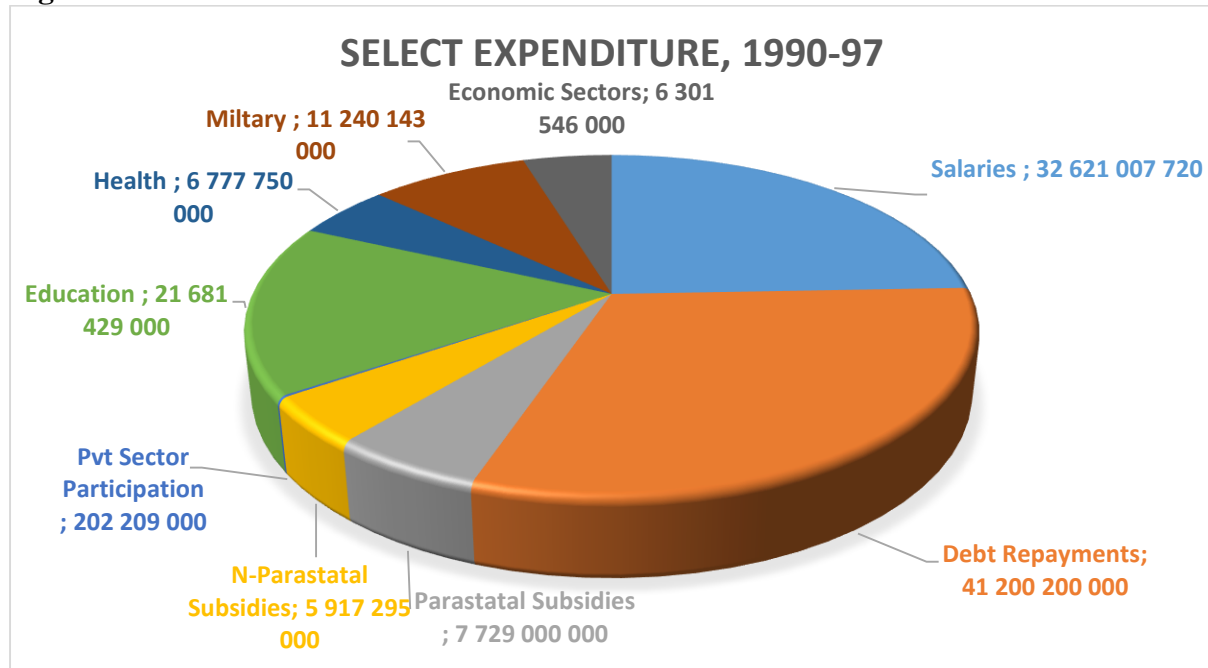
⁴⁹³ *Ibid*, 22 August 1995, Columns 1763, 1774. *Ibid*, 23 August 1995 Columns 1839-40. *Ibid*, 29 August 1995, Column 2078.

⁴⁹⁴ PoZ, *Hansard National Assembly Debates*, 7 September 1993, Column 1416.

⁴⁹⁵ *Ibid*, 23 August 1994, Column 918. *Ibid*, 24 August 1995, Column 2013.

from Parliamentarians, with Malunga describing it as ‘a dispensable monster’ which must be removed.⁴⁹⁶ By 1997, expenditure to the military alone was unsustainable at ZW\$11 240 143 000. This allocation was much more than was invested in all economic sectors combined. It was also much more than was invested in private sector participation, whose allocation declined significantly to less than the 1985-90 levels. **Figure 3.8** is an illustration of select government expenditure to depict the expenditure structure during this period.

Figure 3.8



Source: Collated from Estimates of Expenditure, 1990-1997

During the implementation of ESAP, IFIs never expressed concern about high military expenditure. Instead they provided loans for various projects including economic restructuring in the face of missed fiscal targets. The WB first mentioned military expenditure in 1995. When it observed that, ‘the other key drain on the fiscal account –but which was not an explicit focus of the SAP –was defense expenditure.’⁴⁹⁷ It is only in 1998, after the implementation of ESAP that the EU spoke about the military allocation within the broader context of the lack of political will to achieve fiscal balance. In a letter to David Cook, WB Resident representative in Zimbabwe, J C Laerke, Head of EU Delegation in Zimbabwe noted:

the poor performance in terms of stabilization reflected an obviously weak political commitment to economic change at the highest level. On the budgetary front, the stance resulted in the absence of sufficient control of expenditure...it also prevented the necessary reallocation of expenditures from non-productive areas like defense, towards health education and basic

⁴⁹⁶ *Ibid*, 18 August 1992, Column 772.

⁴⁹⁷ World Bank, Project Completion Report, p9.

*infrastructure. In 1997/98, defense still enjoys a share of expenditures higher than health...concerning structural reforms...some important measures showing strong government commitment should be taken up-front, before future financing is released.*⁴⁹⁸

As previously, successive national budgets between 1990 and 1997 also supported other security structures in the form of special services and Vote 24. During the implementation of ESAP, the allocation to Special Services continued to be the bulk of Vote 1. The sub-Vote stood at ZW\$50 million in 1989/90 budget and increased to ZW\$135 million at the height of ESAP in 1994/95. By 1997, a total of ZW\$829 130 000 was spent on the sub-vote against a total of ZW\$1 164 610 000 allocated to Vote 1. The allocation to special services alone was more than the amount of money government channeled towards the expansion of the mining sector. Vote 13 on received ZW\$259 653 000 throughout the period between 1990 and 1997. The Sub-Vote received more than was allocated towards land and water resources development as Vote 18 only received ZW\$418 063 000 throughout the same period. Despite persistent calls by some MPs for the vote to be debated in the house, this did not happen.⁴⁹⁹ The allocation towards Vote 24 also increased during the implementation of ESAP, with the bulk of the Vote being allocated to the ZRP. By 1997 a total of ZW\$4.3 billion was channeled towards the Vote. Literature has detailed the increased use of the security sectors in the quelling of demonstrations which had increased in the face of the failing ESAP.⁵⁰⁰

During the implementation of ESAP, national budgets begun directly financing ZANU-PF. This was done in two ways. First, through the financing of the Commissariat in the 1991/92 budget. The Commissariat was and continues to be the ZANU-PF organizing department responsible for organizing party structures, membership and functions. Malunga directly confronted Chidzero on this allocation subsequently labelling the budget 'arrogant' for funding the Party at a time the nation was faced with drought and economic decline. Secondly, financing ZANU-PF was through the introduction of the political parties grant in the 1992/93 budget.⁵⁰¹ The grant benefitted ZANU-PF which, in the absence of an opposition party in the

⁴⁹⁸ World Bank, Implementation Completion Report, Appendix A: Letter from J C Laerke, to David Cook, 11 June 1998, p3.

⁴⁹⁹ One of the most vocal members in this regard was Sydney Malunga. See for example PoZ, *Hansard National Assembly Debates*, 1 September 1992, Column 1476.

⁵⁰⁰ See among others Brian Raftopoulos and Ian Phimister, *Keep on Knocking*.

⁵⁰¹ This was a grant under Vote 25 under a budget item simply titled 'political parties'. This grant later evolved into law as the Political (Finances) Act Chapter 2: 11 of 2001. This Act will be discussed in greater detail in Chapter 4.

House at the time, was the majority party in Parliament.⁵⁰² The political parties grant alone swallowed ZW\$146 million of government funds. Laakso describes the 1990 Presidential election as the first ‘viciously contested’, with Edgar Tekere garnering an unexpected 17% of the vote.⁵⁰³ Although this figure is seemingly negligible, its significance lay in that it ushered in an episode of bold confrontation of the status quo. This forced the Party to hold its first primary elections in preparation for the 1995 Parliamentary elections, a process which required funds to strengthen its structures hence the funding of the commissariat. The political parties grant increased from ZW\$20 million in 1992/93 to ZW\$30 million in 1993/94 and ZW\$32 million in the 1994/95 the 1995/96 budgets respectively.⁵⁰⁴ This was also coupled with the increased allocations to ZBC, which was, and continues to be used as a platform for ruling party campaigns.⁵⁰⁵ Grants to ZBC increased from ZW\$8.5 million in 1992/93 to ZW\$11.5 million in 1994/95 and 1995/96, only to decline after the election to ZW\$7 million in the 1996/97 budget.⁵⁰⁶

Funds allocated to ZANU-PF under the political parties grant was on top of perks received by Cabinet members, governors, heads of parastatals, and other senior civil servants. These groups continued to have access to entertainment allowance, luxury vehicles and local and international travel allowances. Parliamentarians reached the point of suggesting that Governors be removed to curb expenditure stating ‘If we want governors or resident ministers for political purposes, lets then combine roles performed by provincial administrators so that they become effective. If they are there merely for political purposes, I do not think we need them at this juncture. It is extremely unfair to our people.’⁵⁰⁷ The government expenditure structure resulted in increases in deficit and both domestic and foreign debt. Unsurprisingly, by 1997 debt service was the largest expenditure item totaling ZW\$41 200 200 000 in 1990-97, See **Figure 3.6** above.

3.5

⁵⁰² At the time ZANU-PF opposition in Parliament was through independent Parliamentarians such as Margaret Dongo.

⁵⁰³ Liisa Laakso, ‘Opposition Politics in Independent Zimbabwe’, p6.

⁵⁰⁴ GoZ, *Estimates of Expenditure*, 30 June 1994, p110. GoZ, *Estimates of Expenditure*, 30 June 1996, p150.

⁵⁰⁵ Literature has detailed how the ZBC broadcast ZANU-PF campaigns against opponents throughout independent Zimbabwe. See among others Liisa Laakso, ‘Opposition Politics in Zimbabwe’.

⁵⁰⁶ GoZ, *Estimates of Expenditure 1994*, p114. GoZ, *Estimates of Expenditure 1996*, p154.

⁵⁰⁷ PoZ, *Hansard National Assembly Debates*, 20 August 1996, Column 816.

3.6 Conclusion

This chapter explored changes in Zimbabwe's economic planning processes from 1986 to 1997. It demonstrated that there was a gradual shift to neoliberalism, in 1986 which change followed a scenario mapping exercise to achieve a realistic balance between envisaged economic growth and political survival. More changes were made until with the overt involvement in policy formulation by the World Bank and IMF, the government adopted ESAP, which had ironically proved unsuccessful in other countries it had been implemented. The institutions bent on spreading neoliberalism, emphasized devaluation, decontrol and trade liberalisation as the most important element of ESAP. Subsidy reduction was also a priority as they were not in line with the capitalist thrust championed by IFIs. On the other hand, because of their desperation to create an ESAP success story, IFIs particularly BWIs ignored the flaws in Zimbabwe's economic planning which centralized power in Mugabe, Chidzero and to a lesser extent Cabinet. The economic planning process at worst did not involve Parliament and the general public whilst at best the ZANU-PF Central Committee was 'consulted' as the ultimate representatives of the people. IFIs also ignored the government's feeding of its military and security apparatus. Through various structural adjustment packages, BWIs and the AfDB provided the government with loans such that by 1997 debt repayment was about a third of the total budget, signaling the beginning of the defaulting that began in 1999.

Like the planning by direction phase before it, planning through the market adopted during this period was unsuccessful in growing the Zimbabwe economy. It failed due to a combination of factors including the inapplicability of ESAP which ignored the informal and rural sectors. It also failed due to missed targets regarding the inability reign in parastatal expenditure, recurrent expenditure especially the wage bill and security allocations designed to conform to the power retention agenda. In the end ESAP weakened currency and increased the levels of inflation which characterised the years between 1997 and 2008.

CHAPTER FOUR

Surviving International Isolation? Unorthodox State Financing, Currency Engineering and the RBZ's Quasi-Fiscal Activities (QFAs), 1997- 2009

4.1 Introduction

Until 1997, the government relied on conventional methods of revenue generation - taxation, licensing, foreign and domestic loans, and FDI. The previous two chapters have shown that even with these traditional sources, government expenditure exceeded revenue; thus, the state operated on a deficit that increased annually. Since 1997, these conventional sources gradually began to dry up. By the end of 2000, foreign funding to government vanished. This chapter explores the events that led to the disappearance of external finance and how the Zimbabwe government manoeuvred the loss of external financing and other revenue streams. It investigates the shift from conventional financing methods to unorthodox means that entailed tinkering with monetary policy, positioning the latter to finance the bulk of the public sector budget. This involved various forms of money expansion and currency engineering. The printing of money, the introduction of pseudo-currencies in 2003 and currency rebasing since 2006, are what this chapter terms currency engineering, a method the state used to prolong the life of the collapsing Zimbabwe dollar. Finally, the chapter explores how such tinkering with monetary policy was deployed, placing the implementation of Quasi-Fiscal Activities by the Reserve Bank of Zimbabwe, at the centre of government's new unorthodox strategy.

The chapter covers the period between 1997 and 2009, known in the literature as the crisis period. Literature has examined the genesis of the crisis, its causes, its nature, and its impact.⁵⁰⁸ Key facets of the crisis included economic meltdown, vicious contestations in the political space, violence, sanctions and hyperinflation. Very little has been written on the intricate details of the operations of the RBZ during this period. This chapter analyses these and other issues in four sections. The first section examines the journey to international isolation and its impact on the fiscus. The second section explores the economic planning process during this period, questioning its existence and its continuities and discontinuities in the absence of foreign intervention. The third section details the shift to unorthodox means of financing the state. It argues unconventional ways began to be used in 2000 and not in 2003 when Gideon Gono was appointed the governor of the RBZ, as conventional wisdom suggests. The final section brings to the fore the changes brought by Gono, arguing that it is at this time that

⁵⁰⁸See **Section 1.2.3** for a detailed appreciation of literature on the crisis period.

currency engineering was accelerated. Its dismal failure led to the total collapse of the Zimbabwe dollar by December 2008.

4.2 Losing the 'IMF Stamp of Approval' and the Disappearance of External Finance

As shown in the preceding two chapters, external finance was vital in the financing of public sector activities and deficit. ODA encompassed BOP, loans and grants towards sector specific projects such as, infrastructure development, social development, education and health. Since independence, however, the government received more loans than grants such that by the end of 1997, debt servicing was the highest expenditure item primarily due to excessive interest rates which surpassed actual loan repayments. Added pressure on the fiscus was due to the weak Zimbabwe dollar, pegged at ZW\$35.562 to the US\$ in October 1998.⁵⁰⁹ Following the failure of the introduction of the War Veterans Levy to cover the costs of the War Veterans Pay Out, the unbudgeted expenditure was subsumed into the national budget, increasing the already overloaded fiscus.⁵¹⁰ Once off allocations to war vets cost the fiscus an initial ZW\$2 859 500 000 deducted from the 1997/98 budget.⁵¹¹ On the promise of monthly allowances of ZW\$2 000 each, the 1999 budget, allocated ZW\$4.8 million, to war vets with similar allocations featuring in the budget since then.⁵¹² On the deficit front, the 1997/98 budget had a deficit of ZW\$14 305 000 000, minus loans and grants, while the 1999 budget had ZW\$5 356 450 000.⁵¹³ In the same vein, both foreign and domestic debt increased into the trillions by 1997/98, at ZW\$28 932 035 237 and ZW\$30 370 811 063, respectively.⁵¹⁴ The expenditure structure was still heavily skewed towards recurrent expenditure at the expense of capital expenditure. In 1997/98 these stood at ZW\$56 757 000 and ZW\$5 687 274 respectively while in 1999, they stood at ZW\$50 864 070 and ZW\$5 874 335 respectively.⁵¹⁵ As expected, inflation peaked at 46.6% in December 1998 and at 70.4% in October 1999.⁵¹⁶ These few indicators demonstrated that the economy was experiencing poor export performance, and the government was failing to pursue fiscal control, minimum debt, and low inflation.

⁵⁰⁹ RBZ, *Monetary Policy Statement*, 30 November 1998, p8.

⁵¹⁰ The dollar was weakened by the printing of money to pay off War Veterans and the subsequent currency crash on the 14th of November 1997, a day that has become known as Black Friday. After Parliament's refusal to support the War Vets Levy, demonstrations and public outcry, the Minister of Finance withdrew the proposal for the levy. See submission by Minister Murerwa in Parliament, PoZ, *Hansard National Assembly Debates*, 9 December 1997, Column 2701

⁵¹¹ GoZ, *Budget Estimates: 1999*, 15 October 1998, p59. Allocated in the Social Welfare Sub-Vote under Vote 5. In 1999 budgeting over the fiscal year was abandoned in favour of the calendar year.

⁵¹² *Ibid*, p42. Allocated in the Grants Sub-Vote under Vote 1.

⁵¹³ *Ibid*, p9.

⁵¹⁴ GoZ, *Budget Estimates: 1998*, 24 July 1997, p21; p27.

⁵¹⁵ *Ibid*.

⁵¹⁶ ZIMSTAT, Table on Consumer Price Index.

Yet despite these negative indicators, multilateral and bilateral institutions continued to provide loans to the government, albeit in fewer amounts as the previous two epochs discussed in the last two chapters. The IMF is a case in point. In 1998, it approved Stand-by Credit 'authorizing drawings of up to SDR130.75 million (about US\$175 million) over the next 13 months in support of Zimbabwe's 1998 economic reform programme (ZIMPREST)', issuing the first tranche of US\$50 million in May 1998.⁵¹⁷ For the loan, the IMF compelled government to ensure land redistribution was carried out 'within the confines of the law'; in an orderly and transparent manner protecting agricultural output and within available budgeted resources.⁵¹⁸ As a result, 1999 saw significant budget cuts in adherence to the IMF agreement. The total budget declined from ZW\$70 607 billion in 1997/98 to ZW\$65 198 570 000 in 1999 despite inflation increase to 56.9% in December 1999 from 19.8% in December 1997.⁵¹⁹ Total Vote Appropriations declined from ZW\$46 841 795 000 in 1997/98 to ZW\$43 272 393 000 in 1999.⁵²⁰ Subsidies and grants to parastatals also declined significantly from ZW\$5 826 246 000 to ZW\$2 607 878 000 during the same period.⁵²¹ Allocations to agricultural parastatals, traditionally the highest recipients of government grants, were cut such that the AFC for the first time since 1985, did not receive funding to cover its losses. ZMDC, ZBC, NRZ and ZISCO, also recipients of substantial government subsidies were omitted in the 1999 budget, saving the fiscus an estimated ZW\$49 million.⁵²²

Expenditure towards defence was significantly cut during this period notably through the dissolution of the Ministry of Political Affairs and the removal of grants and subsidies to the Zimbabwe Defence Industries. Allocations to the Defence Procurement Fund also declined from ZW\$25 million allocated in the 1997/98 to ZW\$15 million in 1999.⁵²³ Although Vote Six remained, the second-highest funded on Vote Appropriations, in real terms overall allocations to the military declined in the two budgets of 1997/98 and 1999. Likewise, funding to political parties also declined from ZW\$65 million to ZW\$50 million.⁵²⁴ Although there were widespread reductions, certain budget items were exempt from such cuts, for example,

⁵¹⁷IMF, *Press Release: IMF Approves Stand-By Credit Facility for Zimbabwe*, 1 June 1998. See GoZ, *Budget Statement: 1999*, 15 October 1998, p13. The 1999 Budget Statement converts the SDR to US\$176 million.

⁵¹⁸ IMF, *Press Release: IMF Approves Stand-By Credit Facility for Zimbabwe*, p2.

⁵¹⁹ GoZ, *Budget Estimates: 1998*, p42. GoZ, *Budget Estimates: 1999*, p35. ZIMSTAT, Table on Consumer Price Index.

⁵²⁰ GoZ, *Budget Estimates: 1998*, p42. GoZ, *Budget Estimates: 1999*, p35.

⁵²¹ Collated from Budget Estimates of 1997/98 and 1999.

⁵²² Collated from the Budget Estimates: 1999.

⁵²³ GoZ, *Budget Estimates: 1998*, p73. GoZ, *Budget Estimates: 1999*, p69.

⁵²⁴ GoZ, *Budget Estimates: 1998*, p238. GoZ, *Budget Estimates: 1999*, p238.

the special services sub-vote allocation increased from ZW\$570 million in 1997/98 to ZW\$611 million in 1999.⁵²⁵ The wage bill also increased from ZW\$25 096 829 in 1997/98 to ZW\$32 886 860 in 1999.

With relative progress made towards expenditure reduction, in 1999, the IMF approved another Standby Agreement of US\$193 million to be distributed in four tranches, releasing the first of US\$24 million in August 1999.⁵²⁶ This time terms agreed on included the removal of price controls, floating the interest and exchange rates, speeding up the privatization of parastatals, reduction of the wage bill, reduction of inflation from 69.5% to 30% by December 1999 and publication of military expenditure in the DRC.⁵²⁷ In keeping with the September 1998 Land Conference, the IMF once again insisted on a transparent, peaceful and orderly land reform program.⁵²⁸

On the fiscal front, expenditure shot up again in 2000, which trend continued until 2009. Despite the slight increase in inflation peaking at 62% in September 2000 total vote allocations ballooned to ZW\$65 314 988 000 up from ZW\$43 272 393 000 in 1999.⁵²⁹ The 2000 budget introduced some new budget lines absent in the previous budgets, for example, new parastatals such as the Zimbabwe Tourism Authority (ZTA) and the Zimbabwe National Water Authority (ZINWA), which received ZW\$6.264 million and ZW\$65 million, respectively. On the non-parastatal expenditure side, the government introduced various subsidies, including the Agriculture Development Assistance Fund, which was allocated ZW\$18 126 000.⁵³⁰ As it was an election year, the political parties fund shot back up to ZW\$65 million.⁵³¹ The government was facing acute revenue shortages such that \$1.5 billion of the budget requirement had to be raised from the sale of government assets.⁵³²

⁵²⁵ *Ibid*, p48. GoZ, *Budget Estimates: 1999*, p42.

⁵²⁶ Hatred Zinenga, 'Why Zimbabwe Needs IMF Support', *The Herald*, 15 August 1999.

⁵²⁷ *Ibid*. In 1998, Zimbabwe joined the DRC war, a controversial move which continuously kept defence expenditure high despite the calls for its reduction from all quarters. The controversy lay in the belief that Zimbabwe had no real reason to participate in the war, the move was thus a means for self-enrichment of the elite military. In 2019 the UN Security Council implicated the Zimbabwe army in 'mineral pilferage' in excess of US\$5 billion, see among others <https://www.panapress.com/Zimbabwe-s-President-Emmerson-Mn-a-630597430-lang2-free-news.html>.

⁵²⁸ For more on the land conference see among others, United Nations Development Programme, *Zimbabwe: Land Reform and Resettlement: Assessment and Suggested Framework for the Future*, Interim Mission Report, January 2002, pp6-7.

⁵²⁹ GoZ, *Budget Estimates: 1999*, p35. GoZ, *Budget Estimates: 2000*, 21 October 1999, p10.

⁵³⁰ GoZ, *Budget Estimates: 2000*, p112.

⁵³¹ *Ibid*, p215.

⁵³² GoZ, *The Millennium Budget: Budget Statement: 2000*, 21 October 1999, p26.

The government failed dismally to meet the IMF conditionalities agreed on in August 1999 as far as expenditure reduction and inflation were concerned as the latter stood at 64.4% in June 2000.⁵³³ With regards to the DRC war and the land reform program, the government continued to pursue both. Violence, murder, and terror in some instances perpetrated by the state, characterised the land reform program.⁵³⁴ While the DRC war drained the fiscus, with new Finance Minister Simba Makoni reporting that the state had spent above ZW\$10 billion since Zimbabwe joined the war in August 1998.⁵³⁵ It is under these circumstances that the IMF suspended crucial aid to the government, marking the beginning of international isolation, as Zimbabwe had lost the 'IMF Stamp of Approval'.⁵³⁶

International isolation saw both multilateral and bilateral institutions withdrawing financial, and other forms of support, such as technical support, channelled towards the government of Zimbabwe. These institutions went on to initiate different types of sanctions on both the government and government authorities. On the multilateral institution front, the relations with the IMF between 1999 and 2008 were telling. In September 1999, the IMF suspended support it approved the previous month.⁵³⁷ In September 2001, the IMF 'declared Zimbabwe ineligible' to its general resources and 'removed Zimbabwe from the list of countries eligible to borrow resources under the Poverty Reduction and Growth Facility (PRGF).⁵³⁸ The institution indicated that it was a 'remedial measure' for arrears accrued by Zimbabwe which at the time stood at 'SDR41.3 million (US\$53 million) including SDR22.3 million, (US\$29 million) to the PRGF Trust'.⁵³⁹ In June 2002, the IMF 'adopted a declaration of non-cooperation' with

⁵³³ ZIMSTAT, Table on Consumer Price Index.

⁵³⁴ For a detailed appreciation of the nature of the Fast Track Land Reform Programme (FTLRP), the political crisis and violence see Amanda Hammar et al (eds), *Zimbabwe's Unfinished Business*. For an appreciation of the changing faces of the state within the context of the land issue see Jocelyn Alexander, *The Unsettled Land: State-Making and the Politics of Land in Zimbabwe, 1893-2003*, (London: James Currey, 2006). For a review on literature on the FTLRP see Rory Pilosof, 'The Land Question (Un)Resolved: An Essay Review', *Historia*, Volume 53, Number 2, November 2008, pp270-279. For an alternative view on the impact of the FTLRP see among others Ian Scoones et al, *Zimbabwe's Land Reform: Myths and Realities*.

⁵³⁵ *The Herald*, 'Makoni Gives Breakdown of DRC War Cost', 31 August 2000. Simba Makoni replaced Herbert Murerwa as Finance Minister in July 2000.

⁵³⁶ Literature has detailed the importance of the 'IMF Stamp of Approval' for a country to be credit worthy. Without it, it is almost impossible for that country to receive both FDI and aid. See among others, Thandika Mkandawire, 'Home-Grown' (?) Austerity Measures: The Case of Zimbabwe', p237.

⁵³⁷ USA Congress, Debate on Zimbabwe Democracy and Economic Recovery Act (ZiDERA) of 2001, Public Law 107-99, 107th Congress, [S. 494], Dec 21 2001, STAT 963.

⁵³⁸ IMF, *Press Release: IMF Declares Zimbabwe Ineligible to Use IMF Resources*, 25 September 2001.

⁵³⁹ *Ibid*.

Zimbabwe and suspended technical support to the Zimbabwe government.⁵⁴⁰ At this point, the country's arrears were SDR57 million (US\$74 million) to the IMF General Department, and SDR44.9 million about (US\$58 million) to the PRGF Trust.⁵⁴¹ In 2003, the IMF 'suspended Zimbabwe's voting and related rights', this time declaring the suspension was because 'Zimbabwe had not sufficiently strengthened its cooperation with the IMF in areas of policy implementation and payments'.⁵⁴² In the same year, the institution initiated compulsory withdrawal procedures.⁵⁴³ In 2004, the resident office in Harare was closed.⁵⁴⁴ Relations with the IMF continued to be sour throughout the period under review, despite the payment of arrears in the General Resource Account, in 2006.⁵⁴⁵ The World Bank on its part, through the International Development Association (IDA), suspended all structural adjustment loans, credits, and guarantees to the Government of Zimbabwe in October 1999. In May 2000, the IDA suspended all new lending to the government. In September of the same year IDA' suspended disbursement of funds for ongoing projects under previously-approved loans, credits, and guarantees to the Government of Zimbabwe.⁵⁴⁶

Scholars have located the international isolation of Zimbabwe within the internal context of the land reform program, state-led violence and increased repression characteristic of the 2000s.⁵⁴⁷ While this is accurate, this argument does not take into account the changed policy position within the BWIs and the international community. Their policies had shifted from

⁵⁴⁰ IMF, *Press Statement: IMF Adopts Declaration of Non-cooperation for Zimbabwe and Suspends Technical Assistance*, June 14, 2002.

⁵⁴¹ *Ibid.*

⁵⁴² IMF, *Press Release: IMF Suspends Zimbabwe's Voting and Related Rights*, June 6, 2003. Suspension of voting rights meant that Zimbabwe could no longer vote for a Governor or Alternate Governor, or the election of an Executive Director for its Board or vote on policy related decisions of the Fund.

⁵⁴³ IMF, *Press Release: IMF Initiates Compulsory Withdrawal Procedures for Zimbabwe*, December 3, 2003. However these were not followed through, IMF stated in July 2004 that 'Recognizing the severity of the decision at hand as well as the resumption of some payments from Zimbabwe and limited improvements in economic policy, the Executive Board decided to postpone a recommendation for compulsory withdrawal, providing Zimbabwe with another chance to strengthen its cooperation with the Fund in terms of economic policies and payments. The Executive Board will consider again the Managing Director's complaint regarding Zimbabwe's compulsory withdrawal from the Fund within six months and decide at that time whether to recommend to the Board of Governors of the IMF that Zimbabwe be asked to withdraw from the IMF.' IMF, *Press Release: IMF Considers the Complaint Regarding Zimbabwe's Compulsory Withdrawal from the IMF*, 8 July 2004. The complaint was finally withdrawn in 2006 after Zimbabwe settled its arrears in the General Resources Account, IMF, *Press Release: Zimbabwe Pays Its Overdue Financial Obligations to the IMF under the General Resources Account*, 15 February 2006.

⁵⁴⁴ IMF, *Press Release: IMF to Close Zimbabwe Resident Representative's Office*, October 1, 2004.

⁵⁴⁵ IMF, *Press Release: IMF Executive Board Upholds Sanctions Against Zimbabwe*, March 8, 2006.

⁵⁴⁶ USA Congress, Debate on ZIDERA, STATS 962-3. In March 2002, Zimbabwe was suspended from the Commonwealth of Nations. In December 2003, Zimbabwe withdrew from the latter. For more on the Rhodesia/Zimbabwe-Commonwealth relations see Michael McWilliam, 'Zimbabwe and the Commonwealth', *The Round Table*, Volume 92, Issue 368, 2003.

⁵⁴⁷ A. S Mlambo, 'The Zimbabwean Crisis and International Response', p58.

structural adjustment to attaching importance to good governance, transparency, and the observation of the rule of law. Dictates of good governance are accompanied by an emphasis on 'good institutions' implicitly equated with American institutions.⁵⁴⁸ Following the dismal failure of structural adjustment, instead of looking into the different reasons why SAPs failed, BWIs blamed recipient governments for alleged 'poor governance' systems unable to implement complex free-market policies.⁵⁴⁹ The good governance approach was not only a new path for providing development aid, but it also provided an explanation for the BWIs' catastrophic failure in Africa. For the BWIs, the problem was never the different packages they forced on the developing world, especially Africa, instead, it has been Africa which like a stubborn patient, 'is unable or unwilling to take its medicine', hence the change in approach to the emphasis 'good governance'. The good governance package allows the BWIs to insist on political reforms and an end to corruption as a precondition for awarding any form of aid.⁵⁵⁰ The World Bank resolved to integrate this new approach into its development programs after its 1989 report entitled *Sub-Saharan Africa: From Crisis to Sustainable Growth* concluded that 'institutional change was necessary if reforms were to be effective'.⁵⁵¹ Successive documents in 1991, 1992, 1994 and 2000, reiterated the same, giving the Bank leeway to insist on reform in public sector management, modernization of public administration and privatization of parastatals.⁵⁵²

Starting in 1996 the IMF resolved to promote 'good governance, in all its programs, including ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption'.⁵⁵³ Thus it became 'legitimate to seek information about the political situation in member countries as an essential element in judging the prospects for policy implementation'.⁵⁵⁴ In July 1997, the insistence on good governance was institutionalized, with the IMF Executive Board approving new lending guidelines encompassing the withholding of 'financial assistance to member countries with 'poor' governance'.⁵⁵⁵ The changed policy positions of the BWIs post-SAPs, coupled with the rise of conservatives led by George W Bush

⁵⁴⁸ See among many others Ha Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, (London: Anthem Press, 2002). Morten Boas and Desmond McNeill, *Multilateral Institutions: A Critical Introduction*. Morten Boas and Desmond McNeill, *Global Institutions and Development: Framing the World?* (London: Routledge, 2004).

⁵⁴⁹ Morten Boas and Desmond McNeill, *Multilateral Institutions*, p68-69.

⁵⁵⁰ *Ibid*, p68.

⁵⁵¹ Ian Taylor, 'Hegemony, neoliberal 'good governance' and the International Monetary Fund: a Gramscian perspective', Morten Boas and Desmond McNeill (eds), *Global Institutions and Development*, p130.

⁵⁵² Morten Boas and Desmond McNeill, *Multilateral Institutions*, p70.

⁵⁵³ *Ibid*, p132.

⁵⁵⁴ *Ibid*.

⁵⁵⁵ Morten Boas and Desmond McNeill, *Multilateral Institutions*, p86.

in the USA and Tony Blair in Britain, also accounts for the hostility towards Zimbabwe in the 2000s. The conflict-ridden Zimbabwe of the 2000s thus made the disappearance of international aid inevitable.

Acknowledging the changed stance of the international community where aid is concerned, is no way claiming that, the new position was applied universally worldwide; if anything, BWIs approaches have been littered with inconsistency. Within Zimbabwe long after the state had shown the penchant to quell every demonstration through unleashing violence and when corruption cases were rampant, the BWIs and the West still gave the state money and negotiated the 1998 Land Conference. Taylor also noted that 'numerous countries, particularly in Africa, continued to receive IMF assistance long after the corrupt nature of their state politics was blatantly apparent.'⁵⁵⁶

On the bilateral front, the attitude of the USA, since 2000, exemplifies the changed position of the international community as it moved aid from government to civil society organisations especially those working in the human rights and good governance arena.⁵⁵⁷ It maintained humanitarian aid in areas such as HIV/AIDS and food relief. The importance of the USA lies not only in that it provided the most bilateral aid to Zimbabwe, but also in that it has the dominant vote within the IMF and is a key player in making decisions in the World Bank and other international multilaterals.⁵⁵⁸ In 2000 the US Congress passed the Zimbabwe Democracy and Economic Recovery Act (ZiDERA). Its debate in Congress began in May 2000 when the FTLRP was underway, together with the campaigns for the equally violent June 2000 Parliamentary elections, where violence was targeted at members, supporters and real and imagined sympathisers of the opposition movement. Senator William Frist, the mover of ZiDERA, suggested that the American government must explicitly indicate that it will not 'cut off all assistance to Zimbabwe but only that assistance that would otherwise have been provided for the benefit of [its] government'.⁵⁵⁹ ZiDERA, therefore, maintained support

⁵⁵⁶ Ian Taylor, 'Hegemony, neoliberal 'good governance' and the International Monetary Fund, p133.

⁵⁵⁷ For a discussion on the British response see, Ian Taylor and Paul Williams, 'The Limits of Engagement: British Foreign Policy and the Crisis in Zimbabwe', *International Affairs (Royal Institute of International Affairs)*, Vol 78, No.3, 2002, pp547-567. A. S Mlambo, 'The Zimbabwean Crisis and International Response'.

⁵⁵⁸ Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Republic of, Sudan, Tanzania, Uganda, Zambia and Zimbabwe combined have 150, 845 total votes equivalent to 3% (of total votes 5,035,082) in the General Department and the Special Drawing Rights Department. These votes are less than those of the United States alone (831,408) equivalent to a quota of 16.51%. These are also less than individual votes and quotas of China, Japan, Germany, France and UK. It is these figures that determine the amount of SDRs that a country has access to see: <https://www.imf.org/external/np/sec/memdir/eds.aspx> and <https://www.imf.org/external/np/sec/memdir/members.aspx#Z>

⁵⁵⁹ USA Senate, *Debate on Zimbabwe Democracy Act of 2000*, June 23, 2000.

towards humanitarian assistance, democratic governance and the rule of law, and de-mining and conservation programs.⁵⁶⁰

ZiDERA closed prospects of external funding through providing for a multilateral financing restriction stating that:

*the Secretary of the Treasury shall instruct the United States executive director to each international financial institution to oppose and vote against— (1) any extension by the respective institution of any loan, credit, or guarantee to the Government of Zimbabwe; or (2) any cancellation or reduction of indebtedness owed by the Government of Zimbabwe to the United States or any international financial institution.*⁵⁶¹

Together with the ban of multilateral funding, it cut off any prospects for any form of debt relief i.e. any form of debt reduction or cancellation, for Zimbabwe for debt owed to the United States of America.⁵⁶²

President Bush went on to pass a series of Executive Orders adding Zimbabwean citizens to its list of Specially Designated Nationals (SDNs). The orders targeted some individuals, businesses of individuals, state-institutions, and parastatals, deemed as undermining:

*'Zimbabwe's democratic processes or institutions, contributing to the deliberate breakdown in the rule of law in Zimbabwe, [contributing] to politically motivated violence and intimidation in that country, and to political and economic instability in the southern African region...[They] constitute an unusual and extraordinary threat to the foreign policy of the United States'*⁵⁶³

The first of these orders was passed in 2003 initiating a blockage on persons, their properties and business entities, including overseas branches of these businesses, from the USA; these could not be 'transferred, paid, exported, withdrawn, or otherwise dealt in'.⁵⁶⁴ Executive orders were revised in 2005 and 2008, increasing the number of persons and entities considered SDNs.⁵⁶⁵

⁵⁶⁰ *Ibid.*

⁵⁶¹ *Zimbabwe Democracy And Economic Recovery Act Of 2001*, Public Law 107–99 107th Congress, [S. 494], Dec 21 2001, Stat 963.

⁵⁶² USA Senate, *Congressional Record*, 23 June 2000, S5754. ZiDERA would only be repealed if the United States, through the President and relevant Congressional Committees, was satisfied that the rule of law had been restored, there was respect for property rights, freedom of speech, association, there was an end to violence 'sponsored, tolerated and condoned' by the government of Zimbabwe and free and fair elections were held.

⁵⁶³ *The Federal Register*, The President Executive Order 13288—Blocking Property of Persons Undermining Democratic Processes or Institutions in Zimbabwe, Vol. 68, No. 46, March 10, 2003, p11457.

⁵⁶⁴ *Ibid*

⁵⁶⁵ *The Federal Register*, The President Executive Order 13391—Blocking Property of Additional Persons Undermining Democratic Processes or Institutions in Zimbabwe, Vol. 70, No. 226, Friday, November 25, 2005, p71201. List was further expanded in 2013 and 2019 and now includes key parastatals ZISCO, Zimbabwe Mining Development Corporation (ZMDC), Minerals Mining Corporation of Zimbabwe (MMCZ), COMOIL and the predominantly government - owned Commercial Bank of Zimbabwe (CBZ). Find current details and [List of USA SDNs](#).

The continuous reference to Mugabe and his 'illegitimacy' by Western politicians, provided the Zimbabwe government with ammunition to condemn sanctions as only aimed at 'regime change' in Zimbabwe mainly because of the land reform programme⁵⁶⁶. In Congress, Senator Russell Feingold who seconded the ZiDERA Bill, commented on the land reform programme as a 'desperate campaign to cling to power'.⁵⁶⁷ While his counterpart John McCain stated that 'Mugabe is doing everything in his power to avoid joining the tiny cadre of African leaders who have voluntarily transferred power following free and fair elections'.⁵⁶⁸ Tony Blair candidly stated in the House of Commons on 14 June 2004, that his government would, 'put pressure for change on the Mugabe regime because there is no salvation for the people of Zimbabwe until that regime is changed'.⁵⁶⁹ Showing no contrition for the international isolation or the actions that led to the withdrawing of financial aid to the country, Mugabe retorted, 'I have no faith in them (IMF). We can do our own thing without the IMF and the rest... They come in with their balance of payments, yes we need that at times but their prescriptions, they are awful'.⁵⁷⁰

The net effect of 'sanctions' by BWIs, ZiDERA, subsequent Executive Orders put in place by the Americans and broader ostracization of Zimbabwe by the Western Block which had since independence provided Zimbabwe with much-needed funding, was that the government had considerable difficulties in financing its activities. Although some scholars have labelled these 'sanctions' 'ineffectual' **Table 4. 1** below shows a significant decline of BOP support. The decline was gradual since 1997 and increased rapidly since 2000, thus inhibiting the government's ability to perform many of its responsibilities.⁵⁷¹

Table 4.1 Multilateral Financial Institutions Disbursements (US\$)

Year	IMF	WORLD BANK	AfDB
1997	0	4 037 287.79	1 940 910.99
1998	53 802 392	5 796 928.56	39 074.27
1999	32 233 993.40	88 856 697.27	0

⁵⁶⁶ For a more detailed view of this line of thinking see Simbarashe Moyo who states that sanctions were solely about land reform and the 'regime change agenda'.

⁵⁶⁷ 106th Congress, 10 May 2000

⁵⁶⁸ Senate Resolution 314--Expressing The Sense Of The Senate Concerning, The Violence, Breakdown Of Rule Of Law, And Troubled Pre-Election, Period In The Republic Of Zimbabwe

⁵⁶⁹ Quoted in A. S Mlambo, 'The Zimbabwean Crisis and International Response', p61. For a detailed analysis on the argument for the existence of the 'regime-change' agenda see Holger Bernt Hansen, 'Donors and the Crisis in Zimbabwe' pp247-249,

⁵⁷⁰ Gift Phiri, 'We Can Do Without IMF' - Mugabe', *The Zimbabwe Independent*, 21 May 2004.

⁵⁷¹ Ian Taylor and Paul Williams, 'Limits of British Engagement', p554.

2000	0	0	0
2001	0	30 526 725.67	0
2002-2006	0	0	0

Source: RBZ, MPS October 2007, p101

4.2.1 Shift to the Domestic Market as a Source of Finance

The gradual reduction of external funding since 1997, and desperation for funds in the face of increased state expenditure, made the domestic market the primary source for financing government deficit. Budget statements were telling of the decline in expectation of foreign funding which had become difficult to obtain. Of the anticipated ZW\$15 billion deficit in 1997/98, ZW\$11.387 was to be raised from domestic borrowing, while only ZW\$318 million would be raised from external sources.⁵⁷² Thus by 1998, domestic borrowing had surpassed foreign borrowing as the former stood at ZW\$106 967 million while the latter stood at ZW\$77 779 million.⁵⁷³ The entire 2000 deficit was financed through domestic sources, leaving domestic debt alone at ZW\$146 billion.⁵⁷⁴ Makoni lamented that excessive reliance on domestic borrowing to fund fiscal deficits remained a ‘hindrance to macro-economic stability.’⁵⁷⁵ He aptly explained how the domestic borrowing situation evolved from huge foreign funded spending government was accustomed to in the early years of independence, which remained unaltered with the decline in foreign support; instead of contracting expenditure, government turned to domestic borrowing.⁵⁷⁶

Domestic borrowing as a significant source of government financing became so untenable as it borrowed ZW\$28 billion swelling domestic debt to ZW\$354.1 billion by March 2003.⁵⁷⁷ Government spending continued unabated such that the 2004 deficit which stood at ZW\$1.85 trillion was all financed from the domestic market.⁵⁷⁸

⁵⁷² GoZ, *Budget Statement: 1997*, 4 July 1997, p27.

⁵⁷³ ZIMSTAT, Table on Central Government Accounts. Also see *The Herald*, ‘State Overshoots Domestic Borrowing Limit By \$77bn’, 16 December 1999.

⁵⁷⁴ GoZ, *Millennium Economic Recovery Programme (MERP)*, August 2001, p16. GoZ, *The Millennium Budget*, p6.

⁵⁷⁵ GoZ, *MERP*, p13.

⁵⁷⁶ Interview, Simba Makoni.

⁵⁷⁷ Rangarirai Mberi, ‘Lonely at the Top – Tsumba’s 110 Years at RBZ’, *The Standard*, 16 November 2003.

⁵⁷⁸ GoZ, *The 2004 National Budget*, 20 November 2003, p31.

What strained the money market was that the bulk of the domestic debt was financed from bank sources, Treasury Bills (TBs) and the unabated use of the RBZ's overdraft window.⁵⁷⁹ The state used TBs as a means of local borrowing since 1998 when 'primary dealers in treasury bills [were] expanded to include commercial and merchant banks.'⁵⁸⁰ By 2003, Treasury Bills accounted for 83.7% of total domestic debt up from only 5% throughout the 1990s, as the latter period was dominated by 'short-term debt'.⁵⁸¹ The 2005 budget ironically admitted to the existence of the unsustainable status quo, and in the same breath, maintained it by stating that 99.9% of the 2005 deficit would be financed from the domestic market.⁵⁸² Pointing to the tight financial position government was in, the Statement revealed that ZW\$88,490 billion would be sourced from the non-bank local market, ZW\$1.159 from domestic bank credit and a paltry ZW\$11.3 million would come from foreign sources.⁵⁸³ By July 2008, government domestic debt was \$790.6 quadrillion.⁵⁸⁴

Increase in domestic debt in the post-1997 period made it difficult for the RBZ to contain money expansion (M3). Monetary policy cautioned against excessive domestic borrowing from bank sources because it tended to increase the money in circulation by a money multiplier of at least 5.2.⁵⁸⁵ As a result, inflation increased during the period under review, exceeding the 1200% annual inflation mark by December 2006. **Figure 4.1.** depicts inflation increase between 998 and 2006.

⁵⁷⁹ In 1999, the law was amended to remove the time limit for the repayment of RBZ debt accrued by the government. See Mark J Ellyne and Michael R Daly, 'Zimbabwe Monetary Policy, 1998-2012', George Kararach and Raphael O Otieno (eds), *Economic Management in a Hyperinflationary Environment*, p256-257.

⁵⁸⁰ RBZ, *Monetary Policy Statement*, 30 November 1998, p15.

⁵⁸¹ RBZ, *2004 Annual Report*, p21.

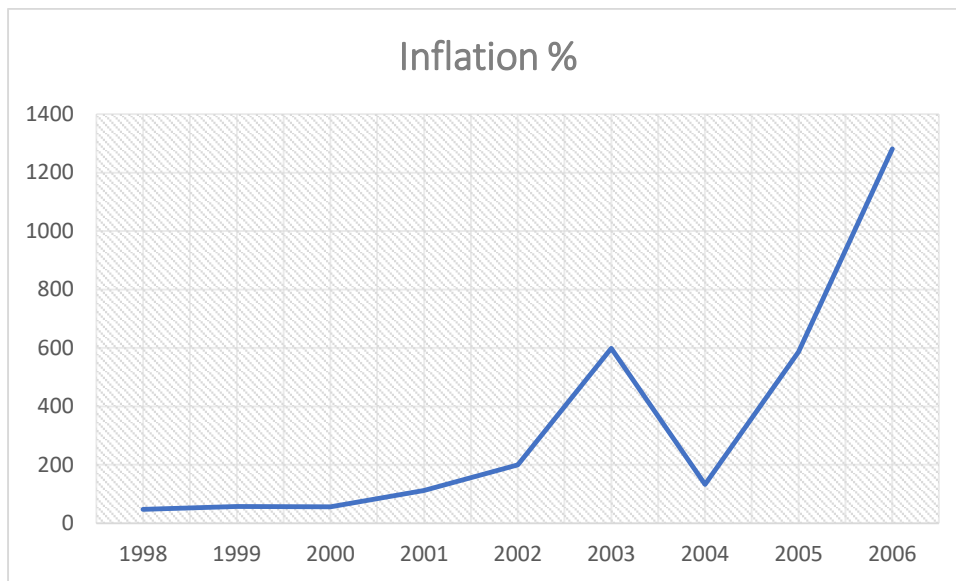
⁵⁸² GoZ, *The 2005 National Budget Statement*, 25 November 2004, p14; p65.

⁵⁸³ *Ibid.* For more on government's reliance on treasury bills see GoZ, *The 2006 National Budget Statement*, 1 December 2005, p10.

⁵⁸⁴ RBZ, *Monetary Policy Statement*, 30 July 2008, p18.

⁵⁸⁵ RBZ, *Monetary Policy Statement*, November 1998, p11.

Figure 4.1 Annual Inflation, 1998-2006



Source: Collated from ZIMSTAT Statistics⁵⁸⁶

⁵⁸⁶ Generated using the rate of inflation in December of each year. In December 2007 inflation reached 26 470,8%. In June 2008 ZIMSTAT abandoned the production of economic statistics when inflation was at 231 million percent.

4.3 'Homegrown' Economic Policies?

This section discusses economic planning in an environment relatively free from the influence and support of the IFIs, who actively influenced policy planning and implementation in the previous epochs. Economic planning between 1997 and 2009 thus occurred under an environment characterised by international isolation, absence of both financial and technical support from the international community, over-reliance on domestic borrowing and high levels of inflation. On the socio-political front, the period was characterised by rioting, strikes and demonstrations in urban spaces. There was also violence and terror in rural areas. Under these circumstances, the formulation of economic plans stopped, and economic direction was instead contained in economic policy blueprints throughout the period under review. Major economic policies formulated during this period were the *Zimbabwe Millennium Economic Recovery Programme (MERP)*, 2001 – 2003; the *National Economic Revival Programme: Measures to Address the Current Challenges (NERP)*, 2003-2005 and the *National Economic Development Priority Programme: A Public/Private Sector Partnership (NEDPP)*, 2006. During the period under review, changes were made to the organs responsible for economic planning, albeit these changes, there was more continuity rather than change in the planning process and content of policy documents.

As was the case with ZIMPREST, the TNF and NECF, were consulted in the policy formulation process.⁵⁸⁷ MERP and NERP consulted both forums while the NEDPP was written for government by the NECF and emphasized government partnership with select private sector and industry associations such as BAZ, CZI and the ZNCC.⁵⁸⁸ Each of these documents claimed that the value of consultations lay in that 'homegrown' solutions would be created for the multifaceted crisis the country was facing.⁵⁸⁹ The consultation process, however, had significant limitations beginning with the nature of the consultative forums. The TNF was not a decision-making body, nor was the government compelled by any law or statute to agree to any decisions the Forum made. The Forum instead made recommendations to Cabinet for approval and implementation.⁵⁹⁰ The NECF, on the other hand, had slowly metamorphosed

⁵⁸⁷ GoZ, *Zimbabwe Millennium Economic Recovery Programme*, p(iii). GoZ, *National Economic Revival Programme: Measures to Address the Current Challenges*, February 2003, p(i).

⁵⁸⁸ GoZ, *National Economic Development Priority Programme: A Public/Private Sector Partnership*, March 2006.

⁵⁸⁹ GoZ, *Millennium Economic Recovery Programme*, p(iii). GoZ, *National Economic Recovery Reform Programme*, p5. *The Herald*, 'Economic Revival Plan Launched', 5 March 2003

⁵⁹⁰ GoZ, *National Economic Recovery Reform Programme*, p5. Interview with member of the TNF, Godfrey Kanyenze. The TNF was only institutionalized in 2019 through the *Tripartite Negotiating Forum Act (Act No 3 of 2019)*.

into an appendage of ZANU-PF.⁵⁹¹ While business and labour were consulted, the process was exclusionary because it targeted the dwindling formal industry associations, thus sidelining a sizeable number of the working population active in the informal sector.⁵⁹² The consultation process of the NEDPP was even more skewed because it excluded labour in the formal industry as represented by the ZCTU, the largest labour union in the country. The process still eliminated Parliamentarians, the generality of the population and the rural community.

Like in the previous epochs explored in Chapter Two and Three, between 1997 and 2009, the President and Cabinet remained the decision-makers where policy formulation and implementation were concerned. However, during this period, the role was exercised via different bodies and methods. In the era of MERP and NERP, all decisions were vetoed directly by the OPC through 'Cabinet Action Committees'.⁵⁹³ The NEDPP was introduced following a cabinet reshuffle where the Ministry of Finance and Economic Development was divided into two ministries - the Ministry of Finance and the Ministry of Economic Development. Rugare Gumbo was appointed Minister of the latter, while Murerwa, after the firing of Simba Makoni in 2002, was at the helm of the Ministry of Finance. The new cabinet was nicknamed locally as the 'war cabinet' because it was primarily composed of 'liberation war heroes' and the military.⁵⁹⁴ It is at this point that, a new body was created, the Zimbabwe National Security Council (ZNSC), chaired by President Mugabe.

The ZNSC was created to 'drive and lead the effective coordination and implementation of the NEDPP... (and) systematically monitor the implementation of government programmes to guarantee that there are no slippages and bottlenecks.'⁵⁹⁵ The support to the ZNSC was to be provided by the National Economic Recovery Council (NERC) chaired by the Vice President, Joyce Mujuru. The NERC was made up of selected Cabinet Ministers and private sector representatives, to provide the critical interface and interaction between government and private sector.⁵⁹⁶ The NERC was in turn supported by a technical committee chaired by

⁵⁹¹ The NECF was also funded from the national budget. Interview with former member of the NECF, Ibbo Mandaza. In a separate interview, Godfrey Kanyenze, member of the TNF, expressed the same sentiments.

⁵⁹² This thesis has no intention of dabbling into the copious debates on what constitutes the 'informal economy', especially in the case of Zimbabwe where activities and establishments characterised as irregular or informal are as many as they are as varied. But literature reveals that during the crisis period the informal sector became bigger than the formal sector. See among others Labour and Economic Development Research Institute of Zimbabwe (LEDRIZ), *Strategies for Transitioning the Informal Economy to Formalisation in Zimbabwe*, (Harare: LEDRIZ and Friedrich Ebert Stiftung, 2015).

⁵⁹³ GoZ, *National Economic Revival Programme*, p28.

⁵⁹⁴ *The Chronicle*, 'New Economic Programme Launched', 20 April 2006.

⁵⁹⁵ *Ibid.*

⁵⁹⁶ *Ibid.*

Misheck Sibanda, the Chief Secretary of the President in the OPC and was 'made up of government officials and selected skilled and experienced private sector technocrats.'⁵⁹⁷ The involvement of the ZNSC led to rumours of the economy being taken over by the military, which Minister Gumbo dispelled stating 'the rumours that security agencies have taken over the economy is hogwash. There was indeed a total misunderstanding of how the programme is being run.'⁵⁹⁸ Despite all these changes made to the institutions for economic planning and their modus operandi, what remained constant is that planning was still primarily determined first by the President and second by Cabinet. It thus remained largely a top-down approach, an elite affair involving only those in the highest echelons of power.

Policy blueprints formulated during the period under review emphasized the need for unity of purpose and cohesion amongst citizens as a means of reversing the crisis that Zimbabwe was facing. In a clear sign of the times, the MERP called for '...a national consensus on the principles, which must guide the functioning of the national economy.'⁵⁹⁹ According to MERP, the national consensus would be cemented by a 'social contract' between government, business and labour in the fight to reduce inflation.⁶⁰⁰ Similarly, the NEDPP stated that the crisis was due to a 'lack of consensus and shared national vision among stakeholders.'⁶⁰¹ It admitted that government was not spared from the lack of cohesion as mistrust within government resulted in conflict over turf.⁶⁰² By 2006, the scope of the social contract had broadened to include the strengthening of 'the institutional framework for stabilizing prices and incomes and sharing the burden of economic reforms.'⁶⁰³

The issue of the social contract appeared again in the Monetary Policy Statements, displaying the rare instances of policy consistency between RBZ and the Ministry of Finance. The Bank stated that the urgently required social contract 'must be premised on a genuine interface and win-win strategies with mutual benefits for all stakeholders and the economy.'⁶⁰⁴ In 2008, the RBZ went on to propose that the social contract entailing a six months moratorium between

⁵⁹⁷ *Ibid.*

⁵⁹⁸ *The Chronicle*, 'New Economic Programme Launched', 20 April 2006

⁵⁹⁹ GoZ, *Millennium Economic Recovery Programme*, p12. Also see GoZ, *The Millennium Budget*, p31-32.

⁶⁰⁰ GoZ, *The Millennium Budget*, p1. GoZ, *Millennium Economic Recovery Programme*, p2.

⁶⁰¹ GoZ, *National Economic Development Priority Programme*, p4.

⁶⁰² *Ibid.*

⁶⁰³ GoZ, *The 2006 National Budget Statement*, p16.

⁶⁰⁴ RBZ, *The Road to Macroeconomic Stability: A Synopsis of What Went Wrong in 2005 and the Way Forward: Supplement 9 of the Fourth Quarter 2005 Monetary Policy Statement*, 24 January 2006, p24. Also see, RBZ, *2006 Year- End Monetary Policy Statement, Taking the Bull by the Horns: Roadmap to Our Rapid Disinflation Programme, Macroeconomic Stability and Prosperity for All Zimbabweans*, 31 January 2007, p28, p54. RBZ, *First Quarter Monetary Policy Statement: A Focus on Food, Foreign Exchange Generation, Producer Viability and Increased Supply of Basic Commodities*, 30 April 2008, p31.

government, labour, business and civil society.⁶⁰⁵ In its planning for a social contract, the government once more showed that it was concentrating on select small and organised sections of society, excluding among others, the informal sector and the rural sector, which at the time had no organised structures such as unions.⁶⁰⁶ These sectors had expanded exponentially due to economic decline following the implementation of ESAP and the FTLRP. The envisaged social contract was also exclusionary in that there was no deliberate plan to engage the public either directly or through Parliament as critical stakeholders. Further, the fixation with the social contract by government was based on the belief of the existence of 'economic saboteurs' solely responsible for inflation, economic decline and political contestations. 'Economic saboteurs' included local and foreign 'detractors' who opposed the FTLRP and were interested in 'regime change', speculators and various 'dealers in the black market.'⁶⁰⁷ Even if these 'saboteurs' existed, the narrow view of the causes of the crisis negated the role of the state in perpetuating inflation and broader economic decline. Actions of the state, including excessive spending, domestic borrowing and money expansion all contributed to inflation increases and the crisis, a situation that MERP confirmed.⁶⁰⁸ The social contract alone proposed by the policy documents would thus fall short in resolving the multifaceted crisis.⁶⁰⁹

Except for MERP, formulated in 2001, policy documents lacked concise objectives that were measurable and implementable. MERP clearly stated nine objectives, including fiscal discipline and reduction of government expenditure, restoration of relations with the international community, economic empowerment, poverty reduction and stimulation of the productive sectors.⁶¹⁰ MERP also had a comprehensive implementation matrix accompanying

⁶⁰⁵ RBZ, *Monetary Policy Statement*, 30 November 2008, p27.

⁶⁰⁶ Unions in the informal sector have since emerged, for example National Vendors Union (NAVUZ) and Vendors Initiative for Social and Economic Transformation (VISET) established in 2008 and c.2014 respectively.

⁶⁰⁷ See among others, GoZ, *National Economic Development Priority Programme*, p12. *The Herald*, 'Economic Revival Plan Launched', 5 March 2003.

⁶⁰⁸ GoZ, *Millennium Economic Recovery Programme*, pp13, 16, p21.

⁶⁰⁹ On the 7th of June 2007, Gideon Gono facilitated the signing of a social contract which among other things committed to stabilization of prices of goods and services. It was signed by government, business and labour. Ten days later, government breached the social contract through the imposition of price controls through the National Incomes and Pricing Commission, effectively collapsing the social contract. RBZ, *A Profile of the Reserve Bank of Zimbabwe's Supportive Interventions into the Productive Sectors*, p7; RBZ, *Extraordinary Interventions By the Reserve Bank of Zimbabwe: December 2003 to Date, Supplement to the 2007 Fourth Quarter Monetary Review Statement*, 2007, p11. RBZ, *Role of the Central Bank Interventions under Extraordinary Circumstances, Supplement to the Monetary Policy Statement*, April 2008, p11. Gideon Gono, *Zimbabwe's Casino Economy*, pp77, 151. Interview with Gideon Gono, Harare Central, Harare, 22 April 2017. For a detailed discussion of the effects of the collapse of the social contract and the price controls see Geraldine Sibanda, 'Institutional Responses To The Zimbabwe Economic Crisis', pp55-56. Jeremy Jones, "Freeze! Movement, narrative and the disciplining of price in hyperinflationary Zimbabwe", p341.

⁶¹⁰ *Ibid*, p2. Also see GoZ, *The 2001 Budget Statement*, 16 November 2000, p9.

it.⁶¹¹ NERP and NEDPP, on the other hand, lacked clarity and provided vague generalizations of what the government's economic plans were. NERP had no policy objectives. It provided unactionable, superfluous sectoral plans without specifics. On land tenure, for example, it stated, 'government is exploring various systems of land tenure, vis-a-vis property rights, as part of efforts to promote faster turn-around in agriculture from 2003 and beyond. In this process, government will ensure that there will be no disruption of farming activities'. On investment, it stated, 'government is putting in place measures to promote domestic and foreign investment, as well as supporting investment into new areas by the indigenous.'⁶¹² The NEDPP, broadly stated that NEDPP objectives' revolve around the reduction of inflation, stabilization of the currency, ensuring food security, increasing output and productivity, generation of foreign exchange, enhancement of expenditure and revenue management, removal of price distortions and effective policy coordination and implementation'⁶¹³ The implementation matrix in these documents was even vaguer without concise time frames. It was also unclear what the drivers of the projected targets were going to be since the identified central problem was the lack of a national shared vision.

All documents formulated during the period under review had no financing plan. There was no mention of how the government would harness local resources or seek investment for programme implementation; neither were there any projections on how funds would be raised. However, MERP fared better because, in its implementation matrix, it advocated numerous ways to save government revenue including a cash budgeting system, reduction of the wage bill, sale of redundant government buildings and the urgent privatization of parastatals.⁶¹⁴ These changes were indeed announced in the 2001 budget statement presented by Makoni, one of those rare instances where the budget was in tandem with the prevailing economic policy blueprint. According to the 2001 budget statement, under the cash budgeting system expenditures would be limited to budgeted resources, and unbudgeted expenditures, except in cases of natural disasters would not be tolerated.⁶¹⁵ Also proposed was a 'ceiling' on the public service salary and wage bill, restricted to 12% of GDP. A mileage limit on government vehicles to 3000km for those at Ministerial level and 2400km for senior civil servants was also introduced.⁶¹⁶ Analysts and economists alike questioned if Makoni possessed the political

⁶¹¹ GoZ, *Millennium Economic Recovery Programme*, pp15-31.

⁶¹² GoZ, *National Economic Revival Programme*, pp6, 10.

⁶¹³ GoZ, *National Economic Development Priority Programme*, p4.

⁶¹⁴ GoZ, *Millennium Economic Revival Programme*, p17-18.

⁶¹⁵ GoZ, *Budget Statement 2001*, p10.

⁶¹⁶ *Ibid*, pp11-12

wherewithal to see to the implementation of these changes and if the politicians would be willing to implement the same.⁶¹⁷ Due to the absence of political will, these changes were not implemented.

Economic policy documents, therefore, were not designed in a manner that would bring Zimbabwe out of the crisis. In any case, they could not be fully implemented because the government did not have funds for their implementation. The result was that the economy dwindled even more as exemplified by the negative BOP with both accounts in the negative millions since 1997, refer to **Table 4.2** below.

Table 4.2 Current and Capital Accounts of the Balance of Payments (US millions)

Year	Current Account	Capital Account
1997	-796.5	-63.9
1998	-355.6	74.1
1999	39.1	189.1
2000	-135	-315.1
2001	-86.5	-403.4
2002	-217.1	-232.8
2003	-345.9	-221.4
2004	-416.7	-234.1
2005	-538.1	2.7

Source: MPS October 2007, p104- 5

⁶¹⁷ Hama Saburi, 'Political Will Needed to Implement Budget', *The Herald*, 2 November 2000. *The Business Herald*, 'Political Will Vital to Implement 2001 Budget', 23 November 2000. Finhold: Economics, Strategy and OD Department, 'A Synopsis of the 2001 Budget', *The Herald*, 23 November 2000. *The Herald*, 'Commitment Key to Country's Economic Revival – Makoni', 30 November 2000.

4.4 Unorthodox Economics: Monetary Policy as an Instrument of Financing the State, 2000-2003

In the absence of external ODA including BOP support, unsustainable domestic debt and no financing plan, the importance of monetary policy was elevated to a position it did not occupy until 2000. Its importance derived from the fact that the state realized the possibility of using monetary policy as a financing tool. With the raised importance of monetary policy, by extension was the high importance of the RBZ, the custodian of monetary policy. This section discusses these changes by first examining monetary policy since independence and noting the significant changes as the years unfolded.

4.4.1 Monetary Policy 1980 -1999

Since independence economic management was primarily determined by the dictates of international best practice centred on market liberalism, in the case of monetary policy operations; however, there was an exception to this general rule. While international best practice emphasized the sanctity of the independence of the central bank free from the influence of politicians, the RBZ was not an independent institution; instead, the President and Minister of Finance shared in the control of the Bank.⁶¹⁸ The President derived his ability to control it by him being the appointing authority of the Governor, Deputy Governors and the Board of the RBZ.⁶¹⁹ The Ministry of Finance, on the other hand, had the responsibility to oversee and monitor the operations of the Bank. It determined, for instance, the terms of reference, remuneration packages of the Governor and senior directors of the Bank. These roles of the President and Ministry of Finance were not vetoed by Parliament or any other body, as the RBZ was accountable to Parliament only through the Ministry of Finance. Until 1985, therefore, monetary policy statements were not released independently; they were often subsumed in the national budget statements and or economic policy statements periodically given by the Minister of Finance. While between 1985 and 1995, the RBZ regularly gave press releases at the instigation of the budget statement or economic policy statement by the Minister of Finance, to expand on monetary policy implications therein. Thus, RBZ press statements often expanded on limited issues, as many as were raised in the current budget or economic policy statement. It was only in 1995 that the periodic issuance of MPS by the governor of the

⁶¹⁸ See among many others, Gerald Epstein, 'Central Banks as Agents of Economic Development', Ha Joon Chang (ed), *Institutional Change and Economic Development*.

⁶¹⁹ RBZ Act 1964 [Chapter 22: 15].

RBZ, at the time was Leonard Tsumba, began. These statements were issued bi-annually often after the approval of the national budget by Parliament.

Despite the lack of independence of the RBZ, the role of monetary policy and functions of the Bank were ironically deployed as prescribed by international best practice. In this regard, monetary policy maintained its three pillars, inflation, interest, and exchange rate control. The Bank was also the government's bank, the banks' bank and the lender of last resort.⁶²⁰ However, the primary objective of monetary policy until 1999 was the maintenance of price stability done through constricting money supply (M3).⁶²¹ The success of monetary policy was dependent on fiscal policy. It relied on government's ability to spend within its means or its ability to obtain external funding to finance its deficit or in the absence of foreign funds, its ability to source funds from the non-bank domestic market.⁶²² The objective of inflation control through the maintenance of low money supply was thus unachievable without the twin objective of stringent government expenditure control.

The inability to control M3 began to be a problem in 1985 due mainly to expansionary fiscal policy. Despite the availability of external financing, significant proportions of the budget were sourced locally 'in the form of bank lending.'⁶²³ The RBZ noted that 'productive sectors would be unable to match the expansion in money supply' hence the need to initiate measures to curb M3 growth. Since 1985, monetary measures included discouraging 'non-essential and postponable consumption' by ensuring there was 'less credit for non-essential activities while credit availability for productive activity continued at existing lending rates to maintain economic recovery'.⁶²⁴ The Bank also sought to raise reserve requirements on commercial and savings banks, building societies and financial houses, to restrict the availability of money on the market.⁶²⁵ Building societies, banks and financial institutions, were banned from providing funds to individuals or corporates to acquire 'non-owner occupied houses'.⁶²⁶ Any borrowing for non-essential purposes was 'rigidly controlled.' The same policies persisted until 1999 with a few additions such as the increased use of Open Market Operations (OMOs) and statutory

⁶²⁰ GoZ, *Reserve Bank of Zimbabwe Act [Chapter 22:15]*, Part II, pp63-64.

⁶²¹ M3 is defined as all banknotes and coins, demand, savings and term deposits. M3 is also known as broad money. RBZ, *Monetary Policy Statement*, 5 September 1995, p1. RBZ, *Monetary Policy Statement*, 25 March 1996, p1.

⁶²² RBZ, *Monetary Policy Statement*, 4 September 1996, p6.

⁶²³ RBZ, *Press Statement by the Reserve Bank of Zimbabwe*, 16 August 1985.

⁶²⁴ *Ibid.*

⁶²⁵ *Ibid.*

⁶²⁶ RBZ, *Press Statement by the Reserve Bank of Zimbabwe*, 14 August 1986.

reserve averaging applicable only to banks to reduce M1 in circulation.⁶²⁷ Statutory reserve averaging demanded that banks manage their reserves in such a way that in a given statutory reserve period, they maintain at least 25% of their liabilities to the public at the Reserve Bank.⁶²⁸

The official change to market liberalism in 1991, saw the bank charged with the regulation and monitoring of financial institutions. Due to the liberalisation of the market, bank operations had become more competitive and more exposed to market risks; it thus became necessary for the Reserve Bank to 'strengthen prudential supervision.'⁶²⁹ From August 1995, guided by international best practice, the bank introduced guidelines on the measurement of capital adequacy for all banking institutions in Zimbabwe.⁶³⁰ Although it was mandated to monitor financial institutions, the Ministry of Finance, retained the role of the registrar of financial institutions, a deviation from the dictates of international best practice.⁶³¹ Despite the added responsibility for financial institution supervision, the primary objective of inflation control remained.⁶³² In 1997 and 1998, two crucial episodes led to a spike in money supply, the War Vets bail-out and the banking crisis that saw the closure of the United Merchant Bank, respectively. Liquidity support to distressed banks provided by the RBZ contributed to extensive growth in money supply – from 17% in January to 36% in April and further to 51.8% by the end of May 1999.⁶³³

Prompted by the government's insatiable appetite to spend, increasing domestic debt, and the *de facto* unlimited overdraft window government abused, Governor Tumba lobbied for the introduction of an inflation law. Tumba courageously first proposed the new regulation at one of the lavish ZANU-PF 21st February movement fund-raising dinners.⁶³⁴ He argued that it was essential for the bank to develop monetary policy without interference from politicians. His

⁶²⁷ M1 refers to bank notes and coins in circulation. RBZ, *Monetary Policy Statement*, 30 November 1998, p14.

⁶²⁸ *Ibid*

⁶²⁹ RBZ, 1995 *Monetary Policy Statement*, p7.

⁶³⁰ *Ibid*, p7-8.

⁶³¹ *The Sunday Mail*, 'Bank wants Autonomy, Supervisory Powers', 31 October 1999.

⁶³² See **Figure 4.1** for inflation figures

⁶³³ RBZ, *Monetary Policy Statement*, 23 July 1999, p1. Plans for a more comprehensive Troubled Bank Fund were announced in 2000 to provide 'a framework for implementing timely and effective responses to problems at banking institutions. See RBZ, *2000 Annual Report*, June 2001, pp4, 28. Elsewhere I argue that this is when QFAs began in earnest and are expanded in intensity and scope in 2003 with the changes made to the role of the RBZ. The latter part is discussed in detail later in this chapter. See Geraldine Sibanda, 'Institutional Responses to the Zimbabwe Crisis, pp15-16.

⁶³⁴ February the 21st was Robert Mugabe's birthday where lavish dinners were held to commemorate the day. The fundraising dinners and the main dinner were used to shower the President with praises, and not platforms to demand or even request reform. *The Herald*, 'Tumba Proposes Law to Monitor Inflation', 22 February 1999.

proposed inflation law also insisted that provisions that compelled the RBZ to lend to the government be removed to limit government borrowing.⁶³⁵ This proposal was denied on several platforms, and it contributed to the friction that existed between President Mugabe and Tsumba.⁶³⁶

4.4.2 ‘The gravity and intensity of our national crises demand bold, unorthodox and creative solutions’: The Beginning of Zimbabwe’s ‘Casino Economy’? 2000 – 2003⁶³⁷

The year 2000 marked a significant turning point in monetary policy as inflation control ceased to be the primary focus of the RBZ. The inflation law proposed by Tsumba was ignored, instead the RBZ began to make interventions in and financing the real sectors, ordinarily the mandate of the Ministry of Finance and fiscal policy. The responses were further prompted by the absence of foreign investment and government’s inability to finance capital expenditure. RBZ’s financing schemes targeted at the productive sectors, namely the Productive Sector Finance Facility, the Export Finance Facility/Memorandum of Deposit Facilities, the Gold Price Support Scheme and the Tobacco Subsidy.⁶³⁸ Noting the decline of the productive sectors, namely, agriculture, manufacturing, mining and tourism, MERP had provided for the provision of concessional financing to boost the productive sectors, particularly agriculture which had drastically declined because of the FTLRP. It is this concessional financing that was provided by the RBZ because of government’s inability to raise sufficient revenue to support recurrent and capital expenditure.⁶³⁹

In 2000, the bank announced the first of the schemes stating that ‘the Bank will simultaneously release 50% of the pool of commercial and merchant bank statutory reserves, for on-lending to exporters, at an all-inclusive concessional final interest rate of 30%. This, it was envisaged, would, make available about \$5 billion, for on-lending to export sectors, through 180-day pre and post-shipment export bills, drawn on and accepted by banks.’⁶⁴⁰ Defending the policy u-turn, the Bank stated that ‘this arrangement should provide a quick supply response, to enhance

⁶³⁵ *The Sunday Mail*, ‘Bank Wants Autonomy’. *The Herald*, ‘Tsumba Called for Inflation Law’, 19 January 2004.

⁶³⁶ Friction was also caused by Tsumba’s numerous instances he called for the devaluation of the dollar. See *The Herald*, ‘RBZ Lobbies for Another Zimdollar Devaluation’, 11 September 2001.

⁶³⁷ GoZ, *Budget Statement 2002: Getting Zimbabwe Working Again*, 1 November 2001, p17.

⁶³⁸ RBZ, *Press Statement by the RBZ*, 4 August 2000. RBZ, *Monetary Policy Statement*, 16 January 2001, pp7, 11.

⁶³⁹ GoZ, *Millennium Economic Recovery Programme*, p3.

⁶⁴⁰ RBZ, *Press Statement by the RBZ*, p2. The 2000 Annual Report states that the funds released for this facility amounted to ZW\$6billion. RBZ, *2000 Annual Report*, p3, p7.

foreign currency, thereby stimulating the productive sectors providing a critical lifeline to the country's producers – most of whom were on the brink of collapse.⁶⁴¹ According to the RBZ, therefore, the scheme was a measure to 'support the recovery of exports.'⁶⁴² By January 2001, ZW\$5.2 billion of ZW\$ 6 billion allocated to the facility had been utilized.⁶⁴³ The manufacturing and mining sectors accounted for 43.8% and 30.9% respectively, while agriculture used 25.2%.⁶⁴⁴ In 2001, the Bank released its remaining commercial and statutory merchant reserves for the same purpose at a concessional rate of 30%.⁶⁴⁵

In addition to the Productive Sector Facility, the bank initiated the Export Finance Facility to the tune of ZW\$28 billion by November 2002.⁶⁴⁶ The facility attracted a concessional interest rate of 15% per annum. Mining and manufacturing took up 37.9% and 35.4%, respectively. Agriculture has utilized 25.2%, while tourism has taken up 1.5% of the total facility.⁶⁴⁷ The bank also introduced the Gold Support Scheme, 'by the end of September 2002; the Bank had paid a total of \$6.3 billion to gold producers, by way of subsidy.'⁶⁴⁸ Finally, the bank introduced the Tobacco Subsidy in which a subsidy equivalent to 188% of the floor price was provided.⁶⁴⁹ Monetary policy statements were gravely lacking in detail on the criteria of choosing beneficiaries, and the management and audit of all the RBZ schemes. The identity of the recipients is also unknown. Further, upon exhaustion of the commercial bank and merchant bank reserves, the RBZ ceased to provide information on the source of the funding of these concessional facilities.

The RBZ provided concessional facilities at a loss. The bank rate at the time was pegged at 2-2.5% above the inflation rate. Inflation was 55.2% in December 2000, 112.1% in December 2001, 198.9 in December 2002 and 598.7 in December 2003, yet concessional facilities charged a paltry 15-30% interest.⁶⁵⁰ Coupled with increased domestic borrowing by the state, concessional loans also contributed to money supply growth; thus, the objective to curtail M3 had ceased to exist. As the RBZ reported, money growth was largely unrelated to economic

⁶⁴¹ *Ibid.*

⁶⁴² *Ibid.*, p15.

⁶⁴³ RBZ, *Monetary Policy Statement*, January 2001, p7.

⁶⁴⁴ *Ibid.*

⁶⁴⁵ RBZ, *Monetary Policy Statement*, January 2001,

⁶⁴⁶ RBZ, *Monetary Policy Statement*, November, 2002, p8.

⁶⁴⁷ *Ibid*

⁶⁴⁸ *Ibid.*, p9.

⁶⁴⁹ *Ibid*

⁶⁵⁰ ZIMSTAT, Table on Consumer Price Index.

activity and therefore, had adverse effects on inflation and the cost of borrowing, incomes and overall production.⁶⁵¹ M3 increased from 83.5% in September 2001 to 124.3% in September 2002.⁶⁵² By the Bank's admission, the change of monetary policy direction was unsuccessful, for several reasons. Chief among them was the abuses and leakages of the facilities.⁶⁵³ Beneficiaries were not utilizing the loans for their intended purposes hence the inability to grow the productive sectors. Further, inflation eroded the funds such that they were insufficient in carrying out their intended purpose. The Bank explained, 'the inflationary effects of monetary expansion should have been offset by gains from positive economic growth, as companies and farmers were enabled to produce more' however, this did not occur.⁶⁵⁴

The RBZ's attempts at curbing inflation between 1980 and 1999, though inadequate, were the last barricade against runaway inflation in the face of a government traditionally unwilling to spend within its means. With that final barricade removed in 2000, inflation soared negatively affecting the government's ability to formulate national budgets.⁶⁵⁵ As inflation surpassed the 100% mark in 2001, expenditure doubled such that by 2002, the total budget allocation was ZW\$390.2 billion up from ZW\$224 billion in 2001.⁶⁵⁶ Beginning in 2003, therefore, budget allocations were depleted before the end of the fiscal year, making the need for supplementary budgets inevitable. In 2003, the Minister of Finance presented to Parliament additional Vote Appropriations to the tune of ZW\$619 341 895 000 which was much more than the original estimates presented in the budget which stood at ZW\$580 380 672 000.⁶⁵⁷ Although figures had increased, the government stopped financing other budget items to curtail expenditure. Items such as the Africa Centre for Fertilizer Development, various agricultural training centres, Credit Guarantee (Pvt) Ltd and the Zimbabwe Traffic Safety Board were removed from the budget. Thus, in real terms, the budget had regressed as the increase in amounts was owed to exponential inflation levels. In August 2003, when the supplementary budget was

⁶⁵¹ RBZ, *2000 Annual Report*, p14.

⁶⁵² RBZ, *Monetary Policy Statement*, November 2002, p2-3.

⁶⁵³ *Ibid*, p7.

⁶⁵⁴ RBZ, *Monetary Policy Statement*, November 2001, p7.

⁶⁵⁵ In September 2000, a supplementary budget of ZW\$35.5 billion, was presented after the initial budget of ZW\$65.4 billion was depleted. *The Herald*, 'House Sits for a Record 10 Hours', 9 September 2000.

⁶⁵⁶ GoZ, *Budget Statement 2002*, pp10-11.

⁶⁵⁷ GoZ, *Supplementary Estimates of Expenditure During the Year Ending December 31, 2003*, 21 August 2003, p2.

presented, inflation stood at 426.6%, yet by December 2003, it surpassed the 500% mark to 598.7%.⁶⁵⁸

As had been the case since independence, the government spent a massive amount of the budget on discretionary expenditure; this status quo worsened in the post-2000s. Murerwa acknowledged:

*over the years, the government has not been conducive to growth and development...government is increasingly spending beyond its means, for consumption, at the expense of capital investment. This problem has been compounded by the growing frequency and magnitude of unbudgeted expenditures in the last five years.*⁶⁵⁹

For instance, the 2000 budget statement allocated 69% to non-discretionary expenditure, leaving only 31% for operations and capital development.⁶⁶⁰ While in the 2001 budget allocations to capital expenditure dropped to only 4.6% of the total budget.⁶⁶¹ The government was, thus, not setting aside enough for development necessary to revive the productive industries. Murerwa noted difficulties in the management and execution of the budget characterised by; a mismatch between available resources and expenditure demands, increased fixed cost components of the budget such as pensions, salaries, and interest on debt, consuming 60% of total expenditure and dwindling allocations to the development budget⁶⁶²

Government's inability to generate sufficient revenue compounded the situation.⁶⁶³ Due to budget constraints, government deferred most new infrastructural development projects and postponed some ongoing ones.⁶⁶⁴ Thus, unlike the previous epochs when the government received funds from various sources and did not have to contend with significant inflationary pressure, the budget process was meaningful, but in the post-2000s, revenue was uncertain, and inflation wiped out the budget before the year end triggering supplementary budgets almost on an annual basis.

4.4.3 The Introduction of Pseudo-Currencies

In addition to inflation, the government had to contend with the loss of confidence in the banking system which, combined with fiscal disequilibrium, gradually triggered a currency

⁶⁵⁸ ZIMSTAT, Table on CPI.

⁶⁵⁹ GoZ, *2001 Budget Statement*, pp6-8.

⁶⁶⁰ GoZ, *2000 Budget Statement*.

⁶⁶¹ GoZ, *2001 Budget Statement*, p15.

⁶⁶² GoZ, *2000 Budget Statement*, p16.

⁶⁶³ GoZ, *The 2005 National Budget Statement*, 25 November 2004, p13, p17. GoZ, *The 2006 National Budget Statement*, 1 December 2005, p10.

⁶⁶⁴ GoZ, *The 2006 National Budget*, p32.

crisis. As a response to the Black Friday currency crash government immediately closed Foreign Currency Accounts (FCAs) save for those owned by resident embassy staff and other ‘non-resident corporates.’⁶⁶⁵ It also immediately ordered, ‘off-loading of all corporate FCAs onto the exchange market’.⁶⁶⁶ These and responses to Black Friday triggered speculation on the money and real estate markets and mistrust in the banking system. The effects were felt almost immediately with the collapse of the United Merchant Bank in 1998. An investigation found that coupled with the Bank had poor management, it was involved in fraudulent trading in security paper and on the money and securities markets.⁶⁶⁷ In 2002, to end speculation, ‘government shut down the *bureaux de change*, accusing them of being ‘conduits’ for illegal forex. These measures, however, had the opposite effect as they showed policy inconsistency and were not accompanied by the necessary restraint in government spending, given that the only sources to finance deficit were domestic borrowing and printing money thus, creating the cash crisis.⁶⁶⁸ The crisis ensued as at the time the Zimbabwe economy was primarily cash-based. It revealed the growing informal sector which channeled money off the formal market.

To alleviate the cash shortages that were commonplace by 2003, the government implemented several strategies. The first was the expansion of the currency basket. It began by the injection of ZW\$4 billion in the form of new ZW\$500 notes into the market in June 2003.⁶⁶⁹ Inflation stood at 364.5%, demanding more cash for fewer day to day transactions. As prices of commodities soared, higher denominations were required for convenience. The central bank introduced a new \$1 000 note by September 2003, which became the largest denomination at the time.⁶⁷⁰

The Bank also expanded the currency basket through the introduction of pseudo-currencies.⁶⁷¹ In an unprecedented move where the RBZ gave up its monopoly on the issuance of currency as dictated by orthodoxy by authorizing the Standard Chartered Bank and Cargil Cotton Group to issue the first pseudo-currencies, called Standard Bank Cheques. Cheques were in

⁶⁶⁵ PoZ, *Hansard National Assembly Debates*, 25 November 1997, Column 2507.

⁶⁶⁶ *Ibid.*

⁶⁶⁷ GoZ, *Budget Statement 1999*, 15 October 1998, p11-12. The same allegations were levelled against other banks by 2003, for example, the Zimbabwe Building Society and Genesis Bank. Rangarirai Mberi, ‘Lonely at the Top – Tsumba’s 10 Years at RBZ’, *The Standard*, 16 November 2003.

⁶⁶⁸ GoZ, *The Millennium Budget*, p6.

⁶⁶⁹ *The Herald*, ‘RBZ Acts on Cash Crisis’, 30 June 2003. *The Herald*, ‘\$500 Note Phased Out’, 30 July 2003. *The Herald*, ‘RBZ Unveils New ‘Notes’, 17 September 2003.

⁶⁷⁰ *The Herald*, ‘\$500 Note Phased Out’, 30 July 2003. The ZW\$500 bill was eventually phased out by 30 September 2003.

⁶⁷¹ Pseudo-currencies are referred to as such because they were not used or traded formally outside Zimbabwe. Unlike currency, pseudo-currencies had contained expiry dates whereupon they ceased being legal tender. At the time, the (ZW\$) was only temporarily suspended but not demonetised.

denominations of \$5 000 and \$20 0000, issued to alleviate cash shortages for the private bank's customers.⁶⁷² They were valid for six months from the date of issue and were the first currency in Zimbabwe to have a time limit.⁶⁷³ In July 2003, the RBZ followed suit and introduced local travellers' cheques.⁶⁷⁴ These were in denominations of \$1000, \$5000, \$10 0000, \$20 000, \$50 000 and \$100 0000.⁶⁷⁵ In September 2003, another pseudo-currency called the bearer cheque was introduced in denominations of \$5000, \$10 000 and \$20 000. Bearer cheques were said to be 'a six-month interim measure' that would allow the government to 'assess the demands of the market'.⁶⁷⁶ These bearer cheques were marked to expire (cease to be legal tender) on 31 January 2004.⁶⁷⁷ The Minister of Information and Publicity, Jonathan Moyo, called these an 'innovative measure to deal with the cash problems'.⁶⁷⁸ Bearer cheques were unpopular, such that Murerwa was given the moniker 'Mr. Burial Cheques'.⁶⁷⁹ Despite the introduction of pseudo-currencies, the Zimbabwe dollar was not demonetised. The significance of the process is that the RBZ injected new notes to the tune of \$24 billion, expanding M3.

The government also introduced more controls into the banking system. A Cabinet Taskforce chaired by the Minister of Finance and comprising of the Minister of Defence, Sydney Sekeramayi, Minister of Home Affairs, Kembo Mohadi, Minister of State for National State Security, Minister Nicholas Goche and Minister of Information and Publicity Jonathan Moyo., was set up.⁶⁸⁰ The composition was telling of the often denied existence of a 'war cabinet' relying on both force and propaganda to achieve buy-in for government policies. Withdrawal limits and controls around cash in banks were also introduced, as banks were now expected to 'account in full for cash collected from the Reserve Bank and deposits from the public.'⁶⁸¹

All these measures did not work; instead, the cash crisis worsened, and so did inflation. The government's inability to collect revenue in taxes also dwindled in the face of economic regression and negative BOP. Thus, beginning in December 2003, apparent financing gaps,

⁶⁷² www.greatamericancoincompany.com, 26 January 2018.

⁶⁷³ *Ibid.*

⁶⁷⁴ *The Herald*, '\$500 Note Phased Out', 30 July 2003. *The Sunday Mail*, 'More Cash Coming', 28 September 2003. Previously, traveller's cheques were issued for foreign travel, to be exchanged for foreign currency outside Zimbabwe.

⁶⁷⁵ *Bulawayo 24 News*, 'A Timeline of How Zimbabwe Lost its Currency', 14 November 2018.

⁶⁷⁶ *The Herald*, 'RBZ Unveils New 'Notes'', 17 September 2003. Also see *The Sunday Mail*, 'More Cash Coming', 28 September 2003.

⁶⁷⁷ *Bulawayo 24 News*, 'A Timeline of How Zimbabwe Lost its Currency'.

⁶⁷⁸ *The Herald*, 'RBZ Unveils New 'Notes'', 17 September 2003.

⁶⁷⁹ *Bulawayo 24 News*, 'A Timeline of How Zimbabwe Lost its Currency'.

⁶⁸⁰ *The Herald*, '\$500 Note Phased Out', 30 July 2003.

⁶⁸¹ *Ibid.*

forced government to turn to the RBZ to finance the bulk of its expenditure, marking the shift to the reliance on Quasi-Fiscal Activities (QFAs).⁶⁸²

⁶⁸² RBZ, *Monetary Policy Statements*, 30 July 2008, p47. QFAs are activities often implemented in times of crisis by a parastatal or state institution, in some cases the private sector. These should be ordinarily implemented by a country's Ministry of Finance and financed via the country's treasury, with debits and credits recorded in the country's national accounts or Consolidated Revenue Fund. In many instances QFAs are implemented at a loss because they involve hand-outs or concessionary lending. The source of funds to finance these varies. See among others, G. A. Mackenzie and P. Stella, 'Quasi-Fiscal Operations of Public Financial Institutions,' *IMF Occasional Paper* No. 142, Washington: International Monetary Fund, 1996, p16. Sonia Munoz, 'Central Bank and Quasi-Fiscal Losses and High Inflation in Zimbabwe: A Note', p3. Seok Gil Park, 'Central Banks Quasi-Fiscal Policies and Inflation', *IMF Working Paper*, Fiscal Affairs Department, January 2012, p3. David Mupamhandzi and Leonard Mandishona, 'Relegating the Core Business: The Case of the Reserve Bank of Zimbabwe Undertaking Quasi-Fiscal Activities, 2000-2008', p292. 'Guide to Transparency in Public Finances: Looking Beyond the Core Budget', www.internationalbudget.org. Elsewhere I argue that QFAs began in 1997, see Geraldine Sibanda, 'Institutional Responses to the Zimbabwe Economic Crisis', pp13-14, 37-44.

4.5 Entrenching the ‘Casino Economy’? The Politics of the RBZ’s Quasi-Fiscal Activities

In October 2003, President Mugabe appointed a new RBZ Governor, Gideon Gono.⁶⁸³ Mugabe had previously accused Governor Tumba of being a ‘bookish economist’, keen on sticking to economic orthodoxy. After openly declaring, ‘I am not one who believes in orthodox economics’, Mugabe pronounced Tumba incapable of carrying the ‘new mandate’ of the central bank.⁶⁸⁴ On his part, Tumba had failed to assert the independence of the Bank as he continuously complained about ‘the skewed economic fundamentals and interference in bank operations by senior government and ZANU-PF officials’.⁶⁸⁵ Unlike Tumba, Gono was described by prominent banker, Nigel Chanakira as possessing ‘practical solutions’ and a ‘turnaround practitioner’, characteristics deemed necessary to fulfil the new direction of the RBZ.⁶⁸⁶ Describing Mugabe, Murerwa said, ‘He was very supportive but driven by political interest. He was rational and intelligent could understand the issues but was more prepared to take economic risks, the economy was not a priority; politics was’.⁶⁸⁷ In Gono, therefore, Mugabe found a governor willing to take the risk by transforming the bank into a ‘much more developmental institution that protects the national interest’, which meant the official death of orthodoxy to protect his political ambitions.⁶⁸⁸ In an internal memo to his staff, upon commencement of duty, Gono explained the fundamental tenets of his tenure thus:

*my tenure is going to see our thrust being **developmental in outlook**. I stressed to you all the fact that a **developmental agenda does not imply that we must recklessly print money and make it available to whomever wants it, neither is it an invitation to pursue inappropriate economic and monetary policies**. To the contrary, we are being challenged to **think outside the box, innovate and to plough around whatever obstacles may be in our way; to give meaning, relevance and role prominence to this institution in the context of its natural centrality in the **development aspirations of this economy...that is the developmental thrust** we shall follow to make ourselves RELEVANT to this economy...[we shall be driven by] conviction rather than conformity if our inner beliefs conform with the norm or with precedents, well and good but we shall not be servants to precedents, prisoners to history or some such other obstacle in our pursuit of the Vision and Mission.**⁶⁸⁹*

Mugabe and Gono’s assertions above, show that from the onset, Gono had clear terms of reference that included a break from orthodoxy, the turning of the Central Bank to a ‘developmental’ central bank and the printing of money to finance expenditure. The RBZ fulfilled this mandate by the formulation and implementation of its controversial QFAs

⁶⁸³ Charles Chikaura temporarily took over the Governorship of the RBZ between May 2003 and October 2003.

⁶⁸⁴ *The Herald*, ‘President Blasts Former RBZ Governor Tumba’.

⁶⁸⁵ *The Herald*, ‘Tumba Forced Out’, 1 June 2003.

⁶⁸⁶ Rangarirai Mberi, ‘Lonely at the Top – Tumba’s 10 years at RBZ’.

⁶⁸⁷ Interview with Herbert Murerwa.

⁶⁸⁸ *Ibid.*

⁶⁸⁹ RBZ, Memorandum - Roadmap from the Governor: Vision 2008, to Deputy Governors, Directors, Deputy and Assistant Directors, Managers and All Non-Managerial Staff, 2 December 2003, pp2-3. For RBZ’s developmental mandate also see RBZ, *Monetary Policy Statement*, 30 July 2008, p46.

between 2003 and 2008. With its new mandate, the scope and power of the RBZ became far-reaching. It financed in various respects, real and financial sectors including investments promotion, insurance and pensions, various state Commissions including the Zimbabwe Electoral Commission, the Anti-Corruption Commission and the Public Service Commission and all government Ministries. It also financed parastatals, local authorities, labour and industry unions and housing.⁶⁹⁰

The agricultural sector benefitted the most from the RBZ's QFAs, in a bid to make a success of the FTLRP. Agricultural activities were as varied as they were as many, specifically designed to support ongoing FTLRP. For the 2004/2005 farming season alone, the RBZ formulated and financed various facilities. Such as the ZW\$150 billion Winter Wheat Programme to 'assist in saving foreign currency through reduced importation of wheat'; the ZW\$550 Billion Grain Marketing Board Maize Purchase Facility designed 'to ensure smooth marketing of maize and wheat and avoid inconveniencing farmers through delays in receipt of payment.'⁶⁹¹ It financed input facilities intended for the timely purchase of agricultural inputs including the ZW\$600 billion Summer Crop Programme and the ZW\$406 billion Tobacco Bills Bridging Finance. It also financed agricultural equipment facilities, of note, the ZW\$24.3 billion ARDA Agricultural Equipment Facility, to purchase and repair damaged agricultural equipment from various locations in the country.⁶⁹² Finally, it financed irrigation facilities including the ZW\$85 Billion Irrigation Rehabilitation Programme, for the rehabilitation of irrigation infrastructure countrywide. Disbursements for these facilities was through the Ministry of Agriculture, Agribank, CBZ and the Tobacco Industry and Marketing Board (TIMB).

The May 2005 monetary policy statement detailed even more agricultural QFAs. It also provided a post-election agenda which placed agriculture at the centre of economic revival.⁶⁹³ At this point, the monetary policy statement sounded like a speech by a politician who was Minister of Finance, Land Reform, Resettlement and Agriculture all enrolled into one. It is in this policy statement that the governor provided details on the newly introduced command

⁶⁹⁰ The RBZ implemented more than 55 QFAs, which cannot all be covered here.

⁶⁹¹ RBZ, *2000 Annual Report*, pp35-37.

⁶⁹² *Ibid.*

⁶⁹³ RBZ, *The 2005 Post-Elections and Drought Mitigating Monetary Policy Framework*, 19 May 2005. There was also a supplement published detailing the resuscitation of the agricultural sector. RBZ, *Supplement 2 of 5 of the Monetary Policy Review Statement May 2005: Drought Mitigation and Resuscitation Programs for the Agricultural Sector in Zimbabwe*, 19 May 2005. Also see RBZ, *Supplement 3 of 5 of the Monetary Policy Review Statement May 2005: Strategic Provincial Resource Allocation and Quick Turnaround Activities Based on the Concept of Comparative Advantage*, 19 May 2005.

agriculture programme.⁶⁹⁴ The programme was targeted at select farmers to be provided with all necessary inputs including labour, energy, equipment and transport on a contract farming basis. In the same MPS, existing facilities, such as the winter wheat facility, the irrigation and dam construction programmes were expanded.⁶⁹⁵ New facilities to cater for support towards poultry, horticulture and cattle ranching were introduced.⁶⁹⁶ A unit was created within the RBZ to administer and monitor the utilisation of the facilities.⁶⁹⁷

The Farm Mechanization Programme launched by Mugabe on 11th of June 2007, was by far the most expansive and arguably the most controversial QFA.⁶⁹⁸ It was divided into four phases implemented between 2007 and 2008 with Phase 4 being launched in July 2008.⁶⁹⁹ It aimed at supporting the FTLRP by distributing farming equipment to the new farmer. It's controversial status emanated from the abuse, misuse and the allocation of equipment along partisan lines. The distribution matrix of the equipment throughout the four phases is as shown in **Table 4.3** below.

Table 4.3: Distribution of Equipment: Phase 1 to 4⁷⁰⁰

Equipment Description	Phase 1	Phase 2	Phase 3	Phase 4	Total
Combines	30	32	9	53	124
Tractors	1004	955	1040	218	3217
Disc Harrows	474	271	340	897	1982
Disc Ploughs	418	331	438	400	1587
Planters	186	120	135	19	460
Boom Sprayers	210	112	189	161	672
Vicons	104	65	96	58	323

⁶⁹⁴ RBZ, *The 2005 Post-Elections and Drought Mitigating Monetary Policy Framework*, p59. In the same year, the Bank also introduced the Agriculture Sector Productivity Enhancement Facility (ASPEF). For more details on ASPEF see Geraldine Sibanda, 'Institutional Responses to Zimbabwe's Economic Crisis', pp50-54.

⁶⁹⁵ RBZ, *The 2005 Post-Elections and Drought Mitigating Monetary Policy Framework*, pp12-13, 17, 60.

⁶⁹⁶ *Ibid*, pp59-62.

⁶⁹⁷ *Ibid*, p59.

⁶⁹⁸ RBZ, *Mid-Year Monetary Policy Statement*, 1 October 2007.

⁶⁹⁹ RBZ, *First Quarter Monetary Policy Statement: A Focus on Food, Foreign Exchange Generation, Producer Viability and Increased Supply of Basic Commodities*, 30 April 2008, p52.

⁷⁰⁰ RBZ, *The Reserve Bank Governor, Dr G Gono Breaks His Silence on Motor Vehicle Allocations to Parliamentarians and Other Issues Relating to Quasi-Fiscal Operations*, 18 April 2009, p3. Published following the call by the GNU Parliamentarians and the Ministry of Finance to 'correct the errors of the Reserve Bank', therefore the Bank was required to create an inventory of things purchased and begin recalling the items. Together with the RBZ Assumption Act of 2015 these two processes revealed in earnest the activities that the RBZ had undertaken between 2003 and 2008.

Hay Baler	1	16	5	8	30
Power Tillers	-	2	4	-	6
Knapsacks	-	43507	12464	4386	60357
Generators	-	316	818	1040	2174
Biodiesel	-	53 2000	91 200	126 842	271 242
Animal Drawn Ploughs	-	40521	8845	463	49 829
Animal Drawn Harrows	-	34	11927	1895	13 856
Animal Drwan Planters	-	32	135	42	209
Animal Drawn Cultivators	-	37	8430	9581	18 048
Scotch Cuts	-	35	6377	1558	7 970
Chains	-	43087	9904	6297	59 288
Seed Drills	-	-	-	345	345
Grinding Mills	-		260	236	496
Motorcycles	-	-	146	955	1101
Hoes	-	-	-	564	564
Shovels				994	994
Mattocks	-	-	-	586	586
Pick Heads				108	108
Wheelbarrows				359	359

Parastatals and local authorities were also big beneficiaries of the RBZ's funding throughout the QFA implementation period. In 2004 the RBZ introduced the Parastatals and Local Authorities Reorientation Programme (PLARP) to capitalize the ailing government institutions.⁷⁰¹ In 2005, the programme was further broken down into the Parastatals Reorientation Programme (PARP) and the Local Authorities Reorientation Programme (LARP). All major parastatals and state institutions benefited from PARP including, ZISCO, ZESA, Air Zimbabwe, Hwange Colliery Company(HCC), CSC, ARDA, IDC, NRZ, Road

⁷⁰¹ RBZ, *2004 Annual Report*, p33. For more on PLARP see Geraldine Sibanda, 'Institutional Responses to the Zimbabwe Economic Crisis', p38.

Motor Services (RMS), the National Oil Company of Zimbabwe (NOCZIM) and ZUPCO.⁷⁰² Similarly, under LARP, the RBZ financed various local government institutions including, rural and urban councils, local boards and municipalities.⁷⁰³ LARP funded all major cities and towns and select local boards and municipalities, for example, Ruwa Local Board, Chegutu and Victoria Falls Municipalities.⁷⁰⁴ LARP included financing towards the construction of houses, sinking of boreholes, repair and purchase of water pipes and the servicing of stands.⁷⁰⁵ A critical component of the financing of parastatals was the provision of foreign currency for their ‘special/strategic imports’.⁷⁰⁶ **Table 4.2** above detailed the negative BOP, which meant the acute shortage of foreign exchange for the government to import the country’s basic needs like fuel, electricity, fertilizer, grain and medicine. Acute foreign exchange in the formal market was also due to the growing and thriving informal market/foreign currency black market existent during that period.⁷⁰⁷ Murerwa confirmed that the RBZ itself was an active player in the forex black market where it employed ‘runners’ to purchase forex on its behalf.⁷⁰⁸ Between 2003 and 2009, therefore, the Bank allocated foreign currency for these imports, in excess of US\$2 billion to 10 parastatals as follows:

Table 4.4: Strategic Imports by the RBZ

PARASTATAL	AMOUNT, 2003-2008 (USD MILLIONS)
NOCZIM	993.4
ZESA	311.2
GMB	514
AIRZIM	209
TELONE	8.8
NETONE	1.4
ZINWA	14.4
ZIMSEC	0.7

⁷⁰² RBZ, *Monetary Policy Statement*, 20 July 2005, p22. RBZ, *A Synopsis of the Impact of the Central Bank’s Interventions to the Economy from Jan 2004 - June 2006: Supplement to the First Half 2006 Monetary Policy Review Statement*, 31 July 2006, p23.

⁷⁰³ *Ibid*, p66

⁷⁰⁴ *Ibid*.

⁷⁰⁵ *Ibid*, p73.

⁷⁰⁶ RBZ, *Summary of Reserve Bank of Zimbabwe’s Strategic Imports Programme 2004-2006, Supplement to the January 2007 Monetary Policy Review Statement*, p2.

⁷⁰⁷ For more on the forex black market see Showers Mawowa and Alois Matongo, ‘Inside Zimbabwe’s Roadside Currency Trade: The ‘World Bank’ of Bulawayo. Tapiwa Chagonda, ‘The Other Face of The Zimbabwean Crisis: The Black Market and Dealers during Zimbabwe’s Decade of Economic Meltdown, 2000–2008’, *Review of African Political Economy*, August 2015.

⁷⁰⁸ Interview, Herbert Murerwa.

ZBH	0.3
ZUPCO	11.2
TOTAL	2 064.2

Source: RBZ⁷⁰⁹

The RBZ also funded the ‘sensitive state security organs’ and urgent refurbishment of sensitive military establishments.’⁷¹⁰ In October 2007, it financed Projects to the Police and the National Army Self-Help Housing Scheme where members of these were given loans for the construction of houses.

Apart from financing government ministries, parastatals and institutions, QFAs also targeted non-government entities and individuals. In this regard, there were several programmes aimed at food distribution and grants to businesses. The main food distribution programme was known as Operation Maguta/Inala, although administered by sections of government, the aim of Operation Maguta/Inala, was to distribute grain in the rural areas of the country between 2005 and 2008. The bank launched various schemes for small businesses since 2004. For example, the ‘\$12 billion Facility for Small to Medium Enterprises (SMEs) benefited 299 small businesses through the RBZ’s partner in this program, SEDCO.’⁷¹¹ The Distressed Companies Fund was the Bank’s attempt to revive industries. In 2004, it injected \$200 billion to the Fund to ‘restore the industrial city status of urban centres of the country’.⁷¹² Concessional loans were provided to 143 companies that ‘showed great exporting potential, quick returns, prospects for employment creation and ability to improve production capacity.’⁷¹³ An inter-ministerial committee approved the loans, comprising the Ministry of Finance, Ministry of Industry and International Trade, Ministry of SMEs, Zimbabwe Development Bank (ZDB), SEDCO and the RBZ.⁷¹⁴ In 2007, the Bank introduced a facility that benefitted both the companies and individuals simultaneously, the Basic Commodities Supply Side Intervention (BACOSSI), which became the bank’s most popular initiative.⁷¹⁵ BACOSSI aimed at the provision of cheap basic commodities to the public in the face of hyperinflation and price controls which triggered

⁷⁰⁹ RBZ, *The Reserve Bank Governor, Dr G Gono Breaks His Silence*, p19.

⁷¹⁰ Dumisani Muleya, ‘Never in a 1000 years, says Gono’, *The Zimbabwe Independent*, 24 March 2006

⁷¹¹ RBZ, *2004 Annual Report*, p33.

⁷¹² *Ibid*, p24.

⁷¹³ *Ibid*, pp33-34.

⁷¹⁴ RBZ, *A Synopsis of the Impact of the Central Bank’s Interventions*, p100

⁷¹⁵ For more on BACOSSI see Gideon Gono, *Zimbabwe’s Casino Economy: Extraordinary Measures for Extraordinary Challenges*, (Harare: Zimbabwe Publishing House, 2008). Also see Geraldine Sibanda, ‘Institutional Responses to Zimbabwe’s Economic Crisis’.

the acute shortage of basic commodities.⁷¹⁶ It also aimed at the provision of funds to revive failing industries in the food production sector. The \$300 trillion Strategic Products Price Controls Mitigation Fund was created to compliment BACOSI targeted at producers, ‘to make up for and recover from the genuine adverse effects of price controls, and or delays in the approvals of justified price reviews.’⁷¹⁷

The National Housing Facility (NHF) and the Homelink Housing Development Initiative (HHDI) were part of the QFAs targeted at individuals.⁷¹⁸ The NHF’s major preoccupation was the construction of houses for the underprivileged citizens. The HHDI was established in February 2005 as a (Pvt) Ltd company, wholly owned by the RBZ, to generate foreign currency through the construction of houses for Zimbabweans in the diaspora, with an initial investment of ZW\$75 billion.⁷¹⁹ The Board comprised of industry chiefs drawn from government parastatals or institutions. The Chairman of the Board of Directors, Herbert Nkala was also the RBZ Advisory Board’s Publicity and Communication Chairman and CEO of the Rainbow Tourism Group. The Vice-Chairman was the RBZ Deputy Governor, Charity Dhliwayo. Other board members included Institute of Chartered Accountants of Zimbabwe President, Eric Bloch, Zimbabwe Tobacco Association President, Duncan Millar and Revenue Authority Commissioner General, Gershom Pasi.⁷²⁰ Homelink (Pvt) Ltd, also ran a Money Transfer Agency (MTA). The New Enterprise Development Investment Scheme; Quoted Securities Investment Scheme, Homelink Bereavement Policy and the Non-Resident Pension Scheme, were all run by Homelink.⁷²¹

The RBZ was also involved in the purchase of products for distribution to government and industry boards. It was under this drive that it engaged in a massive vehicle purchase and distribution programme. In 2006 alone, the Bank purchased and distributed 292 vehicles to 18 Ministries including the Ministries of Agriculture, Rural Housing and Social Amenities, Finance, Lands, Land Reform and Resettlement. Other beneficiaries of this RBZ benevolence were the ZRP, Operation Maguta teams, Parliamentary and Senate Committees and the Anti-Corruption Commission.⁷²² Between 2007 and 2008 the RBZ distributed a total of 1058

⁷¹⁶For more on price controls, see among others, Jeremy Jones, ‘Freeze! Movement, Narrative and the Disciplining of Prices In Hyperinflationary Zimbabwe’.

⁷¹⁷ RBZ, *First Quarter Monetary Policy Statement: A Focus on Food, Foreign Exchange Generation, Producer Viability and Increased Supply of Basic Commodities*, 30 April 2008, p49.

⁷¹⁸ RBZ, *The 2005 Post-Elections and Drought Mitigating Monetary Policy*, pp32, 47.

⁷¹⁹ RBZ, *A Synopsis of the Impact of the Central Bank’s Interventions*, p108.

⁷²⁰ *The Chronicle*, ‘Murerwa Launches Homelink (Pvt) Ltd’, 7 February 2005.

⁷²¹ RBZ, *The 2005 Post-Elections and Drought Mitigating Monetary Policy*, p47

⁷²² RBZ, *The Reserve Bank Governor, Dr G Gono Breaks His Silence*, p3.

vehicles to various government ministries and institutions in varying numbers. Vehicles were inclusive of buses, double and single cabs and sedans.⁷²³ **Table 4.5** below illustrates:

Table 4.5: RBZ Vehicle Allocation

<i>Institutions</i>	<i>Number of Cars</i>	<i>Notes</i>
<i>Ministries</i>	116	<i>Information -80; Defence – 25; Justice -41; Industry and International Trade - 11</i>
<i>Commissions</i>	215	<i>Public Service Commission –144, ZEC – 35; Anti-Corruption Commission – 27</i> <i>National Pricing and Pricing Commission - 9</i>
<i>Parastatals</i>	99	<i>ZINWA – 47; DDF – 2; ZBC – 19; ZESA – 27; ZIMSEC - 4</i>
<i>Skills Retention Program</i> ⁷²⁴	298	<i>Medical Staff countrywide – 224; Ministry of Defence Medical Staff – 30; ZPS Medical Staff – 5; ZRP Medical Staff – 10; State Universities - 29</i>
<i>Industry Boards</i>	7	<i>CZI -7</i>
<i>Health Sector</i>	52	<i>Ambulances – 12 (including Mpilo, UBH, Pari, Ingutsheni, Chitungwiza) ; Hospitals - 40</i>
<i>Provinces - Rural Transport Enhancement Program</i>	199	<i>23 for 8 Provinces – Mashonaland East, Midlands, Matabeleland North and South, Mutare, Masvingo ; 22 for Mashonaland West and Central, 17 for Bulawayo</i>
<i>Other State Institutions</i>	84	<i>Attorney General’s Office – 18; Air Force – 3; ZRP -53; Civil Protection Board – 5; Immigration -4; Registrar General - 1</i>

In 2009, after the commencement of the Government of National Unity (GNU), 50 double-cab vehicles owned by the RBZ were loaned to MPs, ZANU-PF and MDC alike.⁷²⁵ In addition to vehicle purchase, the Bank purchased computers and office equipment for government institutions including ZIMSEC, Ministry of Agriculture under the Operation Maguta/Inala, the

⁷²³ *Ibid*, pp4-18.

⁷²⁴ To incentivize workers to stay in the country following the massive brain drain to the diaspora.

⁷²⁵ RBZ, *The Reserve Bank Governor, Dr G Gono Breaks His Silence*, p2.

Registrar General's Office, the Consumer Council of Zimbabwe, National Incomes and Pricing Commission, and ZEC for the 2008 harmonized election.⁷²⁶

There was an element of continuity in some of the QFAs implemented. Some QFAs were a continuation of what was already being implemented in various quarters of government and funded by the fiscus, under the PSIP. Examples are the NHF previously financed in the budget through subsidies and grants to the NHF, the Rural Development Funds and sections of the Construction and National Housing Vote, captured in this thesis as Vote 39. The RBZ previously implemented concessional and export-oriented facilities given to the productive sectors, such as the Productive Sector Facility, the Export Market Development Fund, the Fiscal Export Support Incentives and the Tobacco and Gold Support Schemes between 2000 and 2003.⁷²⁷ The initiative to support SMEs was outlined in MERP and financed in various budgets between 2001 and 2004.⁷²⁸ In some instances, therefore, QFAs complemented government efforts.

From the foregoing, the vastness of the RBZ's QFAs is evident. Yet, they were not a product of consultation, nor did Parliament have a say or perform its oversight role in their formulation and implementation. Therefore, irregularities in formulation and implementation were commonplace. In many instances, QFAs lacked in detail, and there was often a lack of consistency in QFA name and scope. There was also an absence of clarity on how QFAs were to be implemented, managed, and audited. Often, no plan existed on how the Bank would ensure appropriate utilisation of funds, nor was there a plan to ensure results. In the end, abuse of QFA funds was rampant because of 'weak control measures.'⁷²⁹ More often than not, beneficiaries diverted their funds or products. The trend was common under QFAs providing inputs, including fuel and maize. Inputs were resold on the informal market for exorbitant prices in foreign currency.⁷³⁰ In cases where beneficiaries received cash, they would either squander the money or invest in another scheme outside the intended purpose like buying and selling of commodities on the informal market.⁷³¹ The RBZ admitted the existence of this trend in 2006 noting the 'diversion, abuse and non-productive application of funds' by some

⁷²⁶ *Ibid*, p18.

⁷²⁷ RBZ, Monetary Policy Statement November 2001, pp 7-9. RBZ, *The 2005 Post-Elections and Drought Mitigating Monetary Policy*, p33.

⁷²⁸ GoZ, *Millennium Economic Recovery Programme*, p31.

⁷²⁹ Shame Mukoshori, 'Who has Mugabe's Ear...Gono or Murerwa, *Zimbabwe Independent*, 8-14 December 2006

⁷³⁰ Martin Kadzere, 'RBZ to Scrap Loan Facility', *The Herald*, 20 May 2005. Shakeman Mugari, 'Gono Admits Failure', *Zimbabwe Independent*, 20 May 2005.

⁷³¹ RBZ, *Corporate Financial Management in an Anti-Inflation Tight Monetary Policy Environment, Supplement to the May Monetary Policy Statement*, 19 May 2005, pp5-6.

beneficiaries, which had a negative impact on the effectiveness of policy interventions.⁷³² The weakness in monitoring resulted in a high default rate prevalent in all concessionary productive sector facilities. Abuse of funds was not only limited to individuals, ministries and government institutions also abused these funds. For instance, in the Ministry of Agriculture, \$1.5 trillion meant for the procurement of tractors and combine harvesters, upgrading of irrigation systems, as well as purchasing of fertilizer for new farmers in the 2004 agricultural season, could not be accounted for.⁷³³ Homelink was not spared from the corruption around QFAs. Members in the diaspora complained about the quality of the houses and in some instances, stands were provided, but houses were not constructed.

QFAs were also shrouded in secrecy regarding beneficiaries and criterion used to choose these beneficiaries. Although in many cases, various ministries and bodies were involved in the selection process, the criteria used was seldom revealed. Apart from the Distressed Companies Fund and BACOSI, the RBZ has to date never published a list of beneficiaries.⁷³⁴ For this reason, many QFAs were shrouded in corruption and politicization, such that the politically connected became the most prominent beneficiaries including top government officials, including those in the security sector, industry chiefs, and senior ZANU-PF officials. ZANU-PF members and other politically connected individuals, often accessed QFAs meant to benefit individuals as the latter were often distributed via party structures. Reports from different

⁷³² RBZ, *The Road to Macroeconomic Stability: A Synopsis of What Went Wrong in 2005 and the Way Forward: Supplement 9 of the Fourth Quarter 2005 Monetary Policy Statement*, 24 January 2006, p11.

⁷³³ *The Sunday Mail*, 'RBZ to Probe Agric Ministry Over Abuse of \$1.5 trillion', 30 January 2005.

⁷³⁴ RBZ, *A Synopsis of the Impact of the Central Bank's Interventions*, pp101-107. In his widely popular blog, the Big Saturday Read (BSR), in a series of articles, Alex Magaisa became the first to release the names of beneficiaries of the Farm Mechanization Programme including the amounts each beneficiary was 'loaned' by the government, see <https://www.bigsr.co.uk/single-post/2020/07/18/bsr-exclusive-beneficiaries-of-the-rbz-farm-mechanisation-scheme>, <https://www.bigsr.co.uk/single-post/2020/07/19/bsr-farm-mechanisation-saga-a-reply-to-a-reply>, <https://www.bigsr.co.uk/single-post/big-saturday-read-the-great-scandal>, <https://bigsr.africa/bsr-exclusive-beneficiaries-of-the-rbz-farm-mechanisation-scheme-part-2/>. The articles rightly revealed the corruption prevalent in the implementation of the Farm Mechanization Programme as the list of beneficiaries included politicians, judges, commissioners of constitutional commissions, senior civil servants and members of the security sector. Without acknowledging it, the articles demonstrated that through the farm mechanization programme the skewed nature of the land reform process where politicians, the military and the politically connected, 'grabbed' the most lucrative commercial farms, was revealed. The very informative BSRs, however, missed (or misrepresented/misinterpreted) a number of issues. Firstly, in some instances the articles are unclear if the beneficiaries received cash or as was noted in various MPS, equipment and inputs equivalent to the stated USD. Secondly, BSRs remained mum on the fact that there were a few ordinary people who 'benefitted' from the farm mechanization process and that they too in many instances abused the facility because of the absence of controls on the part of the RBZ. Finally, and arguably more importantly, is that the whole process was not a Gono affair nor was it just a Mugabe-Gono affair as implied by the BSRs, but a decision involving Cabinet as QFAs became enshrined in economic blue prints and national budgets as detailed in this chapter. The government to date has not confirmed or denied the Magaisa list, nor has it released its own list of beneficiaries which is pertinent given that the burden of repayment of debt incurred by the RBZ rests with the taxpayer by virtue of the RBZ (Debt Assumption) Act.

Provinces indicated that some government officials and politicians had allocated themselves equipment acquired by the government under the Presidential Powers (Temporary Measures) Acquisition of Farm Equipment or Material Regulation Regulations 2003.⁷³⁵ A2 farmers countrywide complained that the RBZ was giving loans to the politically connected.⁷³⁶ On numerous occasions, the RBZ stated that QFAs were non-partisan:

*We wish to underscore the fact that these programmes are non-partisan, as is the case with all other Reserve Bank programmes and facilities. As such, beneficiaries will be drawn from across the country's broad array of farmers, without regard to their political affiliation, gender, race, religion or any other differentiating criteria other than possession of land, supported by a history of documented utilization.*⁷³⁷

In practice, however, the bulk of the QFAs were accessed by ZANU-PF politicians and the politically connected.

The source of money for these numerous RBZ activities was mainly money expansion in the form of the direct use of the printing press. By 2006, it had become clear that the government was meeting all its expenditure requirements through money printing. Gono conceded that 'The Presidium, the Cabinet and Dr. Murerwa fully support all the efforts we are making to turn around the economy, including the printing of money to see to the completion of projects.'⁷³⁸ Other government expenses were financed through the printing of money. The IMF, for example, was a beneficiary of the RBZ's printing press. Following the threat of exclusion from the IMF, the pressure to belong to the IFI saw Gono printing ZW\$250 billion (US\$2.5 million) for arrears clearance in the General Resource Account.⁷³⁹ Cumulatively, the RBZ printed ZW\$21 trillion (US\$210 million), to make various payments to the IMF.⁷⁴⁰ In 2008, printed money financed the harmonized election, the fight against the cholera outbreak and the November school examinations.⁷⁴¹

Money expansion contributed immensely to increase in M3, in turn triggering inflation, which reached the hyperinflationary level in 2007. Gono was aware of the inflationary consequences of money expansion. On numerous occasions Gono demonstrated that he was 'fully aware' that

⁷³⁵ *The Sunday Mail*, 'RBZ to Probe Agric Ministry Over Abuse of \$1.5 trillion', 30 January 2005

⁷³⁶ *The Standard*, 'RBZ Grants Gono Farming Loan', 2 October 2005.

⁷³⁷ RBZ, *Mid-Year Monetary Policy Statement*, 1 October 2007, p28. Similar sentiments are expressed in MPS

⁷³⁸ Munyaradzi Huni, 'Gono Denies Murerwa Rift', *The Chronicle*, 31 August 2006

⁷³⁹ Dumisani Sibanda, 'Zimbabwe Pays IMF US\$2.5 million', *The Chronicle*, 21 January 2006. Also check IMF Press Releases to add here.

⁷⁴⁰ Dumisani Muleya, 'Never in a 1000 years'.

⁷⁴¹ RBZ, *Mid-Year Monetary Policy Statement*, 1 October 2007

the printing of money would have inflationary pressures, which pressures, he predicted would be contained in the medium to long-term.⁷⁴² In an interview, the former Gono stated:

*Do you think Monetary Authorities were not aware of the impact of QFAs on money supply and inflation? We knew QFAs were inflationary. We made a choice between money inflation and death inflation. The alternative was to let people starve to death. The alternative was to watch people die because of the absence of critical drugs in hospital, and the absence of clean water.*⁷⁴³

For the RBZ therefore, inflation was a necessary and unavoidable consequence. As early as 2005, monetary policy began to admit QFAs were affecting M3.⁷⁴⁴ In some instances, QFA expenditure was wiped out before it achieved its desired result due to hyperinflation.

While the seignorage school accurately identifies the political and fiscal crisis during this period, their thesis does not account for several other factors.⁷⁴⁵ First, until 2008, the source of money paper was Giesecke and Devrient, a German firm known for supplying money paper to most countries in the world.⁷⁴⁶ Although the arrangement the firm had with government is unknown, what is known is that the government needed scarce foreign currency to pay the firm thus the chances of it making a profit from the transaction are limited. Secondly, the thesis does not account for the cash crisis that Zimbabwe faced during the period in question if printing money was profitable, why did the RBZ simply not print more? Thirdly, it does not account for the other source of financing QFAs, debt creation. The RBZ was last capitalized at inception in 1964, thus other than printing money; it generated debt extensively to fulfil its obligations.⁷⁴⁷ In 2015, Parliament passed the controversial RBZ (Debt Assumption) Act, mandating the Ministry of Finance to take over debt accrued by the RBZ ‘before the 31st of December 2008.’⁷⁴⁸ The Debt Assumption Act revealed that debt at the RBZ was created in two ways; either direct borrowing or non-payment of certain obligations. The Act explicitly states that the Ministry of Finance was to take over the debt even in cases where the bank had ‘no power or capacity to incur the liabilities.’ The Bank borrowed directly domestically and abroad from finance houses, suppliers of agricultural inputs and foreign banks including Bank Negara of Malaysia and the Reserve Banks of Malawi, and South Africa.⁷⁴⁹ Total assumed domestic debt

⁷⁴² Munyaradzi Huni, ‘Gono Denies Murerwa Rift’.

⁷⁴³ Interview with Gideon Gono, Harare Central, Harare, 22 April 2017.

⁷⁴⁴ RBZ, *The Road to Macroeconomic Stability*, 24 January 2006, p12.

⁷⁴⁵ See **Section 1.2.3** for more on the seignorage school

⁷⁴⁶ *Deutsche Welle*, ‘German Company Stops Bank Note Shipments to Zimbabwe’, 2 July 2008. Marcus Walker, ‘Zimbabwe Can’t Paper Over Its Million-Percent Inflation Anymore’, *Yale Global Online*, 9 July 2008.

⁷⁴⁷ GoZ, *2006 Budget*, p17.

⁷⁴⁸ There was a heated debate in Parliament as many legislators, especially those of the MDC, were vehemently against the passage of the Act. See for example PoZ, *Hansard National Assembly Debates*, 17 February 2015, Volume 41, Number 17. PoZ, *Hansard National Assembly Debates*, 3 March 2015, Volume 41, Number 20. GoZ, *RBZ (Debt Assumption) Act of 2015*, p18.

⁷⁴⁹ PoZ, *RBZ (Debt Assumption) Act of 2015*, pp20-25.

is US\$690 548 541.30 while foreign debt is US\$733 424 486 including arrears⁷⁵⁰. Unpaid receipts that the Bank owed were to individuals and corporates total US\$4 086 662.79⁷⁵¹. All the preceding issues considered, made the likelihood of the country making a profit from printing money highly unlikely.

Government's attitude towards QFAs was far from linear. The same stood true for the response of the Ministry of Finance. In some instances, there seemed to be policy continuity yet in others the Ministry was against QFAs. At times, the reactions were contradictory. Nothing demonstrates this contradiction more than the 2004 and 2006 budget statements. The 2004 statement acknowledged the inflationary nature of QFAs and resolved to 'narrow and ultimately avoid such unbudgeted quasi-fiscal operations'. It subsequently 'authorized' the RBZ to 'dishonour all such payment requests and obligations outside the budget framework.'⁷⁵² In the same budget statement, a plethora of QFAs were supported, such as the concessional productive sector facilities and the Homelink initiative. Some sections of the budget were premised on the existence of QFAs. The 2006 statement admitted the undercapitalization of the RBZ and stated '...to finance extra-budgetary expenditures, QFAs have risen to unsustainable levels...to reign in inflation, QFAs will be contained in line with the inflation targets'.⁷⁵³ And yet the same budget statement admitted the existence of a skills retention crisis and instructed the undercapitalized RBZ to implement a Skills Retention Fund.⁷⁵⁴

Cabinet supported QFAs in various ways. Firstly, the NEDPP, to be implemented by the ZNSC was anchored Operation Maguta/Inala, maize and wheat support schemes.⁷⁵⁵ Though it did not mention the programme names, it also supported PARP and LARP as critical for economic turnaround of the country. Although the document focused on the urgent need to generate foreign currency, it located agriculture as the driver of economic transformation. All the identified main actors in the turnaround drive were all recipients of RBZ funding.⁷⁵⁶ NEDPP's support of QFAs showed that the government had no intention of changing the financing

⁷⁵⁰ *Ibid*, pp24-25.

⁷⁵¹ *Ibid*, pp26-59.

⁷⁵² GoZ, *2004 Budget Statement*, pp5-6.

⁷⁵³ GoZ, *The 2006 Budget*, p17.

⁷⁵⁴ GoZ, *2006 Budget*, p24-26.

⁷⁵⁵ GoZ, *The National Economic Development Priority Programme*, p9.

⁷⁵⁶ *Ibid*, p11.

structure dominated by money expansion, nor did it intend on stopping QFAs and regularizing fiscal activities.

The differences in approach towards QFAs triggered a vicious fight between Gono and Murerwa which sometimes played out in public. The Gono-Murerwa conflict was described in the private media as ‘a reflection of the raging ZANU PF succession battle’, a description the two vehemently denied.⁷⁵⁷ However, in an interview, Murerwa admitted to the fights between them being political. But, he explained, ‘The fights were real, he [Gono] wanted to be Minister of Finance and so always sought to discredit me...his power came from the President himself, but apart from that, he managed his relations very well. He was in touch with everyone the Vice Presidents, the army, everyone, in a way that in the end, they owed him favours, that’s how he survived.’⁷⁵⁸

These fights were also triggered by what Murerwa stated as a lack of consultation on policy decisions. A case in point being the printing of money to pay for expenditure, including, the repayment of debt to the IMF’s General Resource Account.⁷⁵⁹ Gono retorted in public, ‘Minister for you to say that you were not being consulted is to forget the numerous meetings we have had with both VPs, economic, social and parastatal ministers. I, therefore, feel deeply let down by now being viewed as having ‘dished out’ \$46 trillion without approval’.⁷⁶⁰

The battle continued such that the 2007 budget statement in numerous instances denounced QFAs with Murerwa affirming, ‘QFAs expenditure has risen to levels that are now undermining our turn-around efforts by systematically increasing the growth of money supply and therefore fueling inflation’.⁷⁶¹ He subsequently announced the ‘phasing out of all QFAs’.⁷⁶² After the presentation of the scathing 2007 budget statement, Mugabe gave Murerwa the same severe attack given to Tsumba accusing him of practising ‘bookish economics’ that would not turn around the economy. Mugabe indicated, ‘they have this word that they use quasi, quasi, quasi. But I tell them that this is the expenditure that we need. We are under sanctions, and there is no room for the type of bookish economics we have at the Ministry of Finance.’⁷⁶³ On his part, Gono dismissed the ‘misleading impressions’ alleging illegality and

⁷⁵⁷ *Ibid.*

⁷⁵⁸ Interview with Herbert Murerwa, 20 July 2019.

⁷⁵⁹ Dumisani Muleya, ‘Murerwa, Gono Clash Head-On’, *The Zimbabwe Independent*, 24 March 2006

⁷⁶⁰ *Ibid.*

⁷⁶¹ GoZ, *The 2007 National Budget Statement*, 30 November 2006, p28.

⁷⁶² *Ibid.*

⁷⁶³ *The Financial Gazette*, ‘Mugabe Trashes Murerwa Script’, 7 December 2006

lone formulation and implementation of QFAs, as ‘fiction’.⁷⁶⁴ He buttressed his point by publishing correspondence between himself and high-ranking civil servants and Ministers Murerwa and Joseph Made (Minister of Agriculture), demonstrating that QFAs had the support of the entire Cabinet, including the Ministry of Finance. In the letters, Murerwa signed off to the disbursement of funds towards agriculture-related QFAs - Operation Maguta/Inala, Wheat and Maize Support and Purchase Facilities, Tobacco Seedlings and Land Preparation Facility, irrigation support, dam construction and support to parastatals, ARDA, GMB, DDF and ZINWA.⁷⁶⁵ The correspondence authorized the disbursement of funds towards the Bio-Diesel and Coal Fuel Projects.⁷⁶⁶ In some cases, correspondence showed various Ministries, and parastatals, requesting RBZ support for multiple projects upon the Ministry of Finance’s failure to provide the same.⁷⁶⁷ The letters revealed that the approvals were granted following deliberations in either Cabinet and or the ZNSC and NERC.⁷⁶⁸ Although the expose did not account for all the QFAs implemented, what came out clearly, was that Gono had the full backing of not only the President but Cabinet, the ZNSC, NERC and the Ministry of Finance.⁷⁶⁹ Asked his position on QFAs by 2006, Murerwa responded, ‘I didn’t support them; everyone knew this including the President. Gono then produced the letters with my signatures using those to claim I permitted him to implement them – I did sign the letters, but that was Cabinet, in Cabinet *haungorambi kusigner zvinhu* [you just do not refuse to sign things]’.⁷⁷⁰ It then did not come as a coincidence that Samuel Mumbengegwi replaced Murerwa on the 6th of February 2007 Cabinet reshuffle.

Former Deputy Minister of Finance and Chairperson of the Parliamentary Committee on Budget and Finance, David Chapfika, also recalled how he too had fights with Gono on the excessive printing of money to finance the various QFAs. He recited how he had on numerous occasions cautioned him on the hyperinflationary effects of printing money, to which the Governor responded that the days of following technocratic and orthodox economics were long gone, in fact Gono was of the view that it was time to create Zimbabwe’s own ‘World Bank to

⁷⁶⁴ RBZ, ‘*The Truth About the RBZ’s Quasi-Fiscal Operations*’, 10 December 2006, p3.

⁷⁶⁵ *Ibid*, pp4 – 9, 11-15.

⁷⁶⁶ *Ibid*, p10.

⁷⁶⁷ *Ibid*, 11.

⁷⁶⁸ *Ibid*, pp4-15.

⁷⁶⁹ Notwithstanding the ‘expose’, in January 2007, he went on to create FISCORP to ‘mop up’ QFAs on behalf of the RBZ. RBZ, *2006 Year- End Monetary Policy Statement, Taking the Bull by the Horns: Roadmap to Our Rapid Disinflation Programme, Macroeconomic Stability and Prosperity for All Zimbabweans*, 31 January 2007, p86. Despite FISCORP, QFAs continued to exist until 2009 with the demonetization of the dollar.

⁷⁷⁰ Interview with Herbert Murerwa.

generate income since the country is under sanctions there was an urgent need to be innovative.’⁷⁷¹

QFAs were unsuccessful in changing the fortunes of the economy for a variety of reasons. First, they were by their very nature unsustainable because they were operated at a loss in an economy that was not producing or generating any form of income. Secondly, the bulk of them regurgitated old failed initiatives, for instance, the concessional loan facilities that were implemented unsuccessfully under Tsumba. Most QFAs were inaccurately described as ‘new’, however, what was ‘new’ was that the scope of these operations was broadened and accelerated after Mugabe had found a governor who had no objections in departing from orthodox. The departure from the conventional was the desirable option to raise revenue without fundamentally changing the status quo hinged on the irreversible FTLRP. Thirdly, their source of financing was inflationary. Their very existence caused a huge part of the hyperinflationary and currency crisis. To navigate out of a fiscal crisis through the implementation of QFAs, the RBZ achieved the least desired outcome, that of hyperinflation, which in turn perpetuated the banking crisis and a thriving forex black market. To stall the imminent total collapse of the Zimbabwe dollar whose purchasing power had been virtually eroded, the RBZ embarked on currency rebasing.

⁷⁷¹ Interview, David Chapfika.

4.6 ‘For Now, The Game Is One of Survival’: Currency Rebasing and Currency Collapse⁷⁷²

The first currency rebasing exercise came into effect on the 1st of August 2006. It was done under an ‘operation’ called Sunrise One. At the time, inflation stood at 1204.6%. The cost of a loaf of bread on the formal market was ZW\$130 000, while the cheapest 20kgs of maize-meal was ZW\$745 000. The cheapest beef on the market was ZW\$1 035 000 per kilogram, a packet of 2kg chicken cost ZW\$2 015 000.⁷⁷³ Prices of clothes had also increased; formal trousers and dresses cost an average of ZW\$5 million, and ZW\$10 million respectively. It is at this point that rebasing was done with the RBZ removing three zeros from the monetary base.⁷⁷⁴ Bearer cheques were still the mode of exchange at the time, but the dollar had not been demonetised. Thus, rebasing was an expansion of an existing system of bearer cheques. Removal of three zeros meant that the exchange value of the new ZW\$1 bearer cheque, was equivalent to ZW\$1000 of the old.⁷⁷⁵ The new bearer cheques contained 14 denominations namely 1 cent, 5 cents, 10 cents, 50 cents, \$1, 10, 20, 50, 100, 1000, 10 000 and 100 000.⁷⁷⁶

The RBZ provided three reasons for the process. First, purchase systems, data management systems and computers were unable to accommodate the increased number of zeros as they were not programmed to handle digits beyond certain thresholds.⁷⁷⁷ Secondly, there was rampant speculation on the money and real estate markets.⁷⁷⁸ The changing of forex on the black market had become entrenched in a process colloquially known as ‘burning’ where speculators traded forex in anticipation of the devaluation of the dollar. Instead of holding onto money, citizens, speculators included, purchased land and real estate at the dwindling value of the dollar. Thirdly, the bulk of the currency issued by the RBZ was ‘outside the banking system’ demonstrating the expansion of the informal market and mistrust in the banking sector as citizens hoarded their cash in both local and foreign currency.⁷⁷⁹ At the time ZW\$40 trillion

⁷⁷² RBZ, *Mid-Year Monetary Policy Statement*, 1 October 2007, p34.

⁷⁷³ RBZ, *Sun-Rise: A New Beginning: The National Payments System and the Observed Disintermediation: Need For Currency Reforms, Supplement to the First Half 2006 Monetary Policy Review Statement*, July 2006, p13-14.

⁷⁷⁴ *Ibid.*, p7.

⁷⁷⁵ *Ibid.*, p9.

⁷⁷⁶ *Ibid.*, p10.

⁷⁷⁷ *Ibid.*, p2.

⁷⁷⁸ *Ibid.*

⁷⁷⁹ *Ibid.*, p5-6. By December 2004, ten banking institutions had been placed under curatorship, two were liquidated and one discount house had been closed. Failed institutions were accused of poor corporate governance, fraud, ‘creative accounting’ and dealing in foreign currency. RBZ, *Troubled Banking Institutions, Supplement to the January 2006 Monetary Policy Statements*, p2-5. RBZ, *Reflections on: What Went Wrong at Trust and Royal*

had been injected into the economy, but only ZW\$5 trillion, or 10% was in the bank vaults.⁷⁸⁰ However, *The Financial Gazette*, one of the country's largest independent newspapers, described the move as forestalling a 'looming politically embarrassing situation in which Zimbabweans would need wheelbarrows to wheel huge bundles of cash.'⁷⁸¹

A transition period, initially set to end on the 21st of August but extended until the 30th of September 2006, was provided for the exchange of old bearer cheques for new ones after which the old cheques would be demonetised.⁷⁸² To curb speculation and 'economic ills', individuals with ZW\$100 million or more and corporates with ZW\$5 billion or more were expected to possess 'ZIMRA certification of tax payment and declaration of source' of income. Those without clearance were issued a '1-2-year zero coupon anti-money laundering currency stabilization bonds, pending investigation and or ZIMRA certification'.⁷⁸³ To solve the problem of lack to access to banks and financial institutions for many in the rural areas, the RBZ sent out roving teams stationed at secondary schools, council halls and other central places, to exchange old bearer cheques for new ones.⁷⁸⁴

Rebasing was achieved through the passing of a Statutory Instrument and not an Act of Parliament. Instead of going to Parliament to initiate debate and approval on the matter, Presidential Powers were invoked, thus the passage of the 'The Presidential Powers (Temporary Measures) (Currency Revaluation) Regulation 2006 (S.I 199/2006)'.⁷⁸⁵ Apparently, Murerwa was also not consulted bidding the Governor to pompously announce in his opening statement, that the things he would say, even 'his bosses did not know' them, revealing once more the entrenched disputes between the two.⁷⁸⁶ As evidence of the in-fighting and exclusion of Murerwa and the Ministry of Finance, Murerwa publicly castigated the decision asserting that 'the problem we have is of under-production. We have removed three zeros, but that is not to guarantee that come December they will not be back.'⁷⁸⁷ The Bank inaccurately states that 'widespread consultations were done'; in reality, the public was not consulted. What the public was asked were the difficulties they were experiencing in

Banks, 3 May 2006. RBZ, *The Collapse of Barbican Bank Limited: The Untold Story, Supplement to the First Half of the 2006 Monetary Policy Review Statement*, 31 July 2006.

⁷⁸⁰ RBZ, *Sun-Rise: A New Beginning*, p7.

⁷⁸¹ *The Zimbabwean*, 'Slashing Zeros Proves Failure', 17 August 2006.

⁷⁸² *Ibid*, p8-9, 11.

⁷⁸³ *Ibid*, p9.

⁷⁸⁴ RBZ, *Rural Banking, Financial Inclusion and Empowerment of Small to Medium Enterprises, Supplement to the January 2007 Monetary Policy Review Statement*, 31 January 2007, p4.

⁷⁸⁵ RBZ, *Reserve Bank of Zimbabwe 2006 Annual Report*, p53.

⁷⁸⁶ Clemence Manyukwe, 'Zeros Back by December - Murerwa', *The Financial Gazette*, 25 August 2006

⁷⁸⁷ *Ibid*

transactions given the exorbitant prices and not the rebasing exercise itself.⁷⁸⁸ Thus, to bring the excluded public on board, the ‘operation’ was branded as an economic turnaround strategy, which would usher in the ‘new beginning’ Zimbabweans were yearning for. RBZ adverts on the rebasing exercise were awash with the slogan ‘say no to zero and hello to hero’ and ‘from zero to hero’ often with ‘Gono as a warrior defending the people by shooting down the ‘offending’ zeroes’.⁷⁸⁹ The Media Monitoring Project of Zimbabwe (MMPZ), described these adverts, mostly in state-run media, as ‘childish and misleading slogans.’⁷⁹⁰

The RBZ underestimated the extent of financial exclusion of the majority such that the solutions it proffered were inadequate. Despite the extension of the deadline, some people were unable to change their cash, creating fertile ground for money dealers to swap old notes for new ones at a premium.⁷⁹¹ The process was also criticized for being ‘rapid and disorganized, which resulted in people being unable to convert their old bearer cheques to new issues before the lapse date.’⁷⁹² *The Financial Gazette* reported that the ‘changeover process had caused turmoil among retailers and the public due to the shortage of smaller denominations.’⁷⁹³ By the time the old bearer cheques were demonetised, only ZW\$35 trillion was withdrawn from circulation, while ZW\$10 trillion had lost its value in the hands of public, as many could not meet the deadline.⁷⁹⁴ The process also triggered a fresh bout of price increases on essential commodities, as many retailers took advantage of the situation.⁷⁹⁵ By 2007, the new bearer cheques traded at ZW\$30 000 to a US\$ on the formal market; on the black market, they were ten times weaker, at ZW\$300 000 to the dollar.⁷⁹⁶ By December 2007, the Bank was once more issuing high denominations of \$500 000 and \$750 000.⁷⁹⁷

In January 2008, the bank introduced \$1 million, \$5 million, and \$10 million single-note bearer cheques, at that point official inflation was pegged at 100 580.2%. By May 2008, when official inflation reached 2 233 713.4%, bearer cheques went into the billions with the introduction of \$5 billion, \$25 billion and \$50 billion notes.⁷⁹⁸ Special Agro-cheques with an expiration date of 31 July 2008, were introduced to disguise the increase in M3 and avoid more denominations

⁷⁸⁸ RBZ, *Sun-Rise: A New Beginning*, p3.

⁷⁸⁹ *The Zimbabwean*, ‘Slashing Zeros Proves Failure’, 17 August 2006.

⁷⁹⁰ *Ibid.*

⁷⁹¹ Victoria Ruzvidzo, ‘RBZ Unearths Illegal Cash Deals’, *The Financial Gazette*, 25 August 2006

⁷⁹² www.greatamericancoincompany.com, 26 January 2018

⁷⁹³ Clemence Manyukwe, ‘Zeros back by December’.

⁷⁹⁴ RBZ, *2006 Annual Report*, p42.

⁷⁹⁵ Victoria Ruzvidzo, ‘RBZ Unearths Illegal Cash Deals’.

⁷⁹⁶ Bulawayo 24 News, ‘A Timeline of How Zimbabwe Lost its Currency’

⁷⁹⁷ *Ibid.* www.greatamericancoincompany.com, 26 January 2018.

⁷⁹⁸ *Bulawayo 24 News*, ‘A Timeline of How Zimbabwe Lost its Currency’

of billions in bearer cheques. They were initially introduced as payments to farmers following the 2007/2008 farming season. Denominations of \$5 billion to 100 billion were issued as special agro-cheques.⁷⁹⁹ However, bearer cheques and Special Agro-cheques served the same purpose, their difference only existed on paper as the use of the latter was not limited to transactions between farmers.

Once more, the computers were unable to contain the figures, yet the RBZ was still bent on printing money as a means of financing the state. It needed to print more money because those cheques were quickly gobbled up by inflation. This led to another rebasing episode, this time with the bank removing ten zeros under the Sunrise Two project.⁸⁰⁰ With effect from the 1st of August 2008, all monetary valuations were redenominated to 1: 10 000 000 000.⁸⁰¹ At this stage, a total of 13 zeros had been removed from the dollar. This time, there was no rush to exchange old notes for new ones, as the Bank approved the parallel circulation of all bearer cheques on the market until 31 December 2008, a move which served to increase M3 even more.⁸⁰²

As inflation soared, the RBZ was further pushed into a corner by Giesecke and Devrient ceasing the supply of banknotes, forcing it to reintroduce the long-forgotten Zimbabwe dollars as legal tender. Gono announced, ‘Go back and look for those coins because we never demonetised them in the first place’, making an old ZW\$1 coin the equivalent of \$10 billion bearer cheque.⁸⁰³ Eventually, the continued use of the dollar made no sense; the economy had already rejected it with prices being quoted in foreign currency. Instead of demonetizing at that point, the RBZ once again attempted to prolong the inevitable through the introduction of Foreign Exchange Licensed Warehouses and Retail Shops (Foliwars), Foreign Exchange Licence Oil Companies (Felocs) and Foreign Exchange Licensed Outlets for Petrol and Diesel (Felopads).⁸⁰⁴ These pronouncements saw some licensed shops and retailers being allowed to trade in forex with 1000 retailers and 250 wholesalers. It insisted, ‘it is imperative to note that

⁷⁹⁹ www.greatamericancoincompany.com

⁸⁰⁰ *Bulawayo 24 News*, ‘A Timeline of How Zimbabwe Lost its Currency’.

⁸⁰¹ RBZ, *Monetary Policy Statement*, July 30 2008, p9.

⁸⁰² *Ibid.*

⁸⁰³ *Ibid.* Giesecke and Devrient stopped providing bank note paper on the 1st of July 2008 due to pressure from the German government which had now joined in the enactments of various sanctions against Zimbabwe. The Jura JSP software end user license was also terminated on the 24th of July 2008, with the result being reduced quality of notes and fewer security features. RBZ, *Monetary Policy Statement, July 2008*, p4. <https://www.theguardian.com/world/2008/jul/23/zimbabwe>. <https://yaleglobal.yale.edu/content/zimbabwe-cant-paper-over-its-million-percent-inflation-anymore>

⁸⁰⁴ *Bulawayo 24 News*, ‘A Timeline of How Zimbabwe Lost its Currency’.

the current measures are neither a condonation nor a direct introduction of the dollarisation of the economy...it is a pragmatic response to the realities obtaining in the economy.’⁸⁰⁵

In November 2008, using the Old Mutual Implied Rate (OMIR), Hanke and Krus, pegged inflation at 7.96×10^{10} %, with a daily inflation rate of 98%.⁸⁰⁶ Dollarisation had not been officialized, so on the 16th of January 2009, a \$100 trillion dollar note was introduced, a clear sign of currency collapse. On the 29th of January 2009, the budget was presented in the ZW\$, US\$ and the South African Rand. In Zimbabwe dollars, the total budget was ZW\$38 669 901 220 equivalent to US\$1 933 495 061 and ZAR19 847 326 801⁸⁰⁷. The final rebasing exercise followed the announcement of the budget. In February 2009, the RBZ removed 12 zeros off the currency bringing to 25 the zeros removed between August 2006 and February 2009.

⁸⁰⁵ *Ibid.*

⁸⁰⁶ Steve Hanke coined the OMIR which is used to calculate inflation in Zimbabwe to date as an alternative to the official rate provided by the central statistical office, ZIMSTAT. Steve Hanke and Nicolas Krus, ‘World Hyperinflations’, p371.

⁸⁰⁷ GoZ, *Estimates of Expenditure for the Year Ending 31 December 2009*, p32.

4.7 Conclusion

The crisis decade discussed in this chapter illuminates the impact of international isolation on state finances at a time government had become reliant on foreign budget support to finance its deficit. Loss of the IMF Stamp of Approval stemmed from a combination of factors chief among them government's inability to meet its debt obligations and the internal policy changes taking place in the BWIs which resulted in an emphasis on good governance. The loss of the IMF Stamp of Approval resulted as it normally does, in among other things, multilateral and bilateral sanctions that affected government's borrowing capacity including ZiDERA and the Executive Orders passed by President George Bush. The Chapter demonstrated that faced with such financial constraints, the unwillingness to reform and the real threat to power, the ZANU-PF led government turned to domestic borrowing and especially the RBZ to finance its expenditure. Ironically, beginning gradually in 1997 and at an accelerated pace between 2003 and 2008, the undercapitalized RBZ became the main tool of financing the state. This was achieved in various ways, including, the removal of limits to the overdraft window, unmitigated issuance of Treasury Bills, and various forms of currency manipulation, this thesis has termed currency engineering [introduction of pseudo currencies and currency rebasing]. These unorthodox tools of financing gained traction in post2003 with the appointment of a new governor and the calculated ascribing of the central bank with a 'developmental' role which would be anchored on predominantly the printing of money. This new role resulted in the implementation of a plethora of controversial QFAs and hyperinflation. The controversy lay in their formulation and implementation. Though often endorsed in some of the prevailing economic blueprints and cabinet, they excluded public and Parliamentary consultations. Albeit government being a big beneficiary of the same, QFAs were also accessed and abused by the politically connected. Due to excessive printing of money inflation soared culminating in the hyperinflationary crisis with the life of the dollar being extended by the removal of 25 zeros between August 2006 and February 2009.

CHAPTER FIVE

'We Eat What We Kill'? Economic Planning, International Re-Engagement and Government's Spending Patterns during the Government of National Unity, 2009-2013⁸⁰⁸

5.1 Introduction

By 2008, the Zimbabwe crisis had reached its peak. Due to a collapse of service delivery, there was a humanitarian crisis manifesting through an acute cholera outbreak and food shortages in both the rural and urban areas.⁸⁰⁹ On the political front, the ruling ZANU PF for the first time since independence in 1980, failed to garner a two-thirds majority in Parliament. Of the 210 National Assembly contested Parliamentary seats, the MDC-Tsvangirai (MDC-T) won 99 seats, and MDC-Mutambara (MDC) obtained ten seats against ZANU-PF's 97 seats. For the first time since 1980, Mugabe lost the election and due to a technicality, called for a presidential election run-off which became one of the bloodiest episodes of Zimbabwe's post-colonial history.⁸¹⁰ Equally chaotic was the economy characterised by a disjuncture between fiscal and monetary policy, the paradox of excess liquidity induced hyperinflation and cash shortages, a thriving foreign currency black market, price and currency distortions, empty supermarkets, lack of production and high rates of unemployment. Combined, these factors brought the three major political players to the negotiating table under the mediation of Thabo Mbeki, then President of neighbouring South Africa.⁸¹¹ The three political parties, ZANU-PF, MDC-T and MDC, signed a SADC underwritten Global Political Agreement (GPA), on September 15 2008.⁸¹² Among other things, the GPA compelled the parties to create a Government of

⁸⁰⁸ The statement uttered by new Minister of Finance, Tendai Biti, which meant that the government would adhere to a cash budget. GoZ, *Statement on the 2009 Budget*, 17 March 2009, p12.

⁸⁰⁹ It has been argued that the humanitarian crisis was man-made particularly the cholera outbreak which killed more than 4000 people in 2008/9. See among others, Simukai Chigudu, *The Political Life of an Epidemic Cholera, Crisis and Citizenship in Zimbabwe*, (Oxford: Oxford University Press, 2020).

⁸¹⁰ In the first round of elections Morgan Tsvangirai won 47.9% of the vote, Robert Mugabe 43.2% and Simba Makoni of the Mavambo/Kusile/Dawn party received 8.3% of the vote. The technicality was that none of the candidates was able to garner the required 50% + 1 to be declared winner. For more on the 2008 election and the violence that ensued see among others, Lloyd Sachikonye, *When a State Turns on its Citizens*. A documentary detailing the atrocities surrounding the Presidential run-off was done by journalist Hopewell Chinono see https://www.youtube.com/watch?v=YEdPQcQFigU&list=LLiivBDIU_CW2NJ3kIu2B9ag&index=29&t=46s

⁸¹¹ For an appreciation of Thabo Mbeki's attitude towards the Zimbabwe crisis prior to the signing of the GPA, see Ian Phimister, 'Rambai Makashinga (Continue to Endure).

⁸¹² See *The Global Political Agreement*, 15 September 2008, https://www.pindula.co.zw/Global_Political_Agreement. For details on the complexities of the GPA see among others, Judy Smith-Höhn, 'Unpacking the Zimbabwe Crisis: A Situation Report', *Institute for Security Studies Situation Report*, 10 September 2009. Brian Raftopoulos, 'The Global Political Agreement as a 'Passive Revolution': Notes on Contemporary Politics in Zimbabwe', *The Round Table*, Volume 99, Number 411, pp705 — 718, 2010. Nick Cheeseman and Blessing Tendi, 'Power-Sharing in Comparative perspective: The Dynamics of 'Unity Government' in Kenya and Zimbabwe'.

National Unity (GNU) that was consummated with the swearing-in of new Cabinet Ministers on February 11 2009, and was in place until the elections of July 31 2013.

Literature on the GNU falls into three broad categories. The first body of literature examines the politics of the GNU. It unpacks the GPA, casting light on inter and intra-party political contestations, between and among the three main political parties and discusses human rights, governance, and the rule of law discourses prevalent at the time.⁸¹³ The second batch details the multicurrency regime and its impact on the various sectors of the economy, with the final category of literature focusing on a wide array of economic policies to account for the GNU's relative economic success.⁸¹⁴ However, what remains understudied in this plethora of literature are two critical issues. First, there is very little written on the politics of the many economic reforms implemented during the GNU among them, fiscal and monetary reform, debt clearance and the GNU anthem embodied in the new Minister of Finance's statement 'we eat what we kill'.⁸¹⁵ This leaves unanswered such critical questions as whether the GNU anthem was reflected in government's expenditure patterns, and connected to this, whether the environment was conducive for its implementation. Secondly, the politics of international re-engagement during the GNU remains largely unexplored, a gap that this chapter seeks to fill by shedding more light on how the new government handled the international isolation that preceded it and how that impacted on government finances. As is the case in previous epochs, an examination of Zimbabwe's national debt also remains mostly peripheral in the literature.

In answering the questions posed above, this chapter contributes to the rich debate on the nexus between politics and economics in Zimbabwe by broadening and complicating our understanding of the economics and political economy of the GNU. In doing so, the chapter foregrounds such internal developments as the economic planning processes and monetary and fiscal policy reforms. It also provides an alternative view of the role of the international community in Zimbabwe as well as the yet to be resolved national debt problem. Apart from this introduction, the chapter contains four other sections. The first section builds on the issues discussed in Chapter Four to examine the politics of monetary reform, demonstrating that such reforms preceded the GNU. The second section shifts focus to economic planning and the role

⁸¹³ For a detailed appreciation of the literature detailing the economic and political developments during the GNU see **Section 1.2.4**.

⁸¹⁴ Ibid.

⁸¹⁵ Some fiscal challenges are discussed in Jabusile Shumba and Mohammed Jahed, 'Fiscal Space Challenges, Policy Options and Zimbabwe's Economic Recovery', Eldred Masunungure and Jabusile Shumba (eds), *Zimbabwe: Mired in Transition*, pp155-174.

of the international community. It unpacks the major policy documents, examines the economic planning processes, and ties this with the examination of the role of multilateral and bilateral partners' involvement in Zimbabwe's debt problem. The third section examines government's expenditure patterns while the final section concludes the chapter by summarizing this discussion's major highlights.

5.2 The Politics of Monetary Policy Reform

The fiscal and monetary statements announced by the Acting Minister of Finance, Patrick Chinamasa and Governor Gono in January 2009, just a month before the commencement of the GNU, were a significant benchmark in Zimbabwe's monetary policy reform trajectory.⁸¹⁶ Paramount among these reforms was the ending of QFAs and a resolution of the country's currency and cash crisis. The ending of QFAs, made possible through a series of events, was as political as their implementation. The first of these events was the formal announcement of their ending in the budget of January 29 2009.⁸¹⁷ Announcing the removal of quasi-fiscal expenditures on the RBZ's balance sheet, the Budget statement revealed that the Reserve Bank would 'concentrate on its major mandate of assuring the stability of prices and the financial sector.'⁸¹⁸ In line with the Budget, the monetary policy statement reiterated that the RBZ would 'streamline and close the RBZ's quasi-fiscal operations' ensuring that the Bank concentrated on its orthodox roles of inflation control, exchange and interest rate management, and supervision of the financing sector.⁸¹⁹ For the first time after long history of mismatch, fiscal and monetary policy were in tandem.

Despite these changes, the issue of QFAs continued to be highly controversial following the commencement of the GNU.⁸²⁰ The GNU appointed a new Minister of Finance, Tendai Biti (MDC-T). In presenting his first budget statement in March 2009, Biti reiterated that QFAs, would be 'ceased forthwith', triggering fights with Gono in the process.⁸²¹ For instance, Biti blamed Gono for the economic and hyperinflationary catastrophe; referring to QFAs as 'illegal, [because they] operated outside the constitution of Zimbabwe', concluding that Gono ran a 'parallel government structure using public funds', allegations which Gono repeatedly denied.⁸²² Biti further accused Gono of being at the centre of ZANU PF 'terror machine' calling him 'an economic saboteur, terrorist and number one Al-Qaeda who deserves to be shot by a

⁸¹⁶ Gono's contract as Governor of the RBZ was renewed for another five years on the November 26 2008.

⁸¹⁷ There were two budget statements presented in 2009. The first was presented in January 2009. While the second, was presented in March 2009. GoZ, *The 2009 National Budget Statement: Laying a Firm Foundation for the Emergence of Our National Economy*, 29 January 2009, pp44-45.

⁸¹⁸ *Ibid.*

⁸¹⁹ RBZ, *Monetary Policy Statement: Turning Our Difficulties into Opportunities*, January 2009, pp22, 24, 45-48.

⁸²⁰ Biti spoke against Gono from as early as 2005 see for example, Tendai Biti, 'More Self – Congratulatory Lies', *The Daily Mirror*, 31 January 2005. Tendai Biti, 'Stop the Destruction, Gono Must Go', *Zimbabwe Independent*, 7 October 2005. Tendai Biti, 'A Hibernating Regime Has No Answers', *Zimbabwe Independent*, 19 October 2007.

⁸²¹ GoZ, *Statement of the 2009 Budget*, pp26-27.

⁸²² GoZ, *Statement of the 2009 Budget*, p26. Dumisani Muleya, 'Biti Takes Fight to Gono', *Zimbabwe Independent*, 27 March 2009. Gideon Gono, 'I Didn't Run Parallel Government: Gono', *The Herald*, 3 April 2009.

firing squad.⁸²³ Biti and some Parliamentarians also called for a full audit of the RBZ, Gono, and his associates.⁸²⁴

Battling under immense pressure, Gono wrote to the new Prime Minister, and President of the MDC-T, Morgan Tsvangirai, wherein he accused Biti of having a personal vendetta against him. According to Gono, the 'hatred' and 'vilification' by Biti arose from an RBZ probe into, Honey and Blanckenberg, the law firm where Biti was partner, for alleged 'rampant externalization of foreign funds and money laundering'.⁸²⁵ The investigation suggested that the firm could have been involved in various forex scams from 2003 allegedly externalizing a total of over US\$1 million, in violation of Section 9, 10(1)C and 11 of the 1996 Exchange Control Regulations.⁸²⁶ On his part, Biti maintained that his fights with Gono were not personal; they instead bordered on the separation of powers between the Ministry of Finance and the RBZ. In an interview, Biti explained his position thus:

the RBZ was at the epicentre of our challenges - [I found a] very timid and vandalized Ministry; one that had been totally emasculated. My fights with him [Gono] were to move the Ministry of Finance away from 80 Samora Machel Avenue [location of the RBZ] to the Central Avenue [location of the Ministry of Finance]. It was an institutional fight.⁸²⁷

A critical step towards the ending of QFAs that somewhat toned down the fights between Gono and Biti, was the amendment of the RBZ Act [Chapter 22:15] in March 2010. The Amendment Act brought an array of changes to the operations of the RBZ. Firstly, it allegedly returned the RBZ to its orthodox functions devoid of QFAs; while the Ministry of Finance maintained its 'rightful' role as the commander of broader economic policy and the formulator and implementer of fiscal policy.⁸²⁸ Writing about his experience during the GNU, Biti later recalled:

The Bill amending the Reserve Bank Act was by far the most contested of all the laws of the GNU. The debate in Cabinet turned into an epic fight pitched along Party lines...The Cabinet eventually approved it, as did the MDC-controlled Lower House. It was, however, stalled for months in the Senate, controlled by ZANU (PF). The Bill was only passed after the intervention of the President after it was pointed out to him that the Senate was, in fact, undermining his authority as chair of Cabinet.⁸²⁹

⁸²³ *Zimbabwe Independent*, Letter from Gideon Gono to Prime Minister Morgan Tsvangirai - Dated 11 May 2009, 22 May 2009.

⁸²⁴ See for instance, PoZ, *Hansard National Assembly Debates*, Volume 35 Number 35, 15 July 2009.

⁸²⁵ Constantine Chimakure, 'Gono in Total War with Minister Biti', *Zimbabwe Independent*, 22 May 2009. Chris Muronzi, 'Biti Gains Control of Treasury', *Zimbabwe Independent*, 12 June 2009.

⁸²⁶ *Zimbabwe Independent*, Letter from Gideon Gono to Prime Minister Morgan Tsvangirai.

⁸²⁷ Tendai Biti interview, Milton Park, Harare, 25 July 2019.

⁸²⁸ Walter Marwizi, 'Biti Pushes for RBZ Reforms', *The Standard*, 26 April 2009. *The Herald*, 'Senate Passes RBZ Amendment Bill', 10 March 2010.

⁸²⁹ Tendai Biti, 'Rebuilding Zimbabwe', pp11-12.

Despite the hype around the amended Act, it did not change much in terms of the role of the Bank. All it did was to shift control from the President as the appointing authority, as was the case between 2000 and 2008, to the Ministry of Finance. Consequently, like during the tenure of Chidzero, through the new RBZ Act, the Ministry of Finance regained firm control of the Bank. For that reason, former RBZ Governor Leonard Tumba, himself a proponent of conventional central banking, dismissed the changes as having made the RBZ even more 'subservient to, and an appendage of, the executive through the MoF'.⁸³⁰ Despite creating a Monetary Policy Committee (MPC) which would be guided by an unspecified inflation target to curb a repeat of the hyperinflationary episode, the Minister of Finance wielded much power.⁸³¹ As Tumba pointed out that the way the provision was couched ensured the MoF controlled the Bank and it accorded the Minister of Finance the power to set an inflation target of his choosing with very little intervention from the MPC or RBZ Board.⁸³²

The new Act, however, did not deal with the RBZ debt, including debt incurred to finance QFAs, an aspect that also contributed to the never-ending contestations between Biti and Gono. Biti preferred an exhaustive RBZ debt audit that would legally prove that the RBZ had 'legal legitimacy and accounting legitimacy' on all loans before the government assumed its debt.⁸³³ Biti's position explains why he presented a motion in Cabinet to investigate Gono' for allegedly overstepping his mandate by borrowing without relevant authority from the Treasury'.⁸³⁴ The motion was denied with Biti reportedly storming out of Cabinet.⁸³⁵ Mugabe declared that an investigation into Gono would 'collapse the inclusive government'.⁸³⁶ According to Biti, Mugabe and Cabinet denied having an audit carried out because 'they felt it was investigating them, so, they protected Gono. Chinamasa would say *'ah shefu dai Gono ange asipo dai takadona* [in the absence of Gono, ZANU-PF would have been pushed out of office]'.⁸³⁷

The compromise position to the resolution of the RBZ debt at the time was the appointment of a new RBZ Board. Although Gono remained the Chairperson of the Board by his continued tenure as the RBZ governor, new board members were appointed including Charles Kuwaza as deputy governor, Willard Manungo, Permanent Secretary of the Ministry of Finance, retired

⁸³⁰ Leonard Tumba, *Restructuring and Reform of the Reserve Bank of Zimbabwe: Towards Good Governance*, Occasional Paper Number 2, Centre for Peace Initiatives in Africa, 20 April 2010, p12.

⁸³¹ GoZ, *RBZ Amendment Act [Chapter 22:15]*, Section 29(b).

⁸³² Leonard Tumba, *Restructuring and Reform of the Reserve Bank of Zimbabwe*, p24.

⁸³³ Tendai Biti interview.

⁸³⁴ Dumisani Muleya, 'Biti Storms Out of Cabinet', *Zimbabwe Independent*, 18 June 2010.

⁸³⁵ *Ibid.*

⁸³⁶ Dumisani Muleya, 'Fierce Row Rocks Cabinet' [date unavailable].

⁸³⁷ Interview, Tendai Biti.

judge George Smith, economists and academics, Godfrey Kanyenze, Tony Hawkins and Daniel Ndlela. In addition to formulating an RBZ debt clearance strategy, the widely accepted Board's mandate also included structural reforms such as downsizing and ensuring adherence to the new RBZ Act. The Board was tasked to address the 'disposal of the bank's quasi-fiscal assets and operations as well as putting in place committees for monetary policy and audit[ing].'⁸³⁸ However, throughout the tenure of the GNU, the Board was unable to finalize any strategy regarding RBZ debt. It was only resolved after the GNU with the passage of the controversial RBZ Debt Assumption Act, passed in the midst of wide-spread objection.⁸³⁹

Apart from QFAs and RBZ debt, monetary policy reforms entailed contestations around currency. There is a misplaced belief that the multicurrency regime was introduced by Tendai Biti when he announced his first budget statement on March 17 2009.⁸⁴⁰ However, forced by the wide-spread rejection of the Zimbabwe dollar, Chinamasa in his capacity as acting Minister of Finance, made currency changes in January 2009. These included the use of multi-currencies inclusive of the Rand and United States dollar by the public, government, parastatals, insurance companies, including the National Social Security Authority (NSSA) and the Zimbabwe Stock Exchange, who were permitted to trade and pay taxes in Foreign currency.⁸⁴¹ The same budget authorized the calculation of official economic statistics in foreign currency terms.⁸⁴² Changes also included the liberalisation of the pricing and exchange rate systems to remove commodity and price distortions. The National Incomes and Pricing Commission (NIPC)'s responsibilities were changed to monitoring price trends obtaining in the sub-region and beyond, guiding producers and retailers as well as advising government on import parity-based pricing.⁸⁴³ Likewise, the Monetary Policy Statement of January 2009, consolidated these reforms, before they were elevated to law through Statutory Instrument 5 of 2009.⁸⁴⁴

Missing in the array of changes in January 2009, was demonetization, as all foreign currency was to be used 'alongside the Zimbabwe dollar'.⁸⁴⁵ The Monetary Policy Statement instead affirmed that 'the Zimbabwe dollar was the country's sovereign and legal tender'⁸⁴⁶ Although

⁸³⁸ *The Herald*, 'New Board for RBZ', 5 May 2010. GoZ, *The 2010 Mid-Term Fiscal Policy Review Statement: Embracing a Business Unusual Approach*, 14 July 2010, p131.

⁸³⁹ Interview, Tendai Biti.

⁸⁴⁰ See for example, Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival*, p215.

⁸⁴¹ GoZ, *The 2009 National Budget*, pp 46-54,79.

⁸⁴² *Ibid*, p42.

⁸⁴³ *Ibid*, pp61-62, 64.

⁸⁴⁴ RBZ, *Monetary Policy Statement*, pp23, 69, 103.

⁸⁴⁵, GoZ, *The 2009 National Budget*, p42.

⁸⁴⁶ RBZ, *Monetary Policy Statement*, p23.

the Zimbabwe dollar would still be in place, the two statements committed to an end to 'money printing beyond the economy's production of goods and services'.⁸⁴⁷ Further, all entities trading in foreign currency were required to have licenses, a mandate viewed as necessary to 'record and recognize traders for tax purposes'.⁸⁴⁸ These robust changes, however, did not mention the exchange rate for the Zimbabwe dollar, leaving it open to manipulation. In the absence of a concrete revenue generation plan, a vague commitment to ceasing the printing of money was inadequate to guarantee that there would not be a regression back to currency engineering.

Upon resumption of office in March 2009, Biti reversed two significant changes made in January 2009. Firstly, Statutory Instrument 5 of 2009 was revoked officially demonetizing the Zimbabwe dollar in favour of a basket of currencies.⁸⁴⁹ The South African Rand was the reference currency, leveraging on the proximity to South Africa and the fact that the latter was Zimbabwe's biggest trading partner.⁸⁵⁰ Secondly, with the demonetization of the dollar, the licensing requirement fell away.⁸⁵¹ These two regulations significantly clipped the powers of the RBZ. Without the printing press, the ability to manipulate the RBZ to finance both budgeted and unbudgeted expenditure was no longer possible.⁸⁵² The March budget maintained reforms on the liberalisation of prices, the role of the NIPC and the payment of taxes in foreign currency.⁸⁵³

Despite the currency reforms of March 2009, the currency issue continued to be a highly politicized power play that fed into the fights between Biti and Gono. In 2009, Gono made a case for the reintroduction of the Zimbabwe dollar to which Biti blatantly refused.⁸⁵⁴ The position was no doubt informed by the previous context in which Gono had dwarfed the Minister of Finance, Herbert Murerwa. Mugabe and Biti were also often at loggerheads over the currency issue which had become highly emotive. Mugabe believed the dollar was the mark of Zimbabwe's 'sovereignty', a notion Biti dismissed as 'narrow, parochial and nationalistic' since his preferred option was the joining of the Rand Monetary Union.⁸⁵⁵

⁸⁴⁷ GoZ, *The 2009 National Budget*, p43.

⁸⁴⁸ *Ibid*, p46.

⁸⁴⁹ GoZ, *Statement of the 2009 Budget*, p11, 32-33.

⁸⁵⁰ GoZ, *Short Term Emergency Recovery Programme (STERP): Getting Zimbabwe Moving Again*, March 2009, pp85-86.

⁸⁵¹ *Ibid*, p82.

⁸⁵² GoZ, *Statement of the 2009 Budget*, p26.

⁸⁵³ GoZ, *STERP*, pp71-73, 82.

⁸⁵⁴ Ndamu Sanu 'Biti Shoots Down Gono's Zimdollar Revival Plan', *Newsday*, (date unavailable). Ndamu Sandu, 'Biti for Regional Currency', *The Standard*, 20 September 2009.

⁸⁵⁵ Dumisani Muleya, 'Mugabe, Biti Cross Swords', *Zimbabwe Independent*, 29 July 2011.

Throughout the GNU, talks on the type of currency were prominent as stakeholders were keen on knowing how long the multicurrency regime would be in place. Every fiscal policy statement presented during the course of the GNU reiterated that the multicurrency regime would stay in place at least until 2012 or until there was a balanced BOP essential to back a local currency. The 2010 budget explained the idea candidly thus, 'introduction of a local currency should only be seriously considered when there is evidence of a strong economy, with annual sustainable GDP growth rates of over 60%, high exports and high foreign exchange reserves.'⁸⁵⁶ Responding to questions in Senate in 2012, Biti made the same clarification, declaring that the Zimbabwe dollar will be hit by another 'tsunami, such that those trillions will even be more because both capital and current accounts are in the negative.'⁸⁵⁷ IFIs supported the maintenance of the multicurrency regime, especially the IMF, whose role is to monitor monetary developments worldwide.⁸⁵⁸ Continued endorsements on policy relating to the management of Zimbabwe's monetary system by the IMF signalled the changing economic planning and government-IFIs relations characteristic of the GNU period.

⁸⁵⁶ GoZ, *The 2010 National Budget Statement*, 2 December 2009, p128. GoZ, *The 2010 Mid-Term Fiscal Policy Review Statement*, p134. GoZ, *The 2011 National Budget Statement: Shared Economy, Shared Development, Shared Transformation; "Creating the Fair Economy"*, p104. GoZ, *The 2012 National Budget: Sustaining Efficient Inclusive Growth with Jobs*, 24 November 2011, p80.

⁸⁵⁷ Veneranda Langa, 'No Room for Zim Dollar Yet – Biti', *Newsday*, 26 July 2012

⁸⁵⁸ See for instance, IMF, Zimbabwe: Staff Report for the 2009 Article IV Consultation, 20 April 2009, p18. IMF, Public Information Notice: IMF Executive Board Concludes 2009 Article IV Consultation with Zimbabwe, 6 May 2009, p3. IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, pp3, 13-15.

5.3 Economic Planning and International Reengagement

Monetary reforms formed a significant portion of the policy changes implemented during the period under review. Despite the contestations surrounding monetary policy, broad economic policies, formulated and implemented during this period assumed the existence of a multicurrency regime, the absence of QFAs and excessive money printing. This stood in contrast to the previous epoch, where policy documents supported QFAs and the Zimbabwe dollar. Two primary economic policy documents were formulated during the GNU, namely the *Short Term Emergency Recovery Programme (STERP)* and the *Zimbabwe Medium Term Plan (2011-2015)(MTP)*.⁸⁵⁹ The former was an emergency six-month plan while the latter signalled a return to five-year national development planning. The international community supported the two documents at different intervals, displaying the different facets of international re-engagement during the GNU. Also, key to the re-engagement agenda was the resolution of Zimbabwe's external debt to multilateral and bilateral lenders which had accumulated since independence in 1980. This section details economic planning during the GNU, and reveals government-international community relations with multilateral and bilateral lenders during the same period.

5.3.1 The Short-Term Emergency Recovery Programme (STERP) and the Zimbabwe Medium Term Plan (MTP)

Following a multifaceted crisis between 1997 and 2008, STERP was preoccupied with returning the country to 'normalcy'. For STERP such normalcy would be the creation of a state that had a strong economy based on market principles with 'careful state interventions to advance social protection and justice', and one where 'participatory political democracy' was valued as a prerequisite for economic development.⁸⁶⁰ Stability as entailed in STERP, included reducing poverty, creating jobs, maintaining macroeconomic stability and restoring the economy's capacity to produce goods and services competitively.⁸⁶¹

Both documents emphasized the creation and maintenance of democracy and human rights for without then, 'economic development is not feasible.'⁸⁶² To that end, the documents

⁸⁵⁹ On 23 December 2009 STERP was succeeded by the *Three-Year Macro-Economic Policy and Budget Framework 2010-2012 (STERP II)* but before it was implemented *in toto* it was replaced by the MTP on July 7 2011.

⁸⁶⁰ GoZ, *The 2010 Mid-Term Fiscal Policy Review Statement*, p13

⁸⁶¹ GoZ, *Zimbabwe Medium Term Plan, 2011-2015*, 7 July 2011, p1.

⁸⁶² GoZ, *STERP*, p14. GoZ, *Zimbabwe Medium Term Plan*, p3. For more on these views see for example, Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, (New York:

emphasized a need for a social contract, good governance, strong institutions, restoration of human and property rights, and the rule of law. These ideals resonated well with the IMF, which advised, the need to draft, adopt and implement the necessary legislation guaranteeing the sanctity of property rights.⁸⁶³ The IMF Executive Board emphasized the same calling upon government to ensure the protection of property rights, and the maintenance of the rule of law.⁸⁶⁴ It is no wonder then that the MTP was crafted with the same mindset with a vision of creating a 'democratic developmental state.'⁸⁶⁵ Linked to the belief in good governance and the creation of strong institutions was the commitment to ending corruption. For the first time in the history of economic planning in Zimbabwe, there was a call to end corruption which at the time had become endemic.⁸⁶⁶ STERP, therefore, called for the strengthening of the Judiciary, the Attorney General's Office, and the Anti-Corruption Commission and 'ensuring that high standards of accountability and honesty are maintained in the public service'.⁸⁶⁷ Similarly, the MTP committed to good governance tenets built around combating corruption.⁸⁶⁸

Both documents acknowledged the shrinkage of the formal sector and the existence of a vast informal and SMEs sectors.⁸⁶⁹ There was no intention to leverage the informal sector as a means of economic development. Instead, the plan was to eradicate the informal sector through the expansion of the formal sector. The MTP, for instance, emphasized employment creation in the formal sector which would, in turn, shrink the informal sector as labour would move freely from the latter to the former.⁸⁷⁰ The ease of doing business in Zimbabwe was also emphasized with the MTP reviving Chidzero's brainchild, the Zimbabwe Investment Centre, renamed the Zimbabwe Investment Authority.⁸⁷¹ As also intended under the FER, the one-stop-shop would ensure that licensing and starting a business in Zimbabwe was made much easier for local and foreign investors, thereby encouraging players to abandon informal trading.⁸⁷² Like MERP of 2001, both documents concurred that SMEs would be supported within the

Crown Publishers, 2012). Greg Mills et al, *Democracy Works: Rewiring Politics to Africa's Advantage*, (London: C. Hurst and Company, 2019).

⁸⁶³ IMF, Zimbabwe: Staff Report for the 2009 Article IV Consultation, p15.

⁸⁶⁴ IMF, Public Information Notice: IMF Executive Board Concludes 2009 Article IV Consultation, p3.

⁸⁶⁵ GoZ, *Zimbabwe Medium Term Plan*, p16.

⁸⁶⁶ For more on corruption, patronage and clientelism in Zimbabwe see for example, Michael Bratton, *Power Politics in Zimbabwe*, (Boulders: Lynne Reiner Publishers, 2015).

⁸⁶⁷ GoZ, *STERP*, pp16-17, 120.

⁸⁶⁸ GoZ, *Zimbabwe Medium Term Plan*, p17.

⁸⁶⁹ GoZ, *STERP*, p17, 94. GoZ, *Zimbabwe Medium Term Plan*, p99-100.

⁸⁷⁰ GoZ, *Zimbabwe Medium Term Plan*, pp 21, 99-100.

⁸⁷¹ GoZ, *STERP*, pp54-56. GoZ, *Zimbabwe Medium Term Plan*, pp84-88.

⁸⁷² GoZ, *Zimbabwe Medium Term Plan*, pp84-88.

framework of the existing Indigenization and Empowerment Act that existed since 2007.⁸⁷³ Ironically, both documents made no mention of the 51% share clause stipulated in the Act, nor did the documents have the racial connotations implied in the Indigenization Laws as these stipulations would have been against the ideals of market liberalism, democracy and private sector-led development emphasized in the policy documents.⁸⁷⁴ Thus both merely made mention of the principle of supporting local business people.⁸⁷⁵

For STERP, the critical sector for economic transformation was agriculture whilst for the MTP, it was manufacturing. Based on the goal of creating a robust agricultural system and food self-sufficiency, STERP called for a conclusion to the land question through the commissioning of a 'comprehensive, transparent and non-partisan land audit for the purpose of establishing accountability, eliminating inefficiency and multiple farm ownership'.⁸⁷⁶ Among other things, the land audit would also enable the country to have a transparent land tenure system premised on guaranteed security of tenure to enable landowners to use land as collateral in acquiring agricultural loans.⁸⁷⁷

Unlike STERP, which envisaged creating a balanced state and market-driven economic revival plan, the MTP was anchored primarily on private sector-led growth.⁸⁷⁸ It called for the establishment of:

*a platform for Zimbabwe to embark on a vibrant Private sector-driven economy that is growing and transforming from a primary product producer to a producer of diversified manufactured products and services. The private sector will be the engine of economic recovery and growth in Zimbabwe, necessitating far-reaching initiatives and reforms to reduce the risk for investors and make Zimbabwe an attractive investment destination.*⁸⁷⁹

To conform to the dictates of neo-liberal economic thinking that championed private sector-led development, the MTP was at variance with the prevailing economic and political environment. Unlike the FER or the SFYNDP which pushed the same kind of private sector-led growth, the MTP sought to be implemented in a Zimbabwe characterised by political volatility and policy inconsistency regarding, for example, indigenization policies and land

⁸⁷³ GoZ, *STERP*, pp58-60. GoZ, *Zimbabwe Medium Term Plan*, p100.

⁸⁷⁴ For a more detailed appreciation of the indigenization policy in post-colonial Zimbabwe see Musiwaro Ndakaripa, 'State, Civil Society and the Politics of Economic Indigenisation in Zimbabwe, 1980 to 2016', PhD Thesis, University of the Free State, 2017.

⁸⁷⁵ GoZ, *STERP*, p80. GoZ, *Zimbabwe Medium Term Plan*, p93.

⁸⁷⁶ GoZ, *STERP*, pp29, 35-36.

⁸⁷⁷ *Ibid*, p38.

⁸⁷⁸ GoZ, *Zimbabwe Medium Term Plan*, p2.

⁸⁷⁹ *Ibid*, p91.

tenure regulations. By the government's admission, 'the inconsistency of message and the continuous attrition inside the Inclusive Government' made it difficult to achieve economic growth.⁸⁸⁰ The IMF bemoaned the 'continued political tensions and increased uncertainties regarding implementation of the Indigenization and Empowerment Act' that was causing a 'significant decrease in private capital inflows.'⁸⁸¹ Mugabe's comments in 2011 were also telling of the fragility of the GNU admitting that there was 'discord in the Inclusive Government on policy issues.'⁸⁸² By 2012, conditions were worsened by the impending general elections such that the budget signalled the uncertainty of 'peaceful contestations' as a threat to the government's fiscal performance.⁸⁸³ In the absence of policy consistency and a conducive environment for investment, the goal to achieve private sector growth would be compromised. Furthermore, in emphasizing, private sector development, the MTP did not pay due attention to public sector reforms, and was silent on the achievement of fiscal balance and a reformed fiscal expenditure structure.

Linked to the above was the impractical monitoring mechanism contained in both documents. In their respective implementation matrix, both STERP and MTP placed the weight of ensuring policy implementation and monitoring on the Office of the Prime Minister (OPM), in line with its ascribed role under the GPA.⁸⁸⁴ STERP added to this the National Economic Council, whose establishment was also outlined in the GPA, supported by the NECF to its monitoring mechanism.⁸⁸⁵ The MTP, on the other hand, had a complex three-tier monitoring component, which also guaranteed implementation and monitoring was mainly in the hands of OPM which would 'exercise continuous oversight over the implementation of the Plan to ensure consistency of outputs against objectives, and achievement of set targets.'⁸⁸⁶ What made these provisions impractical was that the OPM did not have the political wherewithal to ensure compliance with prevailing economic policies. Literature has detailed the peripheral role of the OPM and the Prime Minister's lack of both political and state power throughout the GNU.⁸⁸⁷ Martin Welz

⁸⁸⁰ GoZ, *The 2010 National Budget*, p13, p188.

⁸⁸¹ IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, p7.

⁸⁸² *The Herald*, 'Biti Budget Gives False Picture', 2 December 2011

⁸⁸³ GoZ, *The 2013 National Budget*.

⁸⁸⁴ Article 20.1.4 of the GPA gave the powers to oversee policy formulation and implementation to the Prime Minister. See https://www.pindula.co.zw/Global_Political_Agreement#20.1.4_The_Prime_Minister GoZ, *STERP*, p118.

⁸⁸⁵ GoZ, *STERP*, pp116-117

⁸⁸⁶ GoZ, *Zimbabwe Medium Term Plan*, pp242-243.

⁸⁸⁷ See for example Judy Smith- Hohn, 'Unpacking the Zimbabwe Crisis', pp8-9. Brian Raftopolous 'The Global Political Agreement as a 'Passive Revolution', pp707-708. Norma Kriger, 'ZANU- PF Politics Under Zimbabwe's 'Power Sharing' Government'.

for instance, notes that even within the confines of the GNU, the MDC was 'unable to transform its overwhelming political support into political power', while James Muzondidya notes that the ZANU-PF remained the 'senior partner' throughout the GNU period.⁸⁸⁸ There was also a firm belief that real power lay in the hands of the military despite the existence of a GNU.⁸⁸⁹ Due to the concentration of power in the Executive, even the MDC controlled lower house failed to ensure the holistic implementation of most policy proposals entailed in STERP and especially the MTP.

Unlike the economic documents formulated during the crisis period, STERP and MTP had financing plans. They both stated that the bulk of the funding would be obtained from local resources, particularly the Consolidated Revenue Fund.⁸⁹⁰ Although that was the case, both documents admitted that the required funding was beyond the government's means and thus there was a need for support from regional and international development partners.⁸⁹¹ For the MTP to be a success, a projected capital injection of US\$9.2 billion was required, thus, in line with its envisaged private sector-led development, the MTP stated that it would rely on partnerships with private players in the form of PPPs and BOOTs among others.⁸⁹² With regards to support from development partners, the MTP stated that such borrowing would be towards financing productive investments.⁸⁹³ However, due to the fragility of the GNU, there was evidence that the country would be unable to raise the required funds from within and without the budget, a fact the economic documents did not take into account. As will be shown in the rest of the chapter, donors did not provide direct budget support while the budget displayed constrained fiscal space as it was preoccupied with recurrent rather than capital expenditure. This major constraint would make it almost impossible to implement the

⁸⁸⁸ Martin Welz, 'Zimbabwe's Inclusive Government: Some Observations in its First 100 Days', Stephen Chan and Ranka Primorac (eds), *Zimbabwe Since the Unity Government*, p12. James Muzondidya, 'The Opposition Dilemma in Zimbabwe: A Critical Review of the Politics of the Movement for Democratic Change', Brian Raftopoulos (ed), *The Hard Road to Reform*, p48-49. Also see Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival*, pp286-287.

⁸⁸⁹ These views were expressed by senior employees of international institutions in various testimonies before the US Congress including Sydney Masamvu, then senior political analyst at the Institute for Democracy in Africa (IDASA), later to become a senior official in the OPM and Dr Marian Tupy, Political Analyst, Centre for Global Liberty and Prosperity, CATO Institute. US House of Representatives, 'Zimbabwe: From Crisis to Renewal – Subcommittee on Africa and Global Health of the Committee on Foreign Affairs House of Representatives One Hundred Eleventh Congress', 2 December 2010. For a detailed analysis on the dominant role of the security sector during the GNU see Karolina Werner and Knox Chitiyo, 'Reform of the Security Sector in Zimbabwe: Challenges and Opportunities', Hany Besada (ed), *Zimbabwe: Picking Up the Pieces*. Also see Michael Bratton, *Power Politics in Zimbabwe*, pp4-6.

⁸⁹⁰ GoZ, *STERP*, p119. GoZ, *Zimbabwe Medium Term Plan*, pp4, 21, 242, 248.

⁸⁹¹ GoZ, *STERP*, p120.

⁸⁹² GoZ, *Zimbabwe Medium Term Plan*, pp21, 234-235.

⁸⁹³ *Ibid*, p234.

documents, especially the MTP, which was a longer-term plan. On the same matter, the World Bank warned of the 'potential risk of slipping back into an old-style national development planning processes that quickly becomes outdated and contains spending proposals that exceed the available resource envelope.'⁸⁹⁴

For the first time since the FER in 1991, there were linkages between multilateral and bilateral partners on economic policy implementation and monitoring. During the implementation of STERP, the government created the STERP Steering Committee (STERP-SC), comprised of the Ministry of Finance (chair), the OPM, Ministry of Planning and Investment Promotion (MEPIP), the RBZ; and five representatives from the Donor Community – African Development Bank, Department for International Development (DfID), European Commission, United Nations Development Programme and the World Bank.⁸⁹⁵ The STERP-SC was created to ensure coordinated efforts to support Zimbabwe's economic recovery. Another body, the STERP Programme Steering Committee (STERP – PSC) was created to support the five Council of Ministers clusters in ensuring policy implementation.⁸⁹⁶ The donor community thus met the Council of Ministers quarterly. A third body, the STERP Technical Working Groups (STERP – TWGs) was the technical arm of the two bodies charged with 'situation analyses, policy discussions, and identification of priorities' for implementation.⁸⁹⁷ Also for the first time since the FER and SFYNDP, the IMF endorsed STERP, with the Executive Directors describing it as 'based on sound principles of macroeconomic management'.⁸⁹⁸ While no similar bodies formally existed to ensure the implementation and monitoring of the MTP, the UNDP was involved in providing technical and financial support for its formulation, again displaying the kind of support for government policy absent for years during the crisis.

Unlike the increased interaction shown between multilateral and bilateral institutions, there was decreased interaction between the government and the people as the economic planning process during the GNU was ironically highly exclusionary especially considering the emphasis on the twin tenets of democracy and inclusivity in both policy documents. By Biti's

⁸⁹⁴ World Bank, Strengthening Institutions for the Preparation of Government Budgets: Zimbabwe Public Expenditure Notes, February 2011, p23.

⁸⁹⁵ World Bank, Establishment of a Programmatic Multi-Donor Trust Fund for Zimbabwe, Southern Africa Country Department 2, Africa Region, 25 June 2009, p4.

⁸⁹⁶ The Council of Ministers was a Cabinet body provided for in the GPA and chaired by the Prime Minister. See https://www.pindula.co.zw/Global_Political_Agreement#20.1.4_The_Prime_Minister

⁸⁹⁷ Ibid.

⁸⁹⁸ IMF, Public Information Notice: IMF Executive Board Concludes 2009 Article IV Consultation, p3.

admission, there was 'no democracy' in formulating STERP.⁸⁹⁹ He explained that because it was an urgent document, senior academics were engaged in writing it, building upon and merging three different policy documents formulated by the RBZ, OPC and the UNDP document titled *Comprehensive Economic Recovery in Zimbabwe*, formulated before the commencement of the GNU.⁹⁰⁰ Kanyenze described the formulation of STERP as 'top-down' approach that paid no attention to consultations.⁹⁰¹

Admittedly, the formulation of the MTP was 'highly participative' including input from the Cabinet Committee on Investment and Development, the Ministerial Economic Coordinating Committee (MECC) and the UNDP. The then Minister of Economic Planning and Investment Promotion, Tapiwa Mashakada noted that 'we consulted the people on their national aspirations including civil society, academics, labour, churches, NGOs, students, a wide spectrum of society to capture the national interests of different interest groups.'⁹⁰² However, the Minister later credited the MDC with the policy ideas in the MTP in a way that would seemingly contradict the earlier perception of comprehensive consultations during the formulation of the MTP. Mashakada stated, 'the MTP was an MDC project we were driving the ship and implementing our manifesto. There was very little interference from ZANU PF, which did not have the technical know-how'⁹⁰³

The TNF and the NECF were not involved in the formulation process. Whilst STERP committed to resuscitating the TNF 'with a view of reviving the Social Contract, what happened was quite the opposite.'⁹⁰⁴ Kanyenze, who is a member of the TNF, explained the nonexistent relationship between the government and the TNF thus:

There were only two meetings of the TNF throughout the GNU and in those meetings, I cannot remember the Minister of Finance, Tendai Biti ever attending. The problem was no longer with ZANU, ZANU Ministers would attend, MDC ministers would not that was part of the irony... most of the meetings ange ava [were now] on labour law reform and not on the economy as the economy was now believed to be 'effectively under the capable hands of the MDC'... It was expected that the GNU period would be the most active period of the TNF, the irony was that it was not even though it was under Morgan Tsvangirayi who had spearheaded its formation, under an MDC Labour Minister Paurina Mpariwa - Chairperson

⁸⁹⁹ STERP states that consultations were done with labour and business but this is contrary to findings from interviews with key policy makers during this period. GoZ, *STERP*, p9. Tendai Biti interview.

⁹⁰⁰ Tendai Biti interview. Also see Tendai Biti, 'Rebuilding Zimbabwe', pp8-9. Seasoned academics on the Zimbabwe economy Peter Robinson, Daniel Ndlela and Patrick Bond were involved in the drafting of STERP.

⁹⁰¹ Interview, Godfrey Kanyenze.

⁹⁰² Interview, Tapiwa Mashakada, 23 July 2019.

⁹⁰³ Ibid.

⁹⁰⁴ GoZ, *STERP*, p96.

*of the TNF, and Minister of Finance, Biti. The irony of the GNU was that it subverted consultations; it subverted democratic participation.*⁹⁰⁵

For Mashakada, the primary reason why the TNF was not consulted was that 'it was not useful. It was just a talk-shop, nothing was binding, it had no secretariat or budget.'⁹⁰⁶ The NECF, on the other hand, was sidelined because of its operations in the OPC and its strong ties to ZANU-PF.⁹⁰⁷

Apart from the sidelining of various bodies during the GNU, the same treatment was extended to local civil society organisations. As early as August 2009, tensions between MDC ministers and civil society began to flare culminating in Biti criticizing civil society organisations and declaring, 'It seems our crisis is a big industry for some of these NGOs...If your organisation is constitution something [referring to the National Constitutional Assembly], then you will be in trouble if the country has a new constitution. If your organisation is crisis something [referring to the Crisis in Zimbabwe Coalition], then there is no business if there is no crisis in the country'.⁹⁰⁸ Although the unfortunate remarks made by Biti, also Secretary-General of the MDC-T at the time, were made within the context of the porous and deeply divided constitution-making process, they signalled the drift between the NGO sector and the MDC. These comments by Biti came barely a week after Mugabe threatened to deregister an estimated 2 500 NGOs in the country.⁹⁰⁹ There were also rifts between the MDC and the ZCTU, traditionally the Party's biggest ally. The drift had long played out in public such that in 2013, ZCTU Secretary-General, Japhet Moyo accused MDC Ministers in government of being 'vague on policy and arrogant in approach to the needs of workers'.⁹¹⁰ Moyo accused Elton Mangoma, and Lucia Matibenga Minister of Energy and Power Development and Minister of Public Service respectively, of being 'anti-workers' as they had on numerous occasions refused to meet the unions.⁹¹¹ These policy differences were caused by what Bond and Manyanya, Raftopolous and others have explained as the MDC's policy shift to neoliberalism.

⁹⁰⁵ Interview, Godfrey Kanyenze. Also see, LEDRIZ, 'Giving Social Dialogue A Chance: Review Of, And Lessons Learnt From The Tripartite Negotiating Forum (TNF) In Zimbabwe, 1998-2018', 2019.

⁹⁰⁶ Interview, Tapiwa Mashakada.

⁹⁰⁷ *Ibid.*

⁹⁰⁸ Andrew Mambondiyani, 'Biti Blasts NGOs', *The Chronicle*, 4 August 2009.

⁹⁰⁹ For a detailed discussion on the operations of civil society organisations during the GNU see Bertha Chiroro, 'Responses of Civil Society to the Inclusive Government: The Challenges of Turning Confrontation into Engagement', Brian Raftopoulos (ed), *The Hard Road to Reform*, pp117-142.

⁹¹⁰ *The Herald*, 'ZCTU Lays Into the MDC', 18 May 2013.

⁹¹¹ *Ibid.*

Economic planning was thus an exclusionary process reserved for the elite. Kanyenze described the economic planning process during the GNU thus:

*talks were now between the Principals, and the MDC was supposedly now representing civil society. It was Mugabe's strategy to weaken Morgan as he noticed his strength and that of the MDC was in civil society. So he removed Morgan from the Party and from his constituents such that they were now meeting for teas every Monday. Morgan loved those meetings. He would talk about them not realizing it was an effective strategy by ZANU PF to ostracize him and remove him from his social base.*⁹¹²

Biti viewed the same Monday meetings differently. Speaking from the view of the ruling elite, as he gave the teas credit for keeping the GNU intact:

*Every Monday at 3 pm, the President and the Prime Minister have meetings. They have pancakes, tea in expensive chinaware and one should never underestimate those meetings. Possibly more than anything else, those teas have been the glue that has kept this nation together in the last three years.*⁹¹³

Thus, despite the presence of new players in government, the exclusionary nature of the planning process remained intact and accepted by players in the GNU, including the MDC. This confirms APA President, Nkosana Moyo's contention that 'Zimbabweans are not fighting to change the system, they are fighting to be included in the system.'⁹¹⁴ The new government dedicated more time to re-engagement with international partners more than it was concerned with bridging the highly polarized environment prevalent in Zimbabwe to this day.

5.3.2 'Humanitarian Plus Plus': Re-engagement, IFIs and the 'Fishmongers'⁹¹⁵

⁹¹² Interview, Godfrey Kanyenze.

⁹¹³ *The Sunday Mail*, 'President Mugabe's Successor Predetermined', 1 July 2012.

⁹¹⁴ Citezw #Zimbabwe Dialogue# Asakhe, 09 November 2018.

⁹¹⁵ The 'Fishmongers' was a group also referred to as the 'Friends of Zimbabwe' established in 2007 by aid officials based in Harare who often met to deliberate on the best approach to deal with Zimbabwe. In 2010, at a US Congressional Hearing, Steven F McDonald, Consulting Director in the Africa Programme of The Woodrow Wilson International Centre for Scholars, however, credited its formation to Tony Blair. The Group also closely followed political developments in Zimbabwe 'in preparation for reengagement'. The name Fishmongers was derived from the Fishmongers' restaurant in Belgravia, Harare, where the group often held its meetings. Fishmongers were Sweden, United Kingdom, Netherlands, Norway, USA, Germany, France, Canada, European Commission, Australia, Denmark, Switzerland, Finland, Japan. In defining the 'Fishmongers' some, like the Humanitarian Response Index, include the multilateral institutions working in Zimbabwe including the World Bank, IMF, AfDB and the UN however in this work the definition will not include multilateral institutions as a wider range of sources suggests that the multilateral institutions were not part of the Fishmongers. See among many others, Swedish International Development Cooperation Agency (SIDA), *On the Road to Re-Engagement*, May 2009, p1. United States Senate, *Milestone or Millstone: Setting the Bar to Promote Democratic Change in Zimbabwe: A Report to the Committee of Foreign Relations*, 13 August 2009, p9. Humanitarian Response Index, *Crisis Reports: Zimbabwe*, 30 April 2010, p257. United States House of Representatives, Subcommittee on Africa and Global Health Committee on Foreign Affairs, p13. *The Zimbabwean*, 'Fishmongers Urged to Maintain Aid', 30 October 2010. *The Zimbabwe Independent*, 'Fishmongers Set to Meet Next Month Over Zim', November 11, 2010.

The international re-engagement agenda had its routes in the GPA. Article 4.2 of the GPA acknowledged Zimbabwe's economic and political international isolation. Article 4.6 (b) called for the lifting of 'all forms of measures and sanctions against Zimbabwe'⁹¹⁶ For the first time since 2001, the January 2009 budget emphasized the need for international re-engagement as part of the main priorities of the Ministry of Finance.⁹¹⁷ In keeping with the fiscal and monetary consistency displayed at the time, for the first time since 2006, the Monetary Policy Statement also emphasized re-engagement.⁹¹⁸ Such re-engagement was seen as an essential ingredient in the country's ability to access the much-needed budget - support to move Zimbabwe out of its multifaceted crisis. The donor community was involved in off-budget humanitarian support since the commencement of the humanitarian crisis in the last quarter of 2007.⁹¹⁹ Humanitarian support included food relief, agricultural inputs, drugs and water treatment chemicals.⁹²⁰

Following the commencement of the GNU, the commitment to reintegrating Zimbabwe into the community of nations was maintained. The March 2009 budget reiterated the importance of 'restoring the country's status as a credible recipient of external financial assistance'.⁹²¹ In the same vein, STERP acknowledged that apart from targeted travel bans, measures were taken against Zimbabwe, denying the country the right to access credit facilities from international financial institutions, suspending Zimbabwe's Voting Rights, as well as denying Zimbabwean companies access to lines of credit.⁹²² Explaining the impact of ZiDERA on government finances, Biti explained:

*the World Bank has right now billions and billions that we have to access, but we cannot access those dollars unless we have dealt with and normalized our relations with the IMF. We cannot normalize our relations with IMF because of the voting power of America and people who represent America on that Board cannot vote differently because of ZiDERA.*⁹²³

⁹¹⁶GoZ, *The Global Political Agreement*, 15 September 2008,

https://www.pindula.co.zw/Global_Political_Agreement

⁹¹⁷GoZ, *The 2009 National Budget*, pp10-12

⁹¹⁸RBZ, *Monetary Policy Statement*, p22

⁹¹⁹ Chapter Four details the changes in donor financing strategies from budget support to NGOs during the crisis period.

⁹²⁰ GoZ, *The 2009 National Budget*, p10.

⁹²¹ GoZ, *Statement of the 2009 Budget*, pp14-15, 120.

⁹²² GoZ, *STERP*, p12. For an assessment of sanctions by the West with particular focus on politicization of targeted sanctions and the impact on political relations during the GNU see Munyaradzi Nyakudya, 'Sanctioning the Government of National Unity: A Review of Zimbabwe's Relations with the West in the Framework of the GPA', Brian Raftopolous (ed), *The Hard Road to Reform*, pp171-211. Also see Dennis Masaka, 'Paradoxes in the 'Sanctions Discourse'.

⁹²³ *The Herald*, 'ZDERA Blocking IMF, World Bank: Biti, 5 May 2009. Biti expressed similar sentiments a month later see *The Herald*, 'Biti Blasts West Over Sanctions', 3 June 2009.

Government thus called for the repealing of ZiDERA; however, without the necessary reforms outlined in ZiDERA, the Act remains in place to this day.⁹²⁴ The plan for re-engagement to unlock balance of payments support as outlined in STERP would also include 'foreign debt rescheduling and renegotiation; and clearance of outstanding arrears.'⁹²⁵

The Zimbabwean donor community met in Washington three days after the presentation of the second budget statement of 2009, to 'review the prevailing situation'. In attendance were the Fishmongers, the Czech Republic, New Zealand, the European Union Council Secretariat, BWIs, AfDB, IMF and the UN.⁹²⁶ The consensus was that 'recovery and development support' would be provided on the condition that the government demonstrated its commitment to reform such as 'the immediate release of all political prisoners, the end of farm seizures, the cessation of politically-motivated violence, the establishment of a credible and transparent Central Bank team, an end to harassment and intimidation of the media, and a commitment to credible elections in a timely manner.'⁹²⁷ Apart from reforms, substantial development aid and full re-engagement would only be achieved if Zimbabwe had in place a debt arrears clearance strategy accepted by multilateral institutions.⁹²⁸ The significance of this meeting was that there was room for engagement and the donor community showed a willingness to support Zimbabwe's GNU, a willingness that had virtually ceased during the crisis period.

In the absence of such reforms, multilateral and bilateral partners found alternative means to support the GNU, namely technical assistance, and humanitarian aid. Multilateral institutions, including the BWIs and the AfDB, provided technical assistance to the government throughout the GNU. In April 2009, barely two months after the GNU's commencement, the IMF staff requested to extend technical support to Zimbabwe, based on improved cooperation on policy reform, government's commitment to resuming regular debt repayments to the Fund, and the severe capacity constraints in fiscal and monetary policy reform.⁹²⁹ On May 4 2009, the IMF Executive Board, lifted the suspension of technical assistance to Zimbabwe in tax policy and

⁹²⁴ GoZ, *STERP*, p12. *The Sunday Mail*, 'President Mugabe's Successor Predetermined', 1 July 2012. Also See Morris Mkwate, 'Inside Biti's Mind', *The Sunday Mail*, 1 July 2012. *The Herald*, 'Zim Will Never Be a Colony Again', 2 July 2012.

⁹²⁵ GoZ, *STERP*, p69.

⁹²⁶ World Bank, Establishment of a Programmatic Multi-Donor Trust Fund for Zimbabwe, p3.

⁹²⁷ Ibid, pp3-4. SIDA, On the Road to Re-Engagement, p1.

⁹²⁸ AfDB, Zimbabwe Country Brief, January 2010, p5.

⁹²⁹ IMF, Zimbabwe: Request for Targeted Lifting of the Suspension of Fund Technical Assistance, April 21, 2009, p2.

administration, payments system, lender-of-last-resort and banking supervision as well as central banking governance and accounting.⁹³⁰ On May 17, 2010, the Executive Board added macroeconomic statistics, public financial management, anti-money laundering and combating the financing of terrorism to the list of technical assistance Zimbabwe accessed.⁹³¹ By 2012 significant strides had been made in law and policy reform, as well as capacity building with the technical support of the IMF.⁹³² The World Bank worked closely with the IMF to ensure that there was no duplication of responsibilities by the two institutions. Technical assistance provided by the Bank included wage bill management, the public investment program, mineral revenue transparency and business environment reform.⁹³³ The AfDB also provided capacity building in areas of public finance and economic management and purchased computer equipment for the government.⁹³⁴

There was consensus among the IFIs and Fishmongers in the continued provision of off-budget humanitarian aid as was the case during the last two years of the crisis period. To coordinate interventions, pool resources and effectively monitor progress on various humanitarian projects, the donor community established various funds. Unlike the IMF and the AfDB, the World Bank maintained its country offices albeit with a limited number of staff, 'in readiness for eventual re-engagement'. It already had in place an Analytical-Multi Donor Trust Fund (A-MDTF) which it maintained throughout the GNU.⁹³⁵ Through the A-MDTF, consultancies, surveys and other technical assistance projects were funded. These included the Payroll and Skills Audit; upgrading of the Public Financial Management System and a Country Integrated Fiduciary Assessment (CIFA). **Table 5. 1** below captures the annual disbursements under the A-MDTF.⁹³⁶ In addition to the A-MDTF, the World Bank also managed the Results-Based Financing Trust Fund (RBFTF). The Fund predominantly catered for maternal and neonatal health in rural Zimbabwe. A significant component of the Fund covered the removal of user-fees to increase access to healthcare for expecting mothers in rural areas.⁹³⁷

⁹³⁰ IMF, Press Release: Statement on IMF Technical Assistance Missions to Zimbabwe, 15 May 2009. IMF, 2010 Article IV Consultation – Informational Index on Fund Relations, 28 April 2010, p3.

⁹³¹ IMF, 2011 Article IV Consultation – Informational Index on Fund Relations, 12 May 2011, p3

⁹³² IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, 7 September 2012, p28.

⁹³³ IMF/WB, 2010 Article IV Consultation – Informational Index on WB-IMF Collaboration, 7 September 2012, pp7-9.

⁹³⁴ AfDB, Zimbabwe Country Brief, pp1-2.

⁹³⁵ World Bank, Establishment of a Programmatic Multi-Donor Trust Fund for Zimbabwe, p5.

⁹³⁶ GoZ, *The 2013 National Budget*, pp90-91.

⁹³⁷ *Ibid*, pp92-93.

Table 5.1: A-MDTF Cumulative Disbursements US\$ TO 30 September 2012

Year	2009	2010	2011	2012	Total
Disbursements	1 353 000	3 251 000	2 483 000	10 500 000	17 587 000

Source: GoZ, *The 2013 National Budget Statement*, p91

In addition to the A-MDTF and the RBFTF, the World Bank created, administered and coordinated the Zimbabwe Multi-Donor Trust Fund (Zim-MDTF/Zim-Fund) in the last quarter of 2009. The Zim-MDTF turned out to be the dominant Fund of choice for other IFIs and Fishmongers to channel their development support. For the Bank, the Zim-MDTF would fit squarely into the broader policy thrusts agreed on at the headquarters of various IFIs where Zimbabwe had been classified as a fragile state.⁹³⁸ Thus, the Zim-MDTF was created within the context of the UN-WB *Partnership Framework for Crisis and Post-Crisis Situations between the United Nations and the World Bank* and anchored on *'Principles for Good International Engagement in Fragile States and Situations'*.⁹³⁹ The major objective of the Fund was to 'contribute to the recovery and development effort' with the primary focus of providing funds on a grant basis to finance technical assistance as well as economic and social recovery.⁹⁴⁰ Of importance was that all activities to be financed 'would have to be consistent with the government's recovery and development programs.'⁹⁴¹ Projects run by NGOs, other implementing international institutions and the private sector, together with government projects, were deemed eligible to receive funding under the Zim-MDTF. By August 2009, US\$300 million was raised to finance agriculture, water and sanitation, health, education and social protection.⁹⁴² The AfDB took over the administration and coordination of the Zim-Fund in May 2010.⁹⁴³ Under its administration, by 2012, the Zim-Fund had widened its scope to financing infrastructure projects such as the US\$35 million for the Hwange Thermal Power Plant, and US\$35 million channelled towards water and sanitation in Harare, Chitungwiza and

⁹³⁸ For a discussion on the argument that Zimbabwe is a fragile state see Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival*.

⁹³⁹ World Bank, Establishment of a Programmatic Multi-Donor Trust Fund for Zimbabwe, p1. Partnership Framework for Crisis and Post-Crisis Situations was a signed pact between the UN and the World Bank on how the two institutions should jointly or individually support countries in crisis or those emerging from crisis. For more details on this see the UN/World Bank, *United Nations-World Bank Partnership Framework for Crisis and Post-Crisis Situations*, October 24, 2008. While the Principles for Good International Engagement in Fragile States and Situations are adhered to by OECD countries. They also detail how to foster consensus between major domestic and international actors in countries deemed fragile with weak institutions, weak governance, and conflict. See, *Principles for Good International Engagement In Fragile States & Situations*, April 2007, www.oecd.org/dac/fragilestates

⁹⁴⁰ World Bank, Establishment of a Programmatic Multi-Donor Trust Fund for Zimbabwe, p5.

⁹⁴¹ Ibid, p10.

⁹⁴² Clemence Manyukwe, 'Trust Fund Raises US\$300 Million', *The Financial Gazette*, 27 August 2009.

⁹⁴³ GoZ, *The 2010 Mid-Term Fiscal Review Statement*, p141.

Mutare.⁹⁴⁴ As at end September 2012 the Zim-Fund had raised an equivalent of US\$124.1 million, for power and water projects.⁹⁴⁵

UNICEF also managed its set of funds, mainly targeting the social sector and was financed mainly by the Fishmongers. The first of these funds was the Health Transition Fund concerned with supporting maternal and newborn baby health, child health and nutrition.⁹⁴⁶ The second was the Education Transition Fund concerned with the provision of stationery and textbooks to primary and secondary schools. By 2013, the Fund had among other things, distributed about 22 million school textbooks and had also distributed other teaching and learning materials to secondary and primary schools across the country.⁹⁴⁷ The third was the Child Protection Fund, specifically set up for orphans and vulnerable children.⁹⁴⁸ **Table 5.2** shows the amount of money disbursed under each of the funds until 2012.

Table 5.2: Disbursed Funds UNICEF Funds as at Nov 2012 US\$

Development Partner	Child Protection Fund	Health Transition Fund	Education Fund
United Kingdom	18 210 816	29 108 097.12	
European Union	8 486 580	19 523 719.23	
Sweden	1 578 947	1 456 960	
Netherlands	5 000 000		2 088 945
Denmark			1 805 647
USAID			934 519
Norway		1 474 507	6 545 516
AusAid, Finland, New Zealand (Pooled Fund)			16 833 616
SIDA			2 238 189
Japan			1 068 349
EU			9 701 372
Germany			9 740 897
Ireland		2 666 660	
Canada		8 516 156.71	
Total	33 276 343	62 746 100.06	50 957 050

Source: Ministry of Finance⁹⁴⁹

Apart from donor support through the various funds, multilateral and bilateral partners supported other sector-specific initiatives. Resources were channelled towards, health, governance, education, food security, social protection, economic sectors, and water & sanitation. As of September 2012, total development assistance of US\$651.1 million had been

⁹⁴⁴GoZ, *The 2012 National Budget*, p63.

⁹⁴⁵GoZ, *The 2013 National Budget Statement*, p89.

⁹⁴⁶ *Ibid*, p93.

⁹⁴⁷ *Ibid*, p95.

⁹⁴⁸ *Ibid*, p97.

⁹⁴⁹ *Ibid*, pp94- 97.

disbursed. The principal bilateral partners were the United Kingdom, US\$137.9 million; the United States, US\$115.5 million; China, US\$37.7 million; Australia, US\$36.1 million; and Sweden, US\$27.7 million.⁹⁵⁰ It is estimated that cumulatively, off-budget support amounted to US\$1 billion per annum throughout the five years of the GNU, validating the argument made by Richardson that extensive external donor grants partly accounted for the relative economic growth experienced during the GNU.⁹⁵¹

Despite strides made towards re-engagement, the existence of extensive involvement of IFIs, Fishmongers and others and the financing of different funds through a system of intervention that became known in Zimbabwe as 'humanitarian plus plus', the GNU was unable to move beyond this system to attract budget support.⁹⁵² The US, a leading member of the Fishmongers, indicated that 'direct budget support is a non-starter', a position that became entrenched throughout the GNU. **Table 5.3** depicts the government's revenue situation during the GNU, revealing the absence of budget support from external development partners.⁹⁵³ The Prime Minister was one of the many top government officials who lamented the lack of budget support. He opined that 'progress is being made in Zimbabwe, and how do you reward that progress? By moving away from just humanitarian aid to economic growth, development aid and ensuring that any existing restrictions are removed'.⁹⁵⁴

Table 5.3: Revenue and Grants of Central Government, US\$⁹⁵⁵

	2007	2009	2010	2011	2012	2013
Total Revenue and Grants	90 416 768 902	1 028 538 869	2 464 522 827	2 997 431 919	3 588 918 688	3 856 00 657
Total Revenue	90 416 768 902	1 028 538 869	2 464 522 827	2 997 431 919	3 588 918 688	3 856 00 657
External Financing/ Budget Support	0	36 157 876,00	0	0	0	0
Wages and Salaries	0	409 261 162,00	758 409 143,00	1 269 054 638,73	1 732 908 270,00	1 925 745 687,00
Budget Surplus/Deficit Excluding Grants	0	+47 210 676,03	+232 107 823,8	+25 173 849,42	-72 543 159,22	-285 595 097,8

Source: Zimstat and Ministry of Finance

⁹⁵⁰ *Ibid*, pp85-86.

⁹⁵¹ Tendai Biti, 'Rebuilding Zimbabwe', p19. Craig J Richardson, 'Zimbabwe Why Is One of the World's Least-Free Economies Growing So Fast?', pp1, 4-5.

⁹⁵² The 'Elders', at the time chaired by Archbishop Desmond Tutu, comprising among others, Secretary General Kofi Annan, President Jimmy Carter and First Lady Graca Machel, advocated for the Humanitarian Plus Plus initiative. See Holger Bernt Hansen, 'Donors and the Crisis in Zimbabwe', p259. Bernard Mpofo, 'Limited Donor Support Stifling Recovery – Biti', *Zimbabwe Independent*, 24 September 2010.

⁹⁵³ United States Senate, Milestone or Millstone, p10.

⁹⁵⁴ International Crisis Group, *Zimbabwe: Political and Security Challenges to the Transition*, 3 March 2010, p9

⁹⁵⁵ 2007 figures are in ZW\$.

Tasked with leading the re-engagement exercise in Zimbabwe, the AfDB explained that the lack of budget support was a result of two main concerns, lack of reform and the absence of an arrears strategy. The donor community maintained that despite the GNU, there was an absence of critical political reforms and unending clashes in the implementation of some aspects of the GPA. Furthermore, the continuance of political violence, abuse of the judiciary, farm invasions, slow progress on media reform and an absence of the respect for human rights and the rule of law, among other issues, all contributed to the unwillingness of the donor community to provide direct budget support.⁹⁵⁶

The existence of a huge debt burden made it impossible for the government to access budget support from multilateral and bilateral institutions. To the government, this debt had become a major developmental roadblock. Without its liquidation and in particular the liquidation of arrears to IFIs, Zimbabwe would not access development assistance domiciled in both Washington DC and Tunis.⁹⁵⁷ As will be discussed in the final section, lack of budget support impacted negatively on government's ability to plan and implement a concrete turnaround strategy as the budget was burdened with recurrent expenditure. To attract budget support the need to develop an agreed and sustainable arrears clearance strategy was urgent.

5.3.3 'We engaged the IMF on our Terms'?⁹⁵⁸ Debt Clearance and Zimbabwe's Hybrid Debt Clearance Strategy

Throughout the GNU successive IMF reports and joint IMF/WB Debt Sustainability Analysis declared Zimbabwe to be in 'debt distress'.⁹⁵⁹ In 2010, the IMF announced that Zimbabwe's debt overhang could not be resolved without debt relief even if its policies were improved. The government thus needed to develop a viable debt relief strategy.⁹⁶⁰ As shown in **Table 5.4**, Zimbabwe's debt accumulated at an interest rate of approximately US\$250million annually, making it above US\$6.5 billion by 2013.

⁹⁵⁶ AfDB, Zimbabwe Country Brief, p6.

⁹⁵⁷ GoZ, *The 2010 Mid-Term Fiscal Policy Review Statement*, p90.

⁹⁵⁸ *The Herald*, 'Zim Takes Bold Steps on IMF Debt', 10 June 2013.

⁹⁵⁹ IMF, Zimbabwe: Staff Report for the 2009 Article IV Consultation, p27. IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, p3. IMF, Zimbabwe Debt Sustainability Analysis, 29 April 2010, pp1, 3. IMF, Staff Report of the 2011 Article IV Consultation, p26.

⁹⁶⁰ IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, p3. IMF, Staff Report for the 2012 Article IV Consultation, p22.

Table 5.4: Total Debt by Debtor (Including all arrears and penalties) US\$ millions⁹⁶¹

End Period	2009	2010	2011	2012	2013
Total External Debt	5 270	5 320	5 613	5 847	6 161
Government	4 098	4 114	4 362	4 581	4 908
Bilateral Creditors	2 207	2 191	2 388	2 570	2 857
Multilateral Creditors	1 891	1 923	1 974	2 011	2 051
Public Enterprises	1 172	1 206	1 250	1 266	1 253
Bilateral Creditors	736	761	790	792	763
Multilateral Creditors	436	446	461	474	489
Domestic Debt	-	-	-	276	375
Total National Debt	5 270	5 320	5 613	6 123	6 536

Source: Zimstat

Although Zimbabwe was continuously declared HIPC and MDRI ineligible, there were fierce contestations between policymakers around the debt clearance strategy.⁹⁶² For some, declaring HIPC was a necessary first step if Zimbabwe was to be seen to be seriously committed to clearing its debt. Responding to a question on Zimbabwe's debt status, Biti conceded that 'the fact of the matter is that whether we like it or not we are highly indebted'⁹⁶³. Biti also authored and brought before Cabinet a document he titled *Debt and Arrears Clearance Strategy*, mainly recommending that Zimbabwe declared HIPC raising the ire of many cabinet members, Parliamentarians, politicians and policymakers.⁹⁶⁴ Gono saw it as 'an unforgivable tragedy that some would rather have Zimbabwe declare itself HIPC as a way of getting international sympathy'⁹⁶⁵. Jonathan Moyo, then the Member of Parliament for Tsholotsho North, wrote scathing articles against Biti's proposal linking the call to declare HIPC to the so-called regime change agenda allegedly led by Britain and America.⁹⁶⁶ Moyo retorted that declaring HIPC 'is to get Zimbabwe to humiliate itself by announcing that, since 2000 when it embarked on the historic land reform programme' it became a 'HIPC patient that could not survive without Western mercy and charity'⁹⁶⁷. Ambassador Christopher Mutsvangwa argued that Zimbabwe's debt status was 'exogenously induced' and the HIPC programme would result in 'disastrous

⁹⁶¹ Not inclusive of debt to the IMF's PRGT.

⁹⁶² IMF, 2009 Article IV Consultation – Informational Annex on Fund Relations, p2. IMF, 2010 Article IV Consultation – Informational Index on Fund Relations, p3. IMF, 2011 Article IV Consultation – Informational Index on Fund Relations, p3. IMF, 2012 Article IV Consultation – Informational Index on Fund Relations, 7 September 2012, p3.

⁹⁶³ PoZ, *Hansard National Assembly Debates*, Volume 36, Number 3, 21 October 2009.

⁹⁶⁴ *The Herald*, Minister Biti Breaks Ranks with MDC-T', 2 October 2009.

⁹⁶⁵ *The Sunday Mail*, 'Biti At It Again', 4 September 2009.

⁹⁶⁶ Jonathan Moyo, 'Biti: Stop Asking for Sympathy from the Devil', *The Sunday Mail*, 20 September 2009.

⁹⁶⁷ *Ibid.*

consequences' that followed the IMF prescribed economic structural adjustment programme of the 1990s.⁹⁶⁸ Contestations in Cabinet were as vicious, with ZANU PF ministers making what Biti referred to as 'crude sentiments like 'don't call us poor'. These contestations culminated in President Mugabe appointing a Cabinet Committee chaired by Deputy Prime Minister Arthur Mutambara to come up with a palatable debt clearance strategy. The Mutambara Commission came up with a hybrid debt strategy - *Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDS)*, approved by Cabinet in November 2010 and launched in April 2011.⁹⁶⁹

ZAADDS was an essential step towards international re-engagement. Through ZAADDS it was hoped that Zimbabwe would restore economic relations and unlock the much-needed development finance deemed necessary if economic growth was to occur. According to the RBZ Debt Management Office, ZAADDS was also crucial for the restoration of investor confidence, debt rescheduling and the negotiation of interest rates on arrears on existing debt.⁹⁷⁰ In ZAADDS government committed to the establishment and operationalisation of a Debt Management Office (DMO) to reconcile and consolidate national debt figures. The DMO would also further negotiate for a 'comprehensive debt programme, arrears clearance and new financing.'⁹⁷¹ As had been feared by legislators in the 1980s, who cautioned against 'mortgaging' the country to external creditors, ZAADDS committed to utilizing the country's minerals to pay creditors under a clause couched as 'leveraging Zimbabwe's natural resources in pursuit of debt relief and development'.⁹⁷² Government committed to initially clearing debt to major multilateral lenders thereby regaining the IMF stamp of approval and paving the way for debt rescheduling from Paris Club and non-Paris Club lenders.⁹⁷³ ZAADDS was, therefore, a 'hybrid' framework for debt clearance, in that it combined traditional debt relief strategies and the mobilization of the country's resources to achieve re-engagement, clear debt and unlock development funding.⁹⁷⁴

⁹⁶⁸ Paul Nyakazeya and Bernard Mpfu, 'Debt Trap Proposal Divides Government', *Zimbabwe Independent*, 5 February 2010

⁹⁶⁹ GoZ, Letter Endorsing the SMP From Dr Misheck J Sibanda, Chief Secretary to the President and Cabinet to The African Development Bank and the International Monetary Fund, 7 May 2013.

⁹⁷⁰ RBZ's Debt Management Office, written response to interview questions, 13 July 2019.

⁹⁷¹ GoZ, *The 2011 National Budget*, pp146-147. GoZ, Letter Endorsing the SMP From Dr Misheck J Sibanda.

⁹⁷² Ibid.

⁹⁷³ GoZ, *The 2011 National Budget*, p148.

⁹⁷⁴ GoZ, *Zimbabwe Medium Term Plan*, p37. IMF, Zimbabwe Staff Report for the 2012 Article IV Consultations, p53. Tendai Biti, 'Rebuilding Zimbabwe', p18.

With the help of the AfDB, the international community supported ZAADDs. At various intervals, the AfDB supported 'high level debt forums' from early 2010 to seek consensus between the donor community and government.⁹⁷⁵ These engagements culminated in support of ZAADDs by the donor community.⁹⁷⁶ The AfDB, DfID and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) financed debt consultants to debt sustainability analysis.⁹⁷⁷ Through the Debt Management Office, UNCTAD, the Paris Club Secretariat and MEFMI became instrumental in debt validation and reconciliation between the government and its creditors.⁹⁷⁸

Based on IMF advice provided since 2010, government carried out a concurrent process that pushed for an IMF Staff Monitored Programme (SMP). This was viewed as a critical step towards re-engagement and resolution of Zimbabwe's debt problem. According to the IMF, 'a SMP would be a stepping stone toward debt relief and new IFI lending'.⁹⁷⁹ In 2011, The Directors of the Fund agreed that an SMP 'would help establish a track record of sound policies'.⁹⁸⁰ Despite the weight the successful implementation an SMP carries, it is ironically, considered an 'informal agreement with IMF staff whereby staff provide advice to the authorities on the design of their economic programme and monitor the implementation of such a program'. An SMP does not entail 'endorsement by the IMF Executive Board nor financial assistance'.⁹⁸¹

The feasibility of an SMP is tested after a country meets specific conditionalities imposed by the IMF, in a process known as the 'stocktaking exercise'.⁹⁸² In the case of Zimbabwe, these conditionalities were timely and accurate data reporting, particularly by the RBZ and 'concrete steps towards the elimination of ghost workers'.⁹⁸³ Also, the government was expected to

⁹⁷⁵ AfDB, Proposal to Strengthen Bank Presence in Zimbabwe, July 2010, p5.

⁹⁷⁶ Ibid, p5.

⁹⁷⁷ IMF, Statement by Mr. Majoro on Zimbabwe: Executive Director for Zimbabwe, 17 May 2010, p3

⁹⁷⁸ GoZ, Memorandum of Economic and Financial Policies: Attachment 1 of the Staff- Monitored Program: Letter of Intent, 5 June 2013, p2.

⁹⁷⁹ IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, p18.

⁹⁸⁰ IMF, Public Information Notice: IMF Executive Board Concludes 2010 Article IV Consultation with Zimbabwe, 8 June 2011, p3.

⁹⁸¹ IMF, Press Release: IMF Executive Board Relaxes Most Restrictions on Technical Assistance to Zimbabwe, Opening Way for Future Staff-Monitored Programs, October 30, 2012. Also see IMF, *Handbook of IMF Facilities*, p158.

⁹⁸² IMF, Zimbabwe: Staff Report for the 2011 Article IV Consultation, 12 May 2011, p25.

⁹⁸³ Ibid, p24. Ghost workers were irregular workers on the government payroll. These often had no defined role or regular contracts nor were they hired through government's hiring body, the Public Service Commission. They will be discussed in detail in the last section of this chapter.

implement consistent macroeconomic policies and make regular payments to the PRGT.⁹⁸⁴ After deliberations in Cabinet, it was agreed that the government should have discussions with the Fund on the implementation of an SMP.⁹⁸⁵ The support for the SMP in Cabinet was based on the understanding that it would be a necessary step to 'normalizing' relations with the Fund and by extension, the broader international community.⁹⁸⁶ Thus, for government, the SMP was in itself a key component of ZAADDs as it would demonstrate the commitment to re-engagement and arrears clearance.⁹⁸⁷

The IMF commenced the stocktaking exercise in 2012 after declaring the two main conditionalities set for Zimbabwe met.⁹⁸⁸ In June 2013, an SMP for Zimbabwe was approved, it became Zimbabwe's first Agreement with the IMF in over a decade.⁹⁸⁹ Among other things, the SMP would focus on creating fiscal balance while maintaining spending in key social sectors, strengthening public finance management, increasing diamond revenue transparency and restructuring the central bank.⁹⁹⁰

⁹⁸⁴ IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, p26.

⁹⁸⁵ Tendai Biti, 'Rebuilding Zimbabwe', p18.

⁹⁸⁶ Bernard Mpofu, 'Biti Engages IMF Team Over Debt', *Newsday*, 1 March 2013.

⁹⁸⁷ IMF, Statement by Mr. Majoro on Zimbabwe: Executive Director for Zimbabwe, 1 June 2011, p3. Bernard Mpofu, 'Zim Inches Towards IMF Monitored Programme', *Newsday*, 31 May 2013

⁹⁸⁸ IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, p36.

⁹⁸⁹ IMF, *Press Release: IMF Managing Director Approves a Staff-Monitored Program for Zimbabwe*, June 13, 2013.

⁹⁹⁰ *Ibid.*

5.4 'If all Zimbabweans are killing a rat, then you cannot expect to eat an elephant'⁹⁹¹:

Government Expenditure Patterns During the GNU

Fiscal policy regained its importance during the GNU, a marked difference from the previous epoch dominated by QFAs and currency engineering. Successive budget statements between 2009 and 2013 premised government expenditure on cash budgeting. When Makoni first proposed cash budgeting in 2000, it was considered taboo, the government then, was unwilling to reform. However, by January 2009, the vagaries of hyperinflation and depreciation of the Zimbabwe dollar pushed the government to acknowledge the need for cash budgeting. Monetary reforms anchoring transactions on multi-currencies made the possibility of an intense currency engineering episode of the crisis period impractical. Thus, Chinamasa's maiden budget statement also announced fiscal reforms, chief among them the elimination of expansionary fiscal policy. Chinamasa provided a genesis to the cash budgeting system asserting the government's need for 'a balanced budget linking expenditures to actual revenue.'⁹⁹² The same budget also discouraged expenditures outside the approved budget.⁹⁹³ The monetary policy statement presented by Gono reiterated the new position emphasizing that 'the RBZ is unable to print or avail outside what the economy can generate by way of foreign currency.'⁹⁹⁴ The March 2009 budget affirmed and explained in greater detail the notion of cash budgeting. The budget statement more explicitly stated that 'we are immediately operating on a cash basis. We are only able to spend what we receive in tax revenues, fees for services and subventions from development partners.'⁹⁹⁵ Likewise, STERP announced the government's turn to cash budgeting.⁹⁹⁶ The essence of cash budgeting was thus 'limiting expenditures to revenues and hence avoiding budget overruns.'⁹⁹⁷

From the onset, however, there were clashes between ZANU-PF and MDC-T politicians, albeit the fact that both political parties had independently declared the turn to cash budgeting. In other instances, the clashes involved Mugabe, who had displayed a preference for expansionary fiscal policy while Biti maintained adherence to a cash budget system in fulfilment of the 'we

⁹⁹¹ *The Sunday Mail*, 'President Mugabe's Successor Predetermined', 1 July 2012. Also see GoZ, *The 2010 Mid-Term Fiscal Policy Review Statement*, p15.

⁹⁹² GoZ, *The 2009 National Budget*, p41.

⁹⁹³ *Ibid*, p43.

⁹⁹⁴ RBZ, *Monetary Policy Statement*, p44.

⁹⁹⁵ GoZ, *Statement on the 2009 Budget*, p12.

⁹⁹⁶ GoZ, *STERP*, p91.

⁹⁹⁷ AfDB, Statement by Hon. T. Biti Governor for Zimbabwe at the 45th African Development Bank and 36th African Development Fund 2010 Board of Governors Annual Meetings, 28 May 2010, p2.

eat what we kill' anthem. Tensions often played out in public between Mugabe and ZANU-PF ministers on the one hand, and the MDC ministers, particularly Biti, on the other. In 2011, the former attempted to pressure Biti into presenting a supplementary budget to cater for operations of ministries that had exhausted their annual allocation.⁹⁹⁸ Biti was also castigated at ZANU-PF gatherings, for example, at the ZANU-PF 12th Annual National People's Conference, he was accused of standing in the way of the implementation of ZANU-PF resolutions in government by starving the Party, and ZANU-PF led ministries of resources.⁹⁹⁹ At that meeting, Emmerson Mnangagwa, Minister of Defence and ZANU-PF Secretary for Legal Affairs alleged that 'the ministries held by party members performed well, albeit with constraints imposed by the Minister of Finance [regarding] resource allocation. As a result of the challenges and limitations caused by the IG, the Party could not directly influence the implementation of the conference resolutions, especially in the ministries held by the MDC formations.'¹⁰⁰⁰ Such utterances could well have been politicking and populism in the face of non-performance or underperformance. However, the sentiments of the limited manipulation of the budget to fund ZANU-PF party activities was echoed by Eria Hamandishe a long serving Principal Director in the Ministry of Finance. In an interview, Hamandishe stated, 'Overspending was a cancer ...the only time we were able to put some sanity into spending was during the GNU. Revenue obtained was only sufficient for salaries and a few other expenditure items, no other expenditure was tolerated least of all party-related expenditure like that for campaigns'.¹⁰⁰¹ Writing about his experience in the GNU, Biti recalled, 'Faced with huge demand, high expectations and no fiscal leegroom, the Ministry had to say "no" a lot.'¹⁰⁰² There were also clashes in Parliament, regarding resource allocation, with members lamenting that the Ministry of Finance was not making adequate financial provision for various government programs.¹⁰⁰³

There is no doubt that the Ministry of Finance attempted to abide by the principle of cash budgeting, amid much contestation. However, despite its existence, there were continuities rather than discontinuities in government expenditure patterns. For starters, the GNU maintained votes and ministries that existed during the previous epoch except for the addition

⁹⁹⁸ Dumisani Muleya, 'Mugabe, Biti Cross Swords', *Zimbabwe Independent*, 29 July 2011.

⁹⁹⁹ Herbert Zharare, 'Biti Frustrates ZANU-PF Led Ministers – Report', *The Herald*, 12 December 2011.

¹⁰⁰⁰ *Ibid.*

¹⁰⁰¹ Eria Hamandishe, Director of Fiscal Policy in the Ministry of Finance interview, 16 July 2019.

¹⁰⁰² Tendai Biti, 'Rebuilding Zimbabwe', p11.

¹⁰⁰³ Zvamaida Murwira, 'Biti, MPs Clash Over Budget', *The Herald*, 9 December 2010. Veneranda Langa, 'You're Fighting Over Crumbs: Biti Tells MPs', *Newsday*, 9 December 2010. Veneranda Langa, 'Cabinet is Dead', *Newsday*, 25 July 2012.

of Vote 3 - Office of the Prime Minister. The maintenance of the Ministers conformed with the GPA's Article 20.1.6 which distributed Ministries amongst political parties based on the existing ministries at the time of the signing of the GPA. The Agreement provided for 31 Ministers, 15 nominated by ZANU PF, 13 by MDC-T and three by MDC. It also provided for 15 Deputy Ministers, with eight nominated by ZANU PF, six by MDC-T and one by MDC.¹⁰⁰⁴ The two Vice Presidents were maintained while the new posts of Prime Minister with two Deputy Prime Ministers were introduced. In this way, the GPA entrenched the system of a bloated Cabinet and civil service elements which proved to be a massive drain on the fiscus.

The largest expenditure item on the budget remained the wage bill. While acknowledging the difficulty of continued payment of civil servants in local currency, the January 2009 budget adopted a two-pronged approach to the payment of civil servants namely a continuation of local currency salaries adjusted for inflation regularly, and a monthly foreign currency allowance initially paid in vouchers pegged against monthly essential commodities sufficient for a family of six.¹⁰⁰⁵ In March 2009, this position was reversed. Instead, a flat US\$100 monthly allowance was imposed for every civil servant regardless of rank or grade.¹⁰⁰⁶ The change provided a temporary reprieve to the strained budget yet to adjust to the post-hyperinflationary episode. Of the US\$1 billion of the March 2009 budget, US\$299.4 million was set aside for salaries.¹⁰⁰⁷ However, following the removal of the monthly allowance, by October of the same year, civil servants salaries stood at US\$385.7 million.¹⁰⁰⁸ By October 2010, the wage bill had increased to US\$677.7 million against an initial budget estimate of US\$565.5 million for the period.¹⁰⁰⁹ In 2012, the relationship between the population, wage bill and budget were such that approximately 235 000 civil servants who represented about 1.78% of the population, spent 63% of government funds, while the remaining 98.22% shared only 37% of the budget.¹⁰¹⁰ **Table 5.3**, reveals that about 50% of government's total revenue was spent on the wage bill annually, thus constricting the fiscal space leaving government with very little revenue to fund economic recovery and growth. The huge wage bill thus presented the biggest threat to cash budgeting as it constantly threatened to bankrupt the government.

¹⁰⁰⁴ GoZ, *The Global Political Agreement*, https://www.pindula.co.zw/Global_Political_Agreement

¹⁰⁰⁵ GoZ, *Statement on the 2009 Budget*, p45.

¹⁰⁰⁶ *Ibid.*

¹⁰⁰⁷ *Ibid*, p41.

¹⁰⁰⁸ GoZ, *The 2010 National Budget*, pp58-59.

¹⁰⁰⁹ GoZ, *The 2011 National Budget*, p70.

¹⁰¹⁰ GoZ, *The 2012 National Budget*, p71.

Since the inception of the GNU, the IMF consistently warned against the high wage bill. In this regard, the Fund suggested budget restructuring to move funds away from the wage bill.¹⁰¹¹ By 2011, the Fund noted that due to the budget being heavily skewed towards the wage bill, the benefits of economic growth experienced between 2009 and 2011 were not trickling down to ordinary Zimbabweans outside the public sector as the government was unable to fund social and infrastructure programs adequately.¹⁰¹² In 2012, it noted that Zimbabwe's wage bill was amongst the highest in sub-Saharan Africa. The Bill was second only to Lesotho and larger than that of Nigeria and South Africa.¹⁰¹³ What the Fund, however, did not acknowledge is that salaries in the sector were low with a net income of US\$250 per month, against a poverty datum line of about US\$500.¹⁰¹⁴ The scenario thus displayed not only the bloated nature of the civil service but the very fact that government was not generating sufficient revenue to cater for the enormous demands on the fiscus.¹⁰¹⁵

Salaries for civil servants became a highly politicized subject that even drew in President Mugabe who weighed in on these spats that often played out in public, leading to contradictory and inconsistent pronouncements by government over the issue. In 2011, Mugabe called on the Minister of Finance to increase civil servants' salaries and calls for a supplementary budget to cater for the increase were made.¹⁰¹⁶ In 2012, civil servants wrote a letter to the President asking that he intervene to ensure salary increases in the sector.¹⁰¹⁷ On both occasions, the Minister of Finance insisted that the government had not raised sufficient revenue to finance salary increases. Biti declared 'we do not have money... It is a state of austerity. The Ministry of Finance does not have a secret machine where we print US dollars.'¹⁰¹⁸ That the budget was skewed towards the payment of salaries was reflected in its inability to substantially increase funding to the economic sectors, especially industry, mining, and infrastructure development. In turn, there was no job creation, although job creation was cited as one of the major priorities of MTP.

¹⁰¹¹ IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, pp8-9.

¹⁰¹² IMF, Zimbabwe: Staff Report for the 2011 Article IV Consultation, p25.

¹⁰¹³ IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, pp22-23.

¹⁰¹⁴ Njabulo Ncube, 'ZANU-PF Sabotages Biti', *The Financial Gazette*, 21 June 2012.

¹⁰¹⁵ There was, however, an increased revenue collection during the GNU due to, among other things, the payment of taxes in foreign currency, improved and efficient public finance management whose efficiency had increased partly because of technical support provided by the World Bank and African Development Bank. Table 5.3 depicts the revenue situation between 2009 and 2013.

¹⁰¹⁶ *The Herald*, 'Biti Urged to Craft Supplementary Budget', 22 February 2011.

Dumisani Muleya, 'Mugabe, Biti Cross Swords', *Zimbabwe Independent*, 29 July 2011.

¹⁰¹⁷ Njabulo Ncube, 'ZANU-PF Sabotages Biti', *The Financial Gazette*, 21 June 2012.

¹⁰¹⁸ *The Sunday Mail*, 'President Mugabe's Successor Predetermined'. *The Sunday Mail*, 'President Slams Biti Over Economy', 19 February 2012.

Thirdly, grants and subsidies to parastatals remained a factor during the period under review. STERP committed to 'doing away with expenditures on subsidies' particularly in parastatals that are capable of generating income.¹⁰¹⁹ Although MTP was silent on policy relating to parastatals, successive budget statements committed to parastatal reform entailing either restructuring, commercialization or privatization; improvement of performance in parastatals and a reduction of parastatal financing from the fiscus.¹⁰²⁰ Despite the ability to generate profits, parastatals like ZIMRA still received huge allocations from the fiscus. In 2010, ZIMRA received an allocation of US\$50 million in current transfers and US\$7.645 million in capital transfers.¹⁰²¹ In 2011 and 2012, it received the lion's share of Vote 7's current transfers at US\$70 million and US\$70.3 million respectively out of the current transfers of Vote 7 totalling US\$112 096 000 and US\$163 556 000 respectively.¹⁰²² ZIMRA also received the lion's share of capital transfers during the same period, at US\$22 695 800 and US\$34 300 000 of US\$23 775 300 and US\$36 840 000 in 2011 and 2012 respectively.¹⁰²³

Agricultural parastatals remained high recipients of grants and subsidies, particularly the GMB. Estimates of expenditure showed that agricultural grants allocated as capital transfers in 2011 and 2012 were US\$25 177 700 and US\$59 310 000, respectively. Of these total capital transfers, the GMB was allocated US\$20 050 000 in 2011 and US\$50 200 000 in 2012 with a further loan of US\$37 million in 2012.¹⁰²⁴ It also received grants under current transfers to the tune of US\$1 420 000 and US\$1 620 000 in 2011 and 2012 respectively.¹⁰²⁵ The RBZ also became a massive beneficiary of government funding, to enable it to perform its Lender of Last Resort function in the face of its unresolved debt challenges. The Bank received an allocation of US\$83.5 million between 2010 and 2012. However, it must be noted that although parastatal expenditure still existed, some parastatals such as the NRZ, AirZim, ZESA, NOCZIM and the ZBC, traditionally high recipients of grants and subsidies, were absent from the Estimates during the GNU.

Fourthly, Votes catering for the security sectors remained amongst the highest funded Votes between 2009 and 2013. The seven highest funded Votes were the military, education, health,

¹⁰¹⁹ GoZ, *STERP*, p91.

¹⁰²⁰ GoZ, *The 2011 National Budget Statement*, p145. GoZ, *The 2013 National Budget Statement*, p218.

¹⁰²¹ GoZ, *2010 Amended Estimates of Expenditure*, 14 July 2010, p39.

¹⁰²² GoZ, *2012 Estimates of Expenditure*, 24 November 2011, p98.

¹⁰²³ *Ibid.*, p99.

¹⁰²⁴ GoZ, *2012 Estimates of Expenditure*, pp121, 123.

¹⁰²⁵ *Ibid.*

Treasury, agriculture, the OPC and Home Affairs.¹⁰²⁶ When expenditure to the two votes dedicated to education was combined, education consistently remained the highest funded item on the budget. By 2013, education received funding above US\$1 billion out of the US\$3.860 billion-dollar budget, up from US\$408 183 282 in 2010.¹⁰²⁷ The second highest expenditure item varied annually, health and Treasury interchangeably occupied that position between 2010 and 2013. In 2009, 2011, 2012 and 2013, the Vote dedicated to health was the second-highest funded Vote in the individual budgets with allocations of US\$205 379 540, US\$ 256 198 000, US\$345 688 000, and US\$380 980 000, respectively. In 2010, the position was occupied by the Treasury with US\$207 247 076. In three of the five years of the GNU, 2009, 2012 and 2013, the military Vote was the third-highest funded Vote. Vote Six received US\$141 340 353, US\$318 272 000, and US\$356 699 000, respectively. It must, however, be acknowledged that this position revealed a slight drop in funding to the military, which was traditionally the second-highest funded Vote in the budget. The controversial Special Services budget item contained as a sub-vote under the Vote of the OPC was also a big recipient of government funding. Vote 1 was consistently the seventh-highest allocation between 2010 and 2013. Of importance is that a sizeable chunk of the allocation was dedicated to Special Services. For instance, in 2010, Vote 1 was allocated a total of US\$57 646 657, while special services received US\$16 502 500. In 2012 and 2013, Vote 1 received a total of US\$147 483 500 and US\$161 024 000 respectively, with Special Services being allocated US\$52 671 000 and US\$64 647 000, respectively. The Home Affairs, another Vote dedicated to the security sector, was consistently the fourth-highest funded Vote. By 2013, the Vote was allocated US\$308 042 000, up from US\$125 152 835 in 2009.

Much as there was continuity in the highest funded votes, it must be noted that the exception to the rule was the agriculture Vote which for the first time since independence, and contrary to the general belief that it was underfunded during the GNU, was among the highest funded Votes.¹⁰²⁸ The Vote dedicated to Agriculture, Mechanization and Irrigation Development (Vote 12) interchangeably occupied the fifth, sixth and seventh highest funded Vote on the budget during the GNU. In 2012, the Vote received its highest annual allocation at US\$226

¹⁰²⁶ Votes to the OPC and Home Affairs cater for the CIO and Police respectively.

¹⁰²⁷ GoZ, *2010 Estimates of Expenditure*, pp21. GoZ, *2013 Estimates of Expenditure*, 15 November 2012, pp193, 207.

¹⁰²⁸ Chapters Two and Three show the expenditure dedicated to agriculture. On various occasions Biti was accused of 'sabotaging' the agricultural sector and the land reform program, see for example, *The Sunday Mail*, 'President Mugabe's Successor Predetermined', 1 July 2012. *The Sunday Mail*, 'President Slams Biti Over Economy', 19 February 2012.

791 000. Although this allocation was much less than the allocation towards the military and other social sectors, it remained a significant allocation as it was much more than was allocated to other economic sectors whose allocations remained very low. For instance, the Vote dedicated to industry and commerce received its highest allocation in 2012 at US\$9 087 000 while that to Mines was allocated its highest allocation at US\$7 078 000 in 2013.

Ultimately, like in the previous epochs, the government spent more on recurrent expenditure than capital expenditure, a scenario that was unsustainable, un conducive for economic growth and a significant threat to the principle of cash budgeting. **Table 5.5** and **Figure 5.1** are a depiction of the actual expenditures on capital and recurrent expenditure. **Fig 5.1** shows that in 2009, only 5% of the budget was spent on capital expenditure while 95% was spent on recurrent expenditure.¹⁰²⁹ By 2013, of the US\$3.9 billion, only US\$438 million was spent on capital expenditure, the rest was dedicated to recurrent expenditure. The scenario was direr as the bulk of capital expenditure was spent on items such as furniture, vehicles for various ministries leaving very little finance for developmental and infrastructural projects least of those aligned to the prevailing economic blueprint.¹⁰³⁰ According to Mashakada, one of the primary reasons why the MTP registered a lot of missed targets was because there was a 'disconnect between the budget and the plan' as the bulk of government expenditure was spent funding consumables instead of financing developmental projects that would ensure economic growth.¹⁰³¹

Table 5.5: Actual Expenditures 2009 – 2013 in US\$ Millions

	2009	2010	2011	2012	2013
Current Expenditure	852	1 620	2 471	3 076	3 520
Capital Expenditure	46	523	428	484	468
Total Expenditure	898	2 143	2 899	3 560	3 987

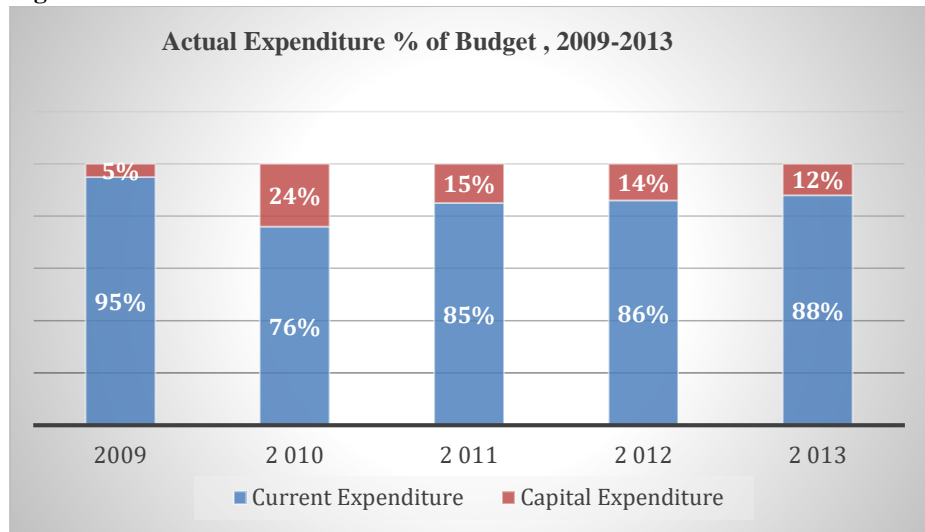
Source: MoF, Budget Office

¹⁰²⁹ GoZ, *The 2010 National Budget Statement*, p58.

¹⁰³⁰ *Ibid*, p65.

¹⁰³¹ Interview, Tapiwa Mashakada.

Figure 5.1:



Apart from the continuities in the expenditure pattern, the cash budgeting principle was threatened by government revenue generation abilities. For cash budgeting to be a success, government had to increase its revenue generation capacity.¹⁰³² In addition to being key to debt clearance, leveraging on the Chiadzwa/Marange diamonds was also identified as in increasing state revenue. On November 1 2011, the Kimberley Process Certification Scheme (KPCS) lifted the two-year ban on the sale of Marange diamonds on the international market, bringing much hope for increased revenue from the diamond sector.¹⁰³³ The ownership model informed the hope for increased revenue of the Chiadzwa diamond companies where the government was an equal shareholder in three mining corporations, namely, Mbada, Anjin, and Diamond Mining Corporation. Further, government wholly owned Marange Resources, another mining company based at Chiadzwa. Thus, in theory, the government retained a 50% share in every gross sale, while these companies were also obligated to pay various taxes, including PAYE and VAT.¹⁰³⁴ Based on these prospects, successive budgets ring-fenced projected diamond revenue for various development initiatives in the country. In 2012, for example, projections were that the diamond industry would generate no less than US\$600 million, which was

¹⁰³² GoZ, *STERP*, p92.

¹⁰³³ IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, p8. GoZ, *The 2012 National Budget Statement*, p81. For a detailed discussion on the controversies leading to the ban and reinstatement of Zimbabwe's KPCS license see among others Alan Martin, 'Reap What You Sow: Corruption and Greed in Marange's Diamond Fields', Richard Saunders and Tinashe Nyamunda (eds), *Facets of Power: Politics, Profits and People in the Making of Zimbabwe's Diamonds*, (Harare: Weaver Press, 2016), pp40-57. Shamiso Mtisi, 'Enforcer or Enabler? Rethinking the Kimberley Process in the Shadow of Marange', Richard Saunders and Tinashe Nyamunda (eds), *Facets of Power*, pp57-92.

¹⁰³⁴ GoZ, *The 2013 National Budget*, p230.

subsequently ring-fenced for both capital and recurrent expenditure at US\$300 million each.¹⁰³⁵ Capital expenditure included construction and rehabilitation in the transport, energy and telecommunications sectors; financing of grain and input schemes as well as procurement of medical equipment for the state hospitals. Recurrent expenditure to be supported included grants to the education sector, ZIMSTAT, the referendum and general elections.

As it turned out, diamond revenue performed poorly resulting in the state collecting far less revenue than projected throughout the period under review. As early as 2010 the Ministry of Finance was reporting irregularities in remittances from the diamond industry. In 2010, according to the Ministry of Finance, Zimbabwe had sold about US\$30 million worth of Chiadzwa diamonds, which Treasury and ZIMRA had no record or knowledge of.¹⁰³⁶ Diamond revenue in the same year was only US\$32 million an insignificant amount in the face of US\$2.250 billion budget.¹⁰³⁷ The situation did not improve such that by October 2012, of the total diamond exports of US\$563 561 495, Treasury received a mere US\$41 million against an anticipated revenue of US\$600 million.¹⁰³⁸ The issue of the non-remittance of diamond revenue to Treasury was a topical issue in Parliament where legislators expressed concern on Treasury's inability to leverage on diamond revenue. For instance, in 2013, a motion passed in Parliament MDC-T MP Felix Magalela Sibanda which was seconded by Colin Gwiyo. The motion especially revealed the lack of transparency exhibited by many parastatals, especially ZINARA and the Minerals Marketing Corporation of Zimbabwe responsible for mining including diamonds.¹⁰³⁹

The poor performance of diamond revenue was linked to the extensive militarization and politicization of the industry.¹⁰⁴⁰ Due to the militarization, violence and broad irregularities around diamond mining, on the 9th of December 2011, the US placed on the list of 'proscribed

¹⁰³⁵ GoZ, *The 2012 National Budget*, p83.

¹⁰³⁶ GoZ, *The 2010 Mid-Term Fiscal Policy Review Statement*, p122.

¹⁰³⁷ GoZ, *The 2011 National Budget*, p201.

¹⁰³⁸ GoZ, *The 2013 National Budget*, p230.

¹⁰³⁹ PoZ, *Hansard National Assembly Debates*, Volume 39 Number 6, 5 February 2013.

¹⁰⁴⁰ In 2012, Global Witness released a damning report detailing how the diamond industry had been purposely reconfigured by senior ZANU-PF officials to finance the activities of the military, the CIO and ZANU-PF robbing the state of billions in diamond revenue. See Global Witness, *Financing a Parallel Government? The Involvement of the Secret Police and Military in Zimbabwe's Diamond, Cotton and Property Sectors*, June 2012. For a broader appreciation of some of the issues raised in the Global Witness Report and the illicit diamond trading intricately designed to finance the patronage web and the power retention agenda involving the securocrats as well as senior ZANU-PF politicians, that resulted in the massive plunder of diamonds and gross human rights violations in Chiadzwa see Richard Saunders and Tinashe Nyamunda (eds), *Facets of Power*.

and sanctioned companies' Mbada Diamonds and Marange Resources.¹⁰⁴¹ In response to this move, Biti wrote Charles Collyns the Assistant to the US Treasury placing on the record the displeasure of the government. He argued, '[we], find your measures contrary to the spirit of engagement and harmful to the generality of Zimbabweans...the US decision undermines the KPCS and its chairmanship of this body...This is a self-defeating and retrogressive position'.¹⁰⁴² This letter did not result in the removal of these companies from the list of SDNs.

The IMF and World Bank repeatedly called for transparency and accountability in the diamond industry, given that ZAADDs and the principle of cash budgeting were hinged on the success of the sector.¹⁰⁴³ These institutions went on to call for the passing of a Diamond Act to regulate operations in the diamond industry, a sentiment shared by the Ministry of Finance.¹⁰⁴⁴ The Act did not see the light of day during the GNU although Cabinet approved a Diamond Policy in November 2012. The Policy gave Treasury and ZIMRA the 'right to access trading and financial records for diamond companies' and the 'joint responsibility to the Ministry of Finance and the Ministry of Mines and Mining Development to ensure the accurate computation, accounting, and repatriation of diamond proceeds from companies in which Government has a stake'.¹⁰⁴⁵ However, it did not compel the diamond companies to remit funds to Treasury nor did it set out any penalties in the case of defaults by mining companies. The policy was ineffective.

Apart from raising its revenue generation capacity, the government attempted to reduce its expenditure as a strategy to support the principle of cash budgeting. Given the weight of the wage bill, it was the first target for funding reduction through a process of the elimination of 'ghost workers' and a hiring freeze. The BWIs encouraged the elimination of 'ghost workers' from as early as 2009, with the Fund placing it as a condition for an SMP stocktaking

¹⁰⁴¹ *The Sunday Mail*, Letter from Tendai Biti to Charles Collyns Assistant Secretary for the US Treasury, Dated 19 December 2011, 15 Jan 2012. Also see, *The Sunday Mail*, 'Biti Attacks US Government', 15 January 2012. IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, p8.

¹⁰⁴² *The Sunday Mail*, Letter from Tendai Biti to Charles Collyns Assistant Secretary for the US Treasury. Farai Magawu notes that the MDC, including Prime Minister Morgan Tsvangirai, was not very instrumental nor was it willing to effectively confront ZANU-PF on the reform of the diamond industry. This resulted in an unintended consequence of conniving with the state. See Farai Magawu, 'Marange Diamonds and the Kimberely Process: An Activist's Account', Richard Saunders and Tinashe Nyamunda (eds), *Facets of Power*, pp92-112, pp109-110.

¹⁰⁴³ IMF/WB, 2010 Article IV Consultation – Informational Index on WB-IMF Collaboration, 3 May 2011, p7.

¹⁰⁴⁴ IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation.

¹⁰⁴⁵ GoZ, Memorandum of Economic and Financial Policies, p9.

exercise.¹⁰⁴⁶ In Parliament, MPs noted the existence of 'ghost workers' particularly in the Ministry of Youth Indigenization and Empowerment. The duties of the 'ghost workers' were unknown, yet they gobbled a significant chunk of the wage bill.¹⁰⁴⁷ Thus, on February 7 2009, Cabinet approved a payroll audit.¹⁰⁴⁸ An audit report was produced on November 10, 2010, indicating among other things that the government had about 236 000 workers. Of these, 75 000 'ghost workers' were identified and subsequently removed from the payroll.¹⁰⁴⁹ To complement the payroll audit, Treasury initiated a government hiring freeze in all government Ministries with Ministries obligated to seek Treasury authority to fill critical posts.¹⁰⁵⁰ However, in 2012 the regulation was flouted by the Ministries of Defence and Home Affairs which recruited 4600 and 1200 personnel respectively, without Treasury approval increasing the wage bill by US\$190 million monthly.¹⁰⁵¹

Other methods of cutting budget expenditure to adhere to the principle of cash budgeting included the reduction of foreign travel, restructuring vehicle use at CMED, an audit of vehicle inventory and initiating budget trade-offs. Since 2010, foreign travel was catered for in the Ministry's Vote allocation as opposed to the previous scenario where requests for foreign travel were made to Treasury outside of the Ministry's vote allocation.¹⁰⁵² The change would instil discipline as huge entourages severely strained the fiscus. Also beginning in 2010, Treasury introduced a flat monthly payment fee of US\$1000 per vehicle paid in advance to the CMED.¹⁰⁵³ As opposed to the previous system of unlimited mileage rampantly abused by politicians and civil servants alike. In 2012, government introduced the principle of budget trade-offs. Under this principle, 'any Ministry that proposes expenditures not covered in the Budget will have to trade off some of their budgeted programmes and projects to create room to accommodate the extra-budgetary requirements.'¹⁰⁵⁴ This would discourage spending

¹⁰⁴⁶ IMF, Statement by Samuel Itam, Executive Director for Zimbabwe, 4 May 2009, p3. World Bank, Multi Donor Trust Fund - Zimbabwe Public Expenditure Notes: Managing Government Wage Bill for Sustained Recovery, 11 August 2010, p1.

¹⁰⁴⁷ PoZ, *Hansard National Assembly Debates*, Volume 35, Number 35, 15 July 2009.

¹⁰⁴⁸ *Ibid.*

¹⁰⁴⁹ *Zimbabwe Independent*, 'Salaries Gobble Up Biti's Budget', 25 November 2011.

¹⁰⁵⁰ PoZ, *Hansard National Assembly Debates*, Volume 38, Number 40, 13 June 2012.

¹⁰⁵¹ *Ibid.*

¹⁰⁵² GoZ, *The 2010 National Budget*, p126.

¹⁰⁵³ *Ibid.*, pp126-127.

¹⁰⁵⁴ GoZ, *The 2012 National Budget*, p222.

outside the budget. With this change, the Ministry of Finance did not return to Parliament to seek condonation of expenditure.¹⁰⁵⁵

Despite the vast reforms to fiscal policy, culminating in a relative reduction in government's expenditure items, increased efficiency in the utilisation of public funds, and the relative increase in government revenue as shown in **Table 5. 5**; Treasury was practically unable to adhere to cash budgeting. As early as 2010, the IMF was advising government to 'return to cash budgeting'.¹⁰⁵⁶ The Fund advised the same in 2011, cautioning that without a return to cash budgeting there would be no hope for strengthening government's fiscal position.¹⁰⁵⁷ In 2013, Treasury itself admitted to falling off the cash budget wagon, particularly in 2012 and 2013.¹⁰⁵⁸ Although the government attributed the fiscal slippages to the underperformance of government revenue, it was also a result of other factors among other things, an unsustainable wage bill, an unchanged government expenditure structure and lack of budget support. Thus government ran deficits and in some instances resorted to borrowing.

5.4.1 Deficits and Borrowing During the GNU

For the first time since 1980, the January 2009 budget statement made no provision for deficit spending. Influenced by among other things, Keynesian economic thought, the goodwill of the international community/various economic programs financed by the international community and currency engineering, the Ministry of Finance under Nkala to that under Murerwa had believed in expansionary fiscal policy hinged on deficit spending. However, the January 2009 budget broke the trend with Chinamasa announcing, 'I have had to rationalise the requirements by line Ministries in line with the anticipated foreign exchange revenues, which are projected at, US\$1.7 billion for the 2009 financial year without any deficit provisions.'¹⁰⁵⁹ Although US\$200 million was projected to be provided by 'cooperating partners' at a time when there was limited possibility of budget support, the principle of operating based on tight fiscal policy was established. In March 2009, in keeping with the principle of tight fiscal policy, the second budget statement revised the budget downwards to US\$1 billion citing the government's

¹⁰⁵⁵ In cases where Ministries utilized more funds than prescribed in the Appropriations Act, Treasury reverted back to Parliament to seek condonation of expenditure. Interview with Pepukai Chivhore, Clerk of Parliament for the Parliamentary Portfolio Committee of Budget and Finance, Harare, 10 June 2019.

¹⁰⁵⁶ IMF, Public Information Notice: IMF Executive Board Concludes 2010 Article IV Consultation with Zimbabwe, 17 May 2010, pp11, 18.

¹⁰⁵⁷ IMF, Zimbabwe: Staff Report for the 2011 Article IV Consultation,

¹⁰⁵⁸ GoZ, Zimbabwe: Staff- Monitored Program: Letter of Intent, p2.

¹⁰⁵⁹ GoZ, *The 2009 National Budget*, p81.

incapacity to raise the US\$1.7 billion projected in the January budget.¹⁰⁶⁰ Despite the rational thinking displayed in both budget statements in line with the envisioned principle of cash budgeting, pressure on the fiscus and the constricted fiscal space resulted in the government operating on a deficit in 2012 and 2013, after incurring modest surpluses until then, as displayed in **Table 5.3**.

Commenting on the spending patterns of the GNU, Richardson rightly pointed out that ‘dollarisation failed to discipline the government’s deficit spending’.¹⁰⁶¹ Contrary to the notion of cash budgeting, the government resorted to borrowing to finance some of its expenditure exacerbating an already dire debt situation. The first of these borrowings was a non-concessionary loan from the IMF’s General Resource Account in the form of Special Drawing Rights (SDRs). In April 2009, the IMF released US\$262 billion in SDRs, to cushion countries against the effects of the 2008/2009 global financial crisis.¹⁰⁶² Based on Zimbabwe’s Voting rights, it received US\$410 million.¹⁰⁶³ After much debate on the effective utilisation of the SDRs, allocations included, US\$57 million towards water and sanitation, US\$58 million to transport, US\$15 million to health, US\$7.8 million to education and US\$50 million for the purchase of grain, US\$80 million for lines of credit to the productive sectors.¹⁰⁶⁴ US\$210 million went towards budget support.¹⁰⁶⁵ The wage bill, however, gobbled the bulk of this latter allocation against the advice of the IMF.¹⁰⁶⁶ By 2010, the government had used US\$150 million of its SDRs to finance the wage bill.¹⁰⁶⁷

The government also acquired controversial non-concessional loans from China. The first of these was US\$98 million borrowed from China’s Export-Import Bank (EXIM Bank) in 2011 for the construction of the National Defence College. Parliament extensively debated the loan

¹⁰⁶⁰ GoZ, *Statement on the 2009 Budget*, pp32, 39.

¹⁰⁶¹ Craig Richardson, ‘Zimbabwe: Why is One of the World’s Least-Free Economies Growing So Fast?’, p5.

¹⁰⁶² PoZ, *Hansard National Assembly Debates*, Volume 36, Number 3, 21 October 2009.

¹⁰⁶³ *The Herald*, ‘Biti Allocates IMF US\$510 million to Fiscus and Productive Sector’, 4 December 2009.

¹⁰⁶⁴ Walter Murwizi, ‘Biti, Gono Clash Over IMF Funds’, *The Standard*, 6 September 2009. The SDRs were indicated as being worth US\$410 million by the IMF, while *The Herald* converted these to US\$510 million. IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, p9. *The Herald*, ‘Biti Allocates IMF US\$510 million to Fiscus and Productive Sector’, 4 December 2009.

¹⁰⁶⁵ *The Herald*, ‘Biti Allocates IMF US\$510 million to Fiscus and Productive Sector’.

¹⁰⁶⁶ IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, pp7, 9. IMF, Public Information Notice: IMF Executive Board Concludes 2010 Article IV Consultation, p26. IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, p22.

¹⁰⁶⁷ IMF, Zimbabwe: Staff Report for the 2010 Article IV Consultation, p9. IMF, Public Information Notice: IMF Executive Board Concludes 2010 Article IV Consultation, p26. IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, p22.

displaying political tensions and mistrust between members in both Cabinet and Parliament. For starters, the loan, packaged as 'imperative' given the 'obtaining global security environment', was brought to Parliament by the Minister of Defence, instead of the Minister of Finance, as was the norm.¹⁰⁶⁸ MPs, mainly from the MDC, debated against the loan citing a breach in Parliament's Standing Rules and Orders, misplaced priorities, lack of a financial plan to repay the loan and the suspicion against the construction of a defence college in a highly repressive state like Zimbabwe.¹⁰⁶⁹ Harrison Mudzuri, an MDC-T MP from Masvingo, summarized the issues thus:

though it may seem to be important, it is not priority considering where we are coming from. Why can we not borrow 675 Million Yen to finish Tokwe-Mkosi [dam], was it not a better choice? Why a defence college when the country has so many problems? Our experience is causing us to be suspicious., are we not oiling the machinery that is going to ruin us? Are we not sharpening the axe that is going to be used to chop our heads off? Are we not making gun powder for the gun that is going to be used against the civilians of this country? I think this is not the time to venture into this National Defence College.¹⁰⁷⁰

Those that supported the loan, primarily ZANU-PF MPs, leveraged on the technicality that Cabinet had already approved the loan and both Biti and Mnangagwa had signed the loan Agreement. They supported Mnangagwa's assertion that the construction of the College was urgent.¹⁰⁷¹ That the loan had been approved in Cabinet by the time it came to Parliament left very little room for objective debate. Kudakwashe Bhasikiti, a ZANU-PF MP from Masvingo, used it as a rallying point for support of the ratification, 'I was also happy to see that the Minister of Finance, has already assented his signature to it, indicating the importance of the business to be conducted.'¹⁰⁷²

Despite the extensive debate, the loan was ratified. In any case by the time ratification was sought, construction of the College had begun. In his presentation, Mnangagwa advised Parliament that 'already, the construction is almost 50% at the hospitality of the contractor who started using his finance'.¹⁰⁷³ The fact that the government was already owing an unidentified contractor served to pressure Parliament to ratify the loan. Despite the ratification, the 2012 budget provided a capital grant for the construction of the College to the tune of US\$600 000;

¹⁰⁶⁸ PoZ, *Hansard National Assembly Debates*, Volume 37 Number 31, 31 May 2011.

¹⁰⁶⁹ *Ibid.*

¹⁰⁷⁰ *Ibid.*

¹⁰⁷¹ *Ibid.*

¹⁰⁷² *Ibid.*

¹⁰⁷³ *Ibid.*

and US\$2 million for various programmes.¹⁰⁷⁴ The 2013 budget allocated a capital grant of US\$750 000 and a further US\$2.5 million for various programmes.¹⁰⁷⁵

More non-concessionary loans were borrowed from China's EXIM Bank in 2011 to the tune of US\$566 million?¹⁰⁷⁶ These financed among other things, agricultural equipment, and infrastructure ahead of the 2013 United Nations World Tourism Organisation General Assembly hosted in Victoria Falls. US\$150 million was for upgrading and expanding the Victoria Falls airport, US\$141,3 million for upgrading and repairing Harare City Council's water and sewer system, while US\$89,9 million was for medical equipment and supplies for public hospitals.¹⁰⁷⁷ Another US\$50 million was borrowed for the expansion of state-owned mobile network NetOne.¹⁰⁷⁸ Despite the fact that these loans were for capital projects, they were costly at an interest rate of LIBOR plus 3%, a down payment of 10% and a management fees and commitment fees of 0.375% each.¹⁰⁷⁹ The loans also had a component of attaching the country's minerals which would be used to clear the debt should the government fail to service it. Again, the way this debt was accrued gave too much power to Cabinet which first signed the loan agreements after which Parliamentary ratification was sought, a process not necessarily the same as seeking the permission to accrue the loan. Marondera Central MDC-T MP Iain Kay lamented that Parliament was used to merely rubberstamp the Executive's decisions, noting, 'I am dismayed that we (MPs) are being used to ratify these loans without debate. If the Executive is doing our work, then what should we be doing?'¹⁰⁸⁰ Asked about the operations of Parliament's ability to perform its oversight role where the ratification of loans and approval of budgets was concerned, former chairperson of the Parliamentary Committee on Budget and Finance explained:

*Parliament operates by virtue of the whipping system, we do not use our brains in Parliament, we use the Party brains. Each time there is a Bill to be passed, each Party has a private caucus, in ZANU-PF they call us to Chibuku [colloquial name for ZANU-PF Headquarters], and we are told how to Vote. The MDC does the same, they are told how to Vote. When you debate, you debate what you are told to say, it is not objective at all.*¹⁰⁸¹

¹⁰⁷⁴ GoZ, 2012 *Estimates of Expenditure*, p87.

¹⁰⁷⁵ GoZ, 2013 *Estimates of Expenditure*, p81.

¹⁰⁷⁶ IMF/World Bank, 2010 Article IV Consultation – Joint IMF/World Bank Debt Sustainability Analysis, 5 May 2011, p3. IMF/World Bank, 2012 Article IV Consultation – Joint IMF/World Bank Sustainability Analysis, 7 September 2012, p4.

¹⁰⁷⁷ Paidamoyo Muzulu, 'UNWTO: Zim Mortgages More Natural Resources', *Zimbabwe Independent*, 10 August 2012.

¹⁰⁷⁸ *Ibid.*

¹⁰⁷⁹ IMF/ World Bank, 2010 Article IV Consultation – Joint IMF/World Bank Debt Sustainability Analysis, p3.

¹⁰⁸⁰ Paidamoyo Muzulu, 'UNWTO: Zim Mortgages More Natural Resources'.

¹⁰⁸¹ Interview, David Chapfika.

Ironically, Biti spoke against the accrual of loans especially non-concessional loans, including the recently accrued Chinese loans, displaying the political pressure exerted in Cabinet and showing Murerwa's accuracy who said '*ku Cabinet, haungorambi kusigner zvinhu* [in Cabinet you just do not refuse to sign documents]'. Biti was vehemently opposed to the Chinese loans stating, 'if they are friends, it is ironic that they want more than 2% or more than 5% [interest], yet they are prepared to accept less than 1% on Treasury bills [US Treasury Bills in the hands of the Chinese at an interest rate of 1% or less]'.¹⁰⁸² He concluded his submission by saying 'when you are indebtedness [sic], the precarious position that we are at the moment, you cannot contract other debts. If you are going to contract other debts, it has to be concessionary debts. A country like Zimbabwe does not have the capacity of repaying those interests.'¹⁰⁸³

The IMF also spoke against the borrowings in the face of debt distress and ZAADDs, predicting, '...Zimbabwe is not likely to reach debt sustainability even taking into account increased receipts from the country's mineral resources'¹⁰⁸⁴ The Fund advised the government to 'refrain from non-concessional borrowing and seek better terms for recently contracted debt.'¹⁰⁸⁵ In 2012, the IMF cautioned against non-concessional borrowing, noting that it 'may complicate reaching agreement on a debt resolution strategy in future.'¹⁰⁸⁶ The complication was already manifesting through the selective servicing of debt as the government simply could not afford to repay all its creditors.¹⁰⁸⁷

The government acquired debt domestically through the issuance of treasury bills and arrears to service providers. On October 4 2012, the Ministry of Finance reintroduced government's treasury bills abandoned in 2008.¹⁰⁸⁸ The RBZ noted that Treasury Bills were reintroduced in the form of 'private placements as opposed to the auction system' that prevailed in 2008.¹⁰⁸⁹ These had also been requested by various financial institutions to invigorate the financial market following hyperinflation. The same market, however, did not readily accept the bills such that the 2013 budget lamented, 'only one successful issuance of Treasury bills of US\$9.8

¹⁰⁸² PoZ, *Hansard National Assembly Debates, Volume 37 Number 35*, 15 June 2011.

¹⁰⁸³ *Ibid*

¹⁰⁸⁴ IMF, Zimbabwe: Staff Report for the 2011 Article IV Consultation, p23.

¹⁰⁸⁵ *Ibid*, p26. IMF, Public Information Notice: IMF Executive Board Concludes 2010 Article IV Consultation with Zimbabwe, p3.

¹⁰⁸⁶ IMF, Zimbabwe: Staff Report for the 2012 Article IV Consultation, p27.

¹⁰⁸⁷ IMF/World Bank, 2010 Article IV Consultation – Joint IMF/World Bank Sustainability Analysis, p6. IMF, Public Information Notice: IMF Executive Board Concludes 2012 Article IV Consultation with Zimbabwe, p3.

¹⁰⁸⁸ GoZ, *The 2013 National Budget*, p202.

¹⁰⁸⁹ Private placements relate to identifying potential clients, mostly banks, and making an offer. Interest rates are mutually negotiated as opposed to the auction system where TBs are put on auction with predetermined interest rates. RBZ Debt Management Office, written response to interview questions.

million at 8.51% interest.¹⁰⁹⁰ The government also owed its major service providers creating domestic arrears. By 2013, the government owed US\$250 million to service providers an unsustainable scenario that betrayed the announced principle of cash budgeting.¹⁰⁹¹ **Table 5.4** reveals that total domestic debt stood at US\$375 million in the same year.

¹⁰⁹⁰ GoZ, *The 2013 National Budget*, p203.

¹⁰⁹¹ *Ibid.*

5.5 Conclusion

This chapter examined the GNU within the lens of the mantra, 'We eat what we kill'. It did this through the detailing of economic plans and the economic planning process, the complexities of international re-engagement, as well as the state's revenue allocation pattern during the GNU. The Chapter noted that economic reforms implemented between 2009 and 2013, including, the multicurrency regime, the role of the Central Bank, cash budgeting and international re-engagement, had their roots in the January 2009 budget and monetary policy statements which were in tandem for the first time in over a decade. However, the importance of the GNU was that it expanded on and finalized vital policies. For example, although the multicurrency regime was introduced in January 2009, it was during the GNU that there was forced adherence to it by officially demonetizing the Zimbabwe dollar making it impossible for the government to resort to currency engineering to finance its expenditure.

The economic planning process was fraught with heated contestations. The process was highly exclusionary, despite the involvement of the MDC, whose claim to fame hinged on democracy and inclusivity. In formulating and implementing STERP and the MTP, the views of the generality of the population were not sought either directly or through Parliament. The people were not only excluded from fully participating in economic policy formulation, but they were also excluded from making any economic decisions, with the MDC ironically sidelining civil society and labour unions; turning into an elite ruling class divorced from the people. On the contrary, a concerted effort was made to ensure Zimbabwe was readmitted into the community of nations. Debt clearance strategies largely dominated the re-engagement agenda as debt distress was previously a significant hindrance in accessing development finance. However, despite the debt burden, absence of reforms, and Zimbabwe being dubbed as a 'weak policy performer', the IFIs, Fishmongers and other partners, supported the recovery process through grants under the humanitarian plus plus banner.¹⁰⁹² The Humanitarian plus plus partly explained why economic activity grew during the GNU as the donors injected money into the Zimbabwean economy. The government was, however, unable to unlock budget support, since, under the humanitarian plus plus, donors administered and distributed their resources through various funds, such as, the Zim-Fund.

¹⁰⁹² IMF, Zimbabwe Debt Sustainability Analysis, 29 April 2010, p2.

Despite these spirited efforts, the vision of ‘we eat what we kill’ mantra was not implemented *in toto*. This was a result of a variety of factors including insufficient revenue especially in the face of the under performance of the diamond sector, a skewed expenditure structure dominated by recurrent expenditure, a suffocating wage bill and the absence of budget support. The government thus resorted to accruing controversial non-concessional Chinese loans, issuing Treasury Bills, non-payment of service providers, and running a deficit. In the final analysis, the government killed a rat but ate an elephant.

6. CONCLUSION

Inherited Economic Management Systems, Power Retention and Odious Debt

This thesis has examined the nexus between economic planning, state finance and power in Zimbabwe until 2013. It reveals the postcolonial regime's nature, its economic planning and financing aspects influencing its survival. It joins Bond and Manyanya and Simpson and Hawkins in providing critical perspectives on how the economy was structured to ensure the survival of the postcolonial regime. Bond and Manyanya and Simpson and Hawkins examine developments in the public, private (productive and financial) and social sectors. Simpson and Hawkins especially, attempt to analyse changes witnessed regarding land policy, monetary and fiscal policy, developments in the economic sectors, urban and rural displacements, the humanitarian crisis, electoral theft, the military, and a host of other issues. However, the book tends to miss some historical connections pertinent to understanding the relationship between economics and politics in Zimbabwe.¹⁰⁹³ In contrast, this study supports its main argument by concentrating on the state's role in the public sector with a specific bias towards economic planning and state finance seeking to understand how the state manipulated these elements to hold onto power. It also details state-multilateral and bilateral relations, only as far as these affected developments in the public sector and not in other sectors as Bond and Manyanya and Simpson and Hawkins do.

While making the same argument as the scholars mentioned above, the thesis differs from their books in various ways. First, neither book creates a sustained analysis of the government's expenditure patterns, a dominant feature in this thesis (Sections 2.5; 3.4; 4.4; 5.4). Secondly, none of the books trace the politics of economic reform, changes in monetary policy and QFAs used by the state as a means of financing its activities, issues discussed in detail in this thesis (Sections 2.3, 3.2.2, 4.3, 4.4.1, 4.4.2, 4.5, 5.2). Thirdly, the thesis problematises the changes made to the country's currency as a means of political survival; neither book notes the influence of currency changes in 'regime survival' (Sections 4.4.3, 4.6). Finally, the thesis traces Zimbabwe's international isolation within the broader context of the changed policy within IFIs and debt arrears by the state instead of the sole reason of human rights violations and misuse of funds championed by Simpson and Hawkins (Sections 2.4.2, 3.3, 4.2, 5.3.2, 5.3.3).¹⁰⁹⁴

¹⁰⁹³ See, for example, Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival*, pp54-55, p220.

¹⁰⁹⁴ *Ibid*, p76.

In advancing its central argument, that economic planning and state finance were conveniently structured to sustain the regime, the thesis identifies four epochs with the first two epochs being at variance with those identified in the existing literature. At present, literature categorises the first epoch as the first decade of independence, characterised by the socialist experiment, or the failed socialist experiment (Section 1.2.1). On the contrary, this thesis demonstrates that the first epoch is between 1980 and 1985. Section 2.3 analyses critical policy pronouncements in these first five years of independence and concludes that the government had no intention of pursuing a socialist path despite the strong socialist language used in some of its policy documents especially the TNDP. Instead of socialism, what existed between 1980 and 1985 was an increased number of food and non – food subsidies that somewhat benefitted the majority black population (pp71-72).¹⁰⁹⁵ The same section further notes how the government instrument of actualising development programmes, the PSIP, was social sector-oriented, emphasising rural development, reconstruction, and the construction of schools and hospitals. In this way, the thesis concurs with the views expressed by Mandaza that the people were helped and not empowered (p9). Existing literature equates the implementation of ESAP enshrined in the FER and SFYNDP, with the move to market liberalism (Section 1.2.2). However, this study argues that the shift in focus of the PSIP towards the economic sectors, detailed in the FFYNDP of 1986, marked the beginning of the government's implementation of gradual and significant changes to achieve market liberalism (pp86-87). Before the implementation of FER, government made a series of other policy pronouncements reflecting its market-led development stance including the cutting of subsidies beginning in 1986/87 budget, the announcement of the crafting of guidelines for economic liberalisation and investment in 1988 and the announcement of the PIPP regulations in 1989 (pp88-89). For these reasons, this thesis concludes that the first two epochs are between 1980 and 1985 and 1986 and 1997, respectively. However, it concurs with existing literature with regards to the crisis period and the period of GNU.

As is evident in the thesis demonstrates that developments in the first era shaped economic planning and state finance during the review period. At independence, the existence of the Zimbabwe experiment resulted in economic planning and state finance being primarily influenced by two forms of inherited economic management systems. These had in common an emphasis on private-sector-led development, maintenance of a good credit record and the

¹⁰⁹⁵ Figure 2.7 showed that allocations to subsidies in relation to the rest of the budget were insignificant. Parliament also complained about subsidies falling short in alleviating the woes of the intended beneficiaries; a claim Chidzero did not dispute.

NIA/UNSNA, but were in some instances, at variance (Section 2.2). On the one hand was the inherited system from the colonial regime which emphasised strong state intervention in the economy, the maintenance of parastatals, and centralised public funds management based on line budgeting without the involvement of Parliament in economic policy or budget formulation (pp33 -34). On the other hand, was the opposite kind of inheritance from the global North championed by Britain, the US and critical IFIs, which emphasised the need for a concrete economic policy document, limited state intervention and currency stability.¹⁰⁹⁶ Due to these inherited systems, the economic plans at independence were neither capitalist nor socialist, thus the government had to maintain a delicate balance between the inherited structures and fulfilling 1980 election promises. The result was a hybrid system that emphasised both state involvement in the economy and maintaining a vibrant and undisturbed private sector. Apart from the policy documents, the private sector and donors' conferences held in 1980 and 1981, respectively, were telling of the need to maintain this delicate balance (Sections 2.4.1 and 2.4.2). It is also due to these systems that planning for the informal sector was non-existent from the onset. Policy documents formulated between 1980 and 1985, acknowledged the presence of a rural and urban informal sector (p46), but in line with international best practise, concentrated on the formal sectors whose growth was envisioned would eventually swallow the former into oblivion.

Throughout the period under review, economic policy continued to adhere to inherited systems with minor alterations in different epochs. Policymaking continued to be influenced by international organisations and international best practice where in some instances, the latter were at variance with the Zimbabwe situation. Section 3.2.2 demonstrates the overt involvement of the BWIs in the formulation of the FER and the SFYNDP wherein ESAP is contained (pp89-90). The result was that the gradual move to market liberalism was consolidated and expanded in line with so-called 'sound' economic policies centred on market and trade liberalism and currency stability. Stoneman, Mlambo and others have demonstrated in their work that ESAP was a 'one-size fits all' policy as inapplicable to Zimbabwe as it was to many other countries that implemented it (p11, 13). Similar 'sound' economics was the basis upon which the MTP was formulated as evidenced by its emphasis on private sector-led development and good governance (pp187-189). Yet MTP was crafted at a time when the

¹⁰⁹⁶ The emphasis on currency stability saw Zimbabwe's first devaluation exercise on the 9th of December 1982 at the IMF's insistence. In Zimbabwe since 1997, requirements by the global North began to include good governance.

private and formal sectors were heavily depleted following years of crisis; there was a vast informal sector, political unrest impeded investment and there was a general lack of foreign funds due to among other things, the humanitarian plus plus approach. Like ESAP, therefore, the MTP was inapplicable and unimplementable in Zimbabwe's context. The exception to the rule was during the crisis period examined in Section 4.2 caused by international isolation and the absence of direct influence by multilateral and bilateral actors.

However, regardless of the epoch, the common thread in economic policies was that they concentrated on the relatively small and dwindling formal sector because, according to international best practice, there is no room for the development of the informal sector or the calculations of its contribution to the economy. According to sound economics, the success of the formal sector would, in turn, phase out the informal sector (see for example pp 46, 186). In the case of Zimbabwe, the opposite happened. Due to the biting effects of ESAP, the rural and informal sectors expanded as citizens turned to them to eke out a living. Thus, contrary to the widespread belief that Zimbabwe has formulated 'good policies' that were not implemented, this thesis argues that economic policies were filled with inconsistencies and were often inapplicable mainly due to inherited economic management systems whose demands policymakers have battled to conform to. Simpson and Hawkins agree with the global classifications by IFIs and other international organisations that adhere to international best practice approaches to economic development. Yet by showing the shortcomings of these approaches, this study contributes to the growing discourse questioning the suitability of these universal approaches to development that often ignore unique economic and political circumstances prevailing in individual countries.

The influence of inherited economic management systems and the global North between 1980 and 2013 (except for 1997 and 2008), was such that major economic decisions were implemented following meetings between government, especially Chidzero and Biti, and crucial multilateral and bilateral partners usually Britain, the US and the IMF. Such meetings discussed either economic policy direction, funding or both. Following independence in 1980, Zimbabwe joined the major international organisations (pp 35-36) which ushered in the hybrid economic system instead of socialism. The ZIMCORD donors conference of 1981 provided loans and grants, including budget support (pp56-57). Before implementing ESAP in 1991, Zimbabwe joined MIGA and the OPIC in 1989 and 1990, respectively, (p90) and donor

meetings for ESAP funding were held in Paris in 1991 and 1992 (p91). In 2007, until the end of the GNU, the Fishmongers frequently met to discuss the approach towards Zimbabwe, its economic policy and funding (Section 5.3.2). These meetings bring to the fore the influence these systems and institutions had on shaping Zimbabwe's economic policy, planning and state finances.

As much as the inherited economic management systems influenced economic planning and state finance, the systems were structured and adopted in a way that left sufficient room for manipulation by politicians bent on holding onto power at different intervals throughout the period under review. Manipulation existed in the economic planning process. Inherited systems were mum on the public and Parliament's involvement and the process became captured by the elite which comprised cabinet, high-ranking civil servants and IFIs at the expense of the public and Parliament. The economic planning process was exclusionary as the public was not consulted either directly or through Parliament nor were Parliamentarians consulted as the legislative arm of government tasked with oversight functions. Such capture by the elite played out differently during successive periods. Chidzero and cabinet were key actors in the formulation of policies between 1980 and 1985, with Chidzero openly stating that nobody had been consulted at the time because they understood what the people wanted (pp55-56, 59). The second epoch, though characterised by market liberalism, comprised two different economic planning processes. There was a slight shift in approach during the formulation of the FFYNDP, a product of a scenario mapping exercise and approval by the cabinet, the ZANU-PF politburo and ZANU-PF central committee, respectively (p82-83). Major players in the formulation, implementation and monitoring and evaluation of ESAP, on the other hand, were Chidzero, high-ranking civil servants at the MoFED and RBZ and the IFIs (pp90, 93-94). The newly created planning architecture including the NEPC housed in the OPC, and the NECF could not influence government economic planning processes (pp 84-86). The period of crisis saw the formation of the ZNSC, the NERC and the so-called 'war Cabinet' which bodies took charge of economic planning, implementation, monitoring, and evaluation (pp140-141). In the final epoch, the MDC and Cabinet remained firmly in control of the economic planning process with the TNF, NECF, labour and civil society, while consulted in some instances, remained unable to influence policy formulation (pp191-193). IFIs also played a prominent role, especially in implementation and monitoring and evaluation (p190). During the period under review, the net effect was that Parliament could not influence the formulation or perform its oversight role effectively where economic policy was concerned. While Parliamentarians

criticised economic policies at different intervals, for example, ESAP, this did not result in government abandoning or altering policy.

Inherited economic management systems also left room for manipulating state finances by the political elite in power, creating a disconnect between economic plans and the budget. Inherited systems did not compel the government to ensure that the budget was in sync with the prevailing economic policy blueprint, nor did it demand that the budget benefits the lives of the majority (pp34-35). Leveraging on this weakness, the political elite managed to finance the security sectors specifically the military, police, and the CIO, more than it invested in vital economic, infrastructure and social sectors which were severely underfunded throughout the period under review. Without taking away the gains made primarily in the health and education sectors in the first decade of independence, Sections 2.5, 3.4.1.2 and 3.4.2.2 have shown that the military was the highest-funded budget item between 1980 and 1997. Despite the MDC's presence in government, the military was consistently amongst the highest funded budget items between 2009 and 2013 (p210). The police funded as a sub-Vote of Vote 24 and the CIO funded under the Special Services sub-Vote of Vote 1, also persistently received high budget allocations (see for example Sections 3.4.1.2 and 3.4.2.2). Funding to security sectors was mostly channelled towards salaries, construction of security infrastructure and, to a less extent, towards the purchase of vehicles, thereby creating a strong security state that served to keep the incumbent government in power. Sachikonye, Raftopoulos, Phimister, Shumba and others have detailed the atrocious acts of state-sponsored violence in Zimbabwe. This thesis has demonstrated that primarily due to the inherited economic management system's weaknesses, the political elite manipulated state resources to finance these sectors. Other power structures benefited from the budget, including the ZANU-PF Commissariat (p122) and the political parties allocation which, until 2000, benefitted ZANU-PF. Vote 42 and Vote 45 were also part of the power matrix as both Votes funded the notorious 'green bombers' whose acts of violence have been detailed extensively in the literature. Therefore, it is evident that taxpayers have knowingly or unknowingly financed the security and power structures contributing to ZANU-PF's stay in power during the period under review.

Apart from expenditure being channelled towards the security sector, it was heavily skewed towards recurrent expenditure throughout the period under review contrary to the pronouncements of the various economic policy blueprints such as the FER, SFYNDP, MERP, STERP and the MTP. Such recurrent expenditure included financing a bloated cabinet, which in itself was a product of the LHA and GPA political settlements and a means of rewarding

party loyalists between 1990 and 2008. Annexure 1 is testimony to the many changes of ministries that occurred during the period under review. Benefits doled out to cabinet ministers included luxury vehicles and domestic and international travel, which drained the fiscus (see for example pp65-66, 114). Attempts were made during the GNU to curtail travel expenditure, but this was not significantly altered as it remained a thorn on successive budgets (p215). Recurrent expenditure also entailed financing an equally bloated civil service that created an unsustainable wage bill characteristic between 1980 and 2013. One of the primary objectives of the MDC led Ministry of Finance was to reduce expenditure on the wage bill, an objective it failed dismally to achieve despite the removal of 75 000 'ghost workers' from the government payroll (pp215-216). Due to the need to cater to a bigger population, unlike the colonial period that catered for the minority, a litany of parastatals had been established, which increased recurrent expenditure, including the wage bill. Sections 2.5.1, 3.4.1.1 and 5.4 show how the state was at pains to sustain parastatals through various means including subsidies, grants, and loans. However, while recurrent expenditure gobbled up the bulk of the budget during the GNU as depicted in Figure 5.1, expenditure towards parastatals decreased significantly during the same period. Ironically, Parliament was largely ineffective in shaping or controlling the use of public funds despite Parliament and public budget consultations since 2001.¹⁰⁹⁷ Budget allocations largely remained an elite process as Votes were debated but ultimately approved without alteration, thus reducing Parliament to a rubber-stamping body. In this way, the continued existence of a skewed expenditure structure shifted resources away from capital expenditure towards recurrent expenditure rendering investment in economic expansion, job creation, the inclusion of the majority in the economy and revenue generation impossible.

The cancer of overspending began in 1980, at that stage, primarily informed by the notion that deficits were acceptable provided there was a means of financing that deficit. Figure 2.8 depicts successive budget deficits from 1979/1980 and shows that by the 1984/85 budget, deficit occupied a third of the budget. Despite the dictates of ESAP, deficit spending continued unabated during this period as was the case during the GNU against the pronounced 'we eat what we kill' slogan that characterised the latter period. Table 5.3 depicts budget deficits during the GNU as even dollarisation failed to curtail government overspending. In financing the postcolonial state including its insatiable appetite to spend, the crisis period sheds light into the

¹⁰⁹⁷Budget consultations were introduced during Murerwa's tenure after much protest against the exclusion of Parliament and the public in the budget process by Parliamentarians.

unorthodox means adopted in a manner that absolved the state from expenditure reduction while simultaneously ensuring its continued grip on power. Such unorthodox means were hinged on tinkering with monetary policy. Ironically, in the early years of independence when the MoFED led by Chidzero, was fixated on adherence to 'sound' economic policy, the same zeal was not shown in the management of the RBZ as the sanctity of central bank independence was wholly ignored (Section 4.4.1). It is this lack of independence that the government manipulated beginning in 2000 when, paradoxically, the undercapitalised RBZ was charged with financing both government activities and its excesses some of which were tied to the regime's retention of power. This fiddling entailed different methods that were implemented concurrently, such as - offloading bank reserves, money creation through printing or expansion of bank balances, issuance of too many treasury bills and an open overdraft window (Section 4.4.2). Fiddling also entailed, placing 'runners' in the forex black market, debt creation by the RBZ and what this thesis terms currency engineering, i.e., the introduction of pseudo-currencies and currency rebasing (Sections 4.4.3 and 4.6). While the bulk of this fiddling took place under the governorship of Gono, this thesis disputes the widely accepted notion that such fiddling was introduced by him. It instead finds that tinkering with monetary policy began well before Gono's time and was an agreed-upon strategy adopted by Mugabe and cabinet not only to finance government but also to ensure the incumbent's continued hold on power in the face of dwindling revenue characteristic of the crisis period (Section 4.4.2). Tsumba's dismissal, Gono's appointment, the pronouncement of turning the bank into a 'developmental bank' and money expansion (p154) were part of a strategy that would ensure the government was funded and that ZANU-PF remained in power. Scholars are yet to problematise this fiddling with monetary policy, including currency engineering, as a function of a broader political survival strategy.

In his biography, Gono states that during the crisis period, the Zimbabwe economy became a 'casino economy', where the state happened to find itself in 'extraordinary challenges' that necessitated the implementation of 'extraordinary measures'. According to Gono, the different faces of the 'casino economy' included various forms of money laundering, speculation on the money, stock and real estate markets, a thriving informal sector and 'burning'. Although Gono aptly describes the state of the economy at the time which indeed resembled a 'vast casino', he conveniently neglected to explore the state's role, particularly cabinet, the MoF and RBZ, in creating and enabling this 'casino economy'. The thesis demonstrates that the creation of the 'casino economy' was a gradual process with the state playing a leading role in its creation

primarily through its never-ending appetite to spend. The shift to relying on monetary policy in 2000 showed the depth of the fiscal crisis. The call for cash budgeting by Simba Makoni in 2001 was ignored the same way the request for an inflation law was also dismissed, thus formally adopting fiddling with the monetary system as the primary source of state financing (pp148 -149). The appointment of Gono and ascribing the RBZ with a 'developmental role', in 2003, only served to officialise this stance, providing fertile ground for the casino economy to thrive.

QFAs were the main avenue used to actualise fiddling with monetary policy. An analysis of the QFAs implemented between 2003 and 2008 done in Section 4.5 shows that QFAs were designed to achieve both the financing of government activities and its excesses. The same Section shows that QFAs were, in many ways, in tandem with government policy and national budgets such that a sizeable number were PSIP related projects which had become obsolete in the national budget, such as dam construction, agriculture development and parastatals, and local authorities' development. Other QFAs included the purchase of vehicles, agricultural equipment, and support to parastatals, yet in some instances they were a repetition of failed government policies. Through QFAs, the sensitive security sectors were also catered for. However, due to their formulation and implementation being an elite process between Mugabe, Gono, cabinet and senior civil servants, QFAs were, in many instances, used for political expediency, with those that were politically connected standing a much greater chance of benefitting from these various activities. The secrecy, exclusionary tendencies, and rampant abuse of QFAs during this period earned them the moniker 'quasi-fiscal gate'. Apart from their political nature and misuse, QFAs were largely unsuccessful because by their very nature, they are run at a loss, their source of funding based on money expansion and debt creation, causing the hyperinflationary and currency crisis Zimbabwe grapples with to date.

Tinkering with monetary policy was preceded and succeeded by unsustainable cases of foreign borrowing to finance government expenditure, characterised by funding the security sector, recurrent expenditure, overspending and deficit. The Lancaster House Conference committed to providing a 'substantial amount' of aid that would contribute to the success of the Zimbabwe experiment and the reconstruction of Zimbabwe following the war of liberation. This culminated in the ZIMCORD conference where there was goodwill to provide concessionary loans to Zimbabwe which was also classified as 'under borrowed'. Instead of achieving the priority areas of the conference outlined in Table 2.1, ZIMCORD contributed immensely to Zimbabwe's dependency on foreign aid and its current debt distress status (Section 2.4.2). In a

short space of three years after independence, Chidzero announced that debt had reached a level that economic 'prudence' regarded as 'maximum' (pp56-57). The declaration did not deter government borrowing as Figure 3.6 shows that between 1985 and 1990 debt repayments were the second-highest expenditure item on the budget, a clear sign Zimbabwe could not afford to accrue more debt. Zimbabwe was praised for its sterling repayment record and in 1991, the President of the IBRD Lewis Preston declared that Zimbabwe was 'creditworthy' ignoring the heavy burden debt repayments were imposing on the budget. Coupled with the adoption of ESAP, a donor rush ensued, led by multilateral institutions who offered various concessional and non-concessional structural adjustment packages (Section 3.3.2). It is no wonder then that during the implementation of ESAP, debt repayments occupied the highest budget expenditure item as shown in Figure 3.8, choking the fiscus at the expense of other key expenditure items such as social and infrastructure development. The involvement of the MDC in government did not alter the government's borrowing patterns (pp216-219). The difference is that the source of the foreign funds shifted from predominantly the global North to the East, with the latter primarily represented by China's EXIM Bank.¹⁰⁹⁸ In the same breath, however, the government tried to pursue debt clearance strategies for debt accumulated until 1999, with arrears accruing at approximately US\$250 million per annum (Section 5.3.3).¹⁰⁹⁹

The foregoing foreign debt scenario has left Zimbabwe in debt distress with the option of taking steps to engage in the IMF's HIPC debt clearance strategy discussed in the thesis introduction (pp4-5). The GNU ushered in negotiations of debt clearance in earnest, achieving the restoration of Zimbabwe's voting rights and the implementation of an IMF Staff Monitored Programme (p203). The major limitation of these strategies is that they demand that debt accrued be paid for by the taxpayer, but who is really liable for Zimbabwe's debt?

This thesis argues that debt acquired between 1980 and 2013 was odious debt.¹¹⁰⁰ As opposed to classifying debt as odious, Bond and Manyanya advocate that foreign debt should be

¹⁰⁹⁸ In 2012, the government also accessed non-concessional SDRs from the IMF (p222).

¹⁰⁹⁹ In the absence of a commitment to implementing a debt clearance strategy and other reforms, the global North as primarily represented by the Fishmongers and multilateral institutions continued the humanitarian plus plus approach that channelled aid away from government to civil society organisations and WB, AfDB and UN-administered multi-donor trust funds (Section 5.3.2).

¹¹⁰⁰ The doctrine of odious debt was popularised by Alexander Nahum Sack, *Les Effets Des Transformations Des États Sur Leurs Dettes Publiques Et Autres Obligations Financières. Traité Juridique Et Financier*, Paris, Recueil Sirey, 1927. Also see among many others Patrick Bolton, 'Odious Debts or Odious Regimes?', *Law and Contemporary Problems*, Vol 70, No 4, 2007, pp83-107. Leonce Ndikumana, James K Boyce, *Africa's Odious Debts: How Foreign Loans and Capital Flight Bled a Continent*, (London: Zed Books, 2011). Jeff King, *Advancing the Odious Debt Doctrine*, Centre for International Sustainable Development Law Working Paper, March 2003. Jeff King, *The Doctrine of Odious Debt in International Law: A Restatement*, (Cambridge: Cambridge University Press, 2016).

addressed as a matter of ‘joint responsibility’ between the GoZ and Washington.¹¹⁰¹ Their argument is based on the catastrophic failure of ESAP. However, they did not consider the expenditure pattern of the first 17 years of independence. Thus, while they link economics and politics, they do not link state finance, revenue allocation and politics which have led this thesis to view debt accrued as odious. Simpson and Hawkins, on the other hand, blame ZANU-PF for the debt problem, arguing that its failure to adhere to ESAP resulted in Zimbabwe being unable to access the HIPC and MDRI initiatives for foreign debt rescheduling. Whilst their analysis of the GoZ’s failures is accurate, they negate to mention that the BWIs and other lenders continued to give Zimbabwe good reviews on the progress of ESAP and exempt the government in cases where ESAP targets were missed (Section 3.4.2).¹¹⁰² It is only in 2004, that the WB regrets the decision to continue financing ESAP (pp107-108). Further, Simpson and Hawkins do not consider the power-based expenditure structure which leads to their inappropriate exemption of the BWIs and other lenders in Zimbabwe’s economic decline and debt distress status.¹¹⁰³

Sarah Bracking and Lloyd Sachikonye interrogate the extent to which external debt obtained in postcolonial Zimbabwe can be qualified as odious.¹¹⁰⁴ They consider the structure of national debt characterised by more arrears than actual debt contracted. They also question if loans obtained were utilised for the intended purpose. Bracking and Sachikonye are of the opinion that part of the debt can be classified as odious because it was directed at military intervention, repression and ‘entered circuits of patronage in the state and ruling party’.¹¹⁰⁵ At the time of writing their article, they rightly confined the application of the odious debt doctrine to hostile and war debts. However, the concept has evolved to include what Jeff King calls ‘developing world debts not in the interests of the population’, a classification which this thesis argues is where Zimbabwe’s odious debt belongs.¹¹⁰⁶ This thesis, therefore, agrees with Bracking and Sachikonye, but further argues that all debt accrued should be classified as odious for three reasons. The first two interlinked reasons are in sync with the doctrine of odious debt, which states that for debt to be considered odious there must be absence of consent and that the lender

¹¹⁰¹ Patrick Bond and Masimba Manyanya, *Zimbabwe’s Plunge*, p22, p46-47. Other scholars have also advocated joint responsibility see, for example, Lloyd Sachikonye, ‘Restructuring or De-Industrialising? Zimbabwe’s Textile and Metal Industries under Structural Adjustment’. Organisations such as ZIMCODD and ZCTU advocate the same.

¹¹⁰² Mark Simpson and Tony Hawkins, *The Primacy of Regime Survival*, p170.

¹¹⁰³ *Ibid*, p62.

¹¹⁰⁴ Sarah Bracking and Lloyd Sachikonye, ‘Development Finance, Private and Public Sectors in Zimbabwe: Sustainability or Odious Debt?’, Brooks World Poverty Institute Working Paper 84, March 2009.

¹¹⁰⁵ *Ibid*, p15.

¹¹⁰⁶ Jeff King, ‘The Doctrine of Odious Debt Under International Law’, pp14-15, pp18-20

was aware or should have been aware of this absence of consent. A third reason for advocating odious debt is the link between economic management and power retention.

Like economic planning and revenue allocation, debt accrual was an elite pact between cabinet and IFIs, thus the absence of consent of the population. Theoretically, Parliament can control and approve government borrowing through ratification of debt accrued on behalf of the state. However, practically, this proved not to be the case during the period under review for three key reasons. First, until 1987, national debt was acquired without Parliamentary ratification. This was cited as an oversight by the MoFED. Parliament was only called upon to condone expenditure after the funds from those loans had been spent (p96). Secondly, until 1987, the President exceeded the amount of money he could borrow on behalf of the country in the absence of Parliamentary ratification according to the State Loans and Guarantees Act (pp96-97). Thirdly, cabinet's overarching power ensured that the objections to borrowing made by Parliament were ignored, effectively making Parliament a rubber-stamping body. From 1980 Parliamentarians strongly objected to borrowing, especially with the structure of the budget that favoured military and recurrent expenditure (see for example pages 61-63, 112-113). They advised Chidzero against what they labelled 'mortgaging' the country (see for example p202). Such strong objections to borrowing were also expressed during the era of ESAP and the GNU (pp 106-107,219). Despite these objections, loans were always ratified because Parliament was not fully independent, as what carried the day when MPs were voting was the 'party, not the individual hat' popularly known as the whipping system (pp48, 219). Further, the signing of the loan agreements in cabinet prior to Parliamentary ratification put pressure on Parliamentarians to ratify these loans (pp218-219). Both cabinet and IFIs ignored objections by Parliamentarians. IFIs did not insist on budget restructuring prior to the provision of loans, hence the elevated levels of borrowing between 1980 and 1997 and 2009 and 2013. Lenders knew or should have known about this absence of consent prior to burdening the country with more debt as they were intricately involved in Zimbabwe's economic management as shown in this thesis. The net effect of providing aid to Zimbabwe especially by the IMF, was selling it as a safe destination for loans thus private lenders also joined the rush until such endorsement was lost at the beginning of the crisis period (Section 4.2).

Lenders also ignored the repressive nature of the ZANU-PF regime thereby providing loans that would ultimately sustain the latter due to the fungibility of money.¹¹⁰⁷ Literature has

¹¹⁰⁷ The debate on the fungibility of aid is linked to the broader question – does aid work? Roger Riddell, *Foreign Aid Reconsidered*, (London: Routledge, 1987). Paul Mosley, Jane Harrigan and John Toye, *Aid and Power: The*

detailed the state-sponsored violence right from the early years of independence, including the Gukurahundi massacres. The same repression continued in the different epochs, including during the GNU. This thesis has shown that budget allocations favoured the security sectors, which became the biggest beneficiaries of state funds. By providing aid to a repressive ZANU-PF regime, lenders not only channelled funds towards various initiatives but freed up government revenue that would later be used to finance the security sector (for details on donor funding between 1980 and 2013 see Tables 2.2, 3.1, 3.2, 5.1, 5.2). Further, IFIs provided BOP support, as shown in Table 4.1, without an insistence on changing the expenditure structure directed at supporting the security sector especially the military. The EU Head of Delegation, Laerke spoke against the military budget, but the WB went ahead to sign another structural adjustment package with Zimbabwe to support ESAP II (pp 121). During the GNU, the EXIM Bank provided a non-concessional loan for construction of the defense college when the economy had hardly recovered from crisis and was battling with paying existing debt. The loans served to strengthen ZANU-PF which was able to continue financing its power structures during the period under review. In this way, loans accrued fall squarely into developing world debts not in the interests of the population. Lenders thus in many ways missed the link between economic management and power retention made in this thesis.

When accounting for Zimbabwe's political and economic predicament, there are arguably two protagonists - the global North and the political elite - there exists a tendency to blame one and absolve the other. However, this thesis has demonstrated that there is joint responsibility; the inherited systems, orthodox economics and other 'identikit' policies have been as disastrous as has been the regime's manipulation of systems and its power retention agenda. It has also demonstrated that, in other instances, there has been intentional or unintentional collaboration as both the political elite and IFIs have at different intervals been part of the elite controlling economic planning processes, debt accrual and state finance. The thesis has demonstrated that despite the different epochs and in some cases different actors, there were more continuities rather than discontinuities in economic policies, economic planning processes, expenditure patterns and the contraction of debt. Inherited economic management systems played an integral role in shaping the policies made in the postcolonial period. While the power retention agenda shaped both the economic planning and revenue allocation processes. Though the multilateral and bilateral partners changed financing strategies in 2000, the bulk of Zimbabwe's

World Bank and Policy-Based Lending, (London: Routledge, 1991). Jerker Carlsson, Gloria Somolekae and Nicholas van de Walle (eds), *Foreign Aid in Africa: Learning from Country Experiences*, (Uppsala: Nordiska Afrikainstitutet, 1997). Roger Riddell *Does Foreign Aid Really Work* (Oxford: Oxford University Press, 2007).

debt had already been accrued. It was accrued at a time the revenue allocations, economic planning and debt accrual processes were controlled by the elite at the expense of the population which makes a compelling case for postcolonial odious debt instead of laying the burden of repayment on the taxpayer.

In as much as this study has revealed the expenditure structure using budget estimates, there is still room for more research to enable the understanding of the expenditure patterns in postcolonial Zimbabwe. Firstly, government spending can be understood by using different sources which this researcher did not have access to such as reports of the Parliamentary Public Accounts Committee and those of the Auditor and Comptroller General. These may provide in depth detail on actual receipts and variations between budget allocations and government receipts thereby enriching debate on the extent to which government funds were used or abused, which is missing in this study. Secondly, should cabinet documents be released, these would be a rich source of information especially minutes of meetings of the Ministerial Economic Coordinating Committee, the Cabinet Committee on Economic Affairs and other special Cabinet Committees, such as the Mutambara Commission. These Reports would also be useful in understanding the economic planning and debt accrual processes. Regarding the latter, another approach could be to analyse individual loan or SDR agreements since 1980 as well as tracking the arrears vis a vis the actual loans accrued. This may enrich the debate in making a case for or against the odious debt argument made in this thesis.

ANNEXURE ONE: VOTE DESCRIPTIONS, 1980-2013

Vote	Vote Description	Notes
1	President	Captures Vote of the Office of the President and Cabinet and Cabinet.
2	Parliament	
3	Prime Minister	Votes combined in 1979-1980 Estimates of Expenditure and separated from 1980-1981. Separated in 1987 when the Executive President was introduced. Vote 3 captures Vote of the Office of the Prime Minister introduced in 2009.
4	Cabinet Office	
5	Public Service	Captures Vote of the Public Service, Labour and Social Welfare introduced in 1992/93
6	Defence	
7	Treasury/Finance	Captures Finance Economic Planning and Development and Finance and Economic Development Votes.
8	Audit	
9	Economic Planning and Development	Vote Discontinued in 1983. Reintroduced in 2006 as the Vote on Economic Development. Changed to Economic Planning and Investment Promotion in the January 2009 budget.
10	Industry and Energy Development	Captures Vote on Commerce and Industry in the 1979-1980 Estimates of Expenditure. Also captures Vote on Industry and Technology introduced in 1983; Vote on Industry and Commerce introduced in 1990/91; Vote on Industry and International Trade introduced in 2001.
11	Trade and Commerce	Discontinued in 1990/91
12	Agriculture	Captures Vote on Lands, Agriculture and Rural Resettlement introduced in 1986/87; Vote on Lands, Agriculture and Water Development introduced in 1990/91; Vote on Lands, Agriculture in the 1997/98 budget; Vote on Lands, Agriculture and Rural Settlements introduced in 2001; Vote on Agriculture, Mechanization and Irrigation Development in the budget by January 2009.
13	Mines	Captures Vote on Mines and Energy Resources of the 1979-1980 Estimates of Expenditure; Vote on Mines, Environment and Tourism in 1997/98; Vote on Mines and Energy introduced in 2001; Mines and Mining Development in the budget by January 2009.
14	Transport	Captures Vote on Transport and Power of the 1979-1980 Estimates of Expenditure; Transport and National Supplies introduced in 1990/91; Transport and Energy introduced in 1992/93 and Transport and Communications introduced in 2001.
15	Foreign Affairs	
16	Manpower Planning and Development	Vote Discontinued in 1983
17	Local Government and Housing	Captures Votes on Local Government and Housing and District Administration respectively in the 1979-1980 Estimates of Expenditure. Also captures Vote on Local Government and Town Planning introduced in 1982; Vote on Local Government and National Housing; Vote on Local Government, Rural and Urban Development introduced in 1986/87; Vote on Local Government and National Housing

		introduced in 1997/98; Vote on Local Government Public Works and National Housing introduced in 2001 and Vote on Local Government, Urban and Rural Development in the budget by January 2009.
18	Lands, Resettlement and Rural Development	Vote Discontinued in 1986/87; Vote on Lands and Water Resources introduced in 1995/96; Vote on Rural Resources and Water Development introduced in 1997/98; Vote on Lands and Rural Resettlement in the budget by January 2009.
19	Labour and Social Services	Captures Votes on Labour, Manpower Planning and Development and also Labour, Manpower Planning and Social Welfare introduced in 1985/86. Discontinued in 1992/93. Vote reintroduced by January 2009.
20	Health	Captures Vote on Health and Child Welfare introduced in 1992/93
21	Education and Culture	Caters for Vote on Primary and Secondary Education introduced in 1988/89; Vote on Education introduced in 1995/96; Vote on Education Sports and Culture introduced in 1997/98 and Vote on Education, Sport, Arts and Culture in the budget by January 2009.
22	Youth, Sport and Recreation	Captures Vote on Youth, Sport and Culture, introduced in 1985/86. Discontinued in 1990/91; Sport, Recreation and Culture introduced in 1995/96.
23	Community Development and Women's Affairs	Captures Vote on Community and Co-operative Development introduced in 1990/91. Discontinued in 1992/93. Captures Vote on Women's Affairs, Gender and Community Development in the budget by January 2009.
24	Home Affairs	
25	Justice and Constitutional Affairs	Captures Vote on Justice, Legal and Parliamentary Affairs introduced in 1985/86 and Vote on Justice and Legal Affairs in the budget by January 2009.
26	Information and Tourism	Discontinued in 1982. Captures Vote on Tourism and Hospitality Industry in the budget by January 2009.
27	Natural Resources and Water Development	
28	Roads and Road Traffic, Posts and Telecommunications	Captures Vote on Roads and Road Traffic in the 1982 Estimates of Expenditure. Discontinued in 1983
29	Works	Captures Vote on Construction and National Housing introduced in 1983 and on Public Works in the budget by January 2009.
30	Vote of Credit	Introduced in 1982
31	National Supplies	Introduced in mid-1981. Discontinued in 1990/91
32	Housing	Introduced in mid-1981, discontinued in 1983. Captures Vote on National Housing and Social Amenities in the budget by January 2009.
33	Legal and Parliamentary Affairs	Introduced in mid-1981, discontinued in 1983. Captures Vote on Constitutional and Parliamentary Affairs in the budget by January 2009.
34	Information, Posts and Telecommunications	Introduced in mid-1981. Captures Vote on Information Communication Technology in the budget by January 2009.

35	Natural Resources and Tourism	Captures Vote on Environment and Tourism introduced in 1990/91. Vote reintroduced in 2001 as Environment and Tourism
36	Water Resources and Development	Introduced in mid-1981 and discontinued in 1983. Captures Vote on Water Resources Development and Management in the budget by January 2009.
37	Energy and Water Resources Development	Introduced in mid-1983. Vote captured as Energy and Water Resources and Development in the 1985/86 budget. Discontinued in 1992/93
38	Construction	Introduced mid-1981 and discontinued in 1982
39	Construction and National Housing	Introduced mid-1983. Captures Vote on Public Construction and National Housing introduced in 1985/86. Vote discontinued in 1997 such that each Vote had to set aside a Construction sub-Vote
40	Co-operative Development	Introduced in 1986/87. Discontinued in 1987/88. Captures Vote on National Affairs, Employment Creation and Cooperatives introduced in 1992/93. Revived as National Affairs, Employment Creation and Cooperatives
41	Higher Education	Introduced in 1988/89. Captures Vote on Higher Education and Technology in the 1997/98 budget; Vote on Higher and Tertiary Education in the budget by January 2009.
42	Political Affairs	Introduced in 1989/90. Discontinued in 1996.
43	Environment and Natural Resources ¹¹⁰⁸	
44	Transport and Infrastructural Development	
45	Youth Indigenization and Empowerment	
46	Media, Information and Publicity	
47	Small and Medium Enterprises and Co-operative Development	
48	Energy and Power Development	
49	Science and Technology Development	
50	State Enterprises and Parastatals	
51	Regional Integration and International Co-operation	
52	Judicial Services Commission	

¹¹⁰⁸ Votes 43 to 52 were in the budget by January 2009.

SELECT BIBLIOGRAPHY

PRIMARY SOURCES

A. Official Zimbabwe Government Documents

- GoZ, *Estimates of Expenditure, 1979/80*.
- GoZ, *Estimates of Expenditure, 1984/85*.
- GoZ, *Estimates of Expenditure*, 30 June 1994.
- GoZ, *Estimates of Expenditure*, 30 June 1996.
- GoZ, *Budget Estimates: 1998*, 24 July 1997.
- GoZ, *Budget Estimates: 1999*, 15 October 1998.
- GoZ, *Budget Estimates: 2000*, 21 October 1999.
- GoZ, *Supplementary Estimates of Expenditure during the Year Ending December 31, 2003*.
- GoZ, *Budget Statement, 1988*, July 28, 1988.
- GoZ, *Budget Statement, 1989*, July 27, 1989.
- GoZ, *Budget Statement: 1997*, 4 July 1997.
- GoZ, *The Millennium Budget: Budget Statement: 2000*, 21 October 1999.
- GoZ, *The 2001 Budget Statement*, 16 November 2000.
- GoZ, *Budget Statement 2002: Getting Zimbabwe Working Again*, 1 November 2001.
- GoZ, *The 2004 National Budget*, 20 November 2003.
- GoZ, *The 2005 National Budget Statement*, 25 November 2004.
- GoZ, *The 2006 National Budget Statement*, 1 December 2005.
- GoZ, *The 2007 National Budget Statement*, 30 November 2006.
- GoZ, *The 2009 National Budget Statement: Laying a Firm Foundation for the Emergence of Our National Economy*, 29 January 2009.
- GoZ, *Statement on the 2009 Budget*, 17 March 2009.
- GoZ, *The 2010 National Budget Statement*, 2 December 2009.
- GoZ, *The 2011 National Budget Statement: Shared Economy, Shared Development, Shared Transformation; "Creating the Fair Economy"*.
- GoZ, *The 2012 National Budget: Sustaining Efficient Inclusive Growth with Jobs*, 24 November 2011.
- GoZ, *Economic Policy Statement: Macroeconomic Adjustment and Trade Liberalization including the Budget Statement 1990*, 26 July 1990.
- GoZ, *Growth with Equity: An Economic Statement*, 1981.
- GoZ, *The Transitional National Development Plan 1982/83 – 1984/85, Volume 1*, 1982.
- GoZ, *First Five-Year National Development Plan (FFYNDP), 1986-1990, Vol I*, April 1986.
- GoZ, *Millennium Economic Recovery Programme (MERP)*, August 2001.

GoZ, *Short Term Emergency Recovery Programme (STERP): Getting Zimbabwe Moving Again*, March 2009.

GoZ, *Zimbabwe Medium Term Plan, 2011-2015*, 7 July 2011.

GoZ, *Presidential Powers (Temporary Measures) Act [CHAPTER 10:20]*.

GoZ, *Reserve Bank of Zimbabwe Act [Chapter 22:15]*.

GoZ, *Reserve Bank of Zimbabwe Amendment Act [Chapter 22:15]*.

GoZ, *Reserve Bank of Zimbabwe (Debt Assumption) Act of 2015*.

GoZ, *Status Report on External Development Assistance to Zimbabwe, 1980- 1985*, June 1986

GoZ, *Zimbabwe Conference on Reconstruction and Development (ZIMCORD): Report on Conference Proceedings, 23-27 March, 1981*.

GoZ, *Letter Endorsing the SMP From Dr Misheck J Sibanda, Chief Secretary to the President and Cabinet to The African Development Bank and the International Monetary Fund, 7 May 2013*.

RBZ, *Economic Quarterly Economic and Statistical Review*, September 1984.

RBZ Library, *Confidential Memorandum by the Minister of Finance, Economic Planning and Development for Consideration by Cabinet: Framework for the First-Five Year Development Plan: 1986-1990, August 14, 1985*.

RBZ, *Memorandum - Roadmap from the Governor: Vision 2008, to Deputy Governors, Directors, Deputy and Assistant Directors, Managers and All Non-Managerial Staff, 2 December 2003*.

RBZ, *Press Statement by the Reserve Bank of Zimbabwe, 16 August 1985*.

RBZ, *Monetary Policy Statement, 5 September 1995*.

RBZ, *Monetary Policy Statement, 30 November 1998*.

RBZ, *Monetary Policy Statement, 23 July 1999*.

RBZ, *Monetary Policy Statement, 16 January 2001*.

RBZ, *2000 Annual Report, June 2001*.

RBZ, *The 2005 Post-Elections and Drought Mitigating Monetary Policy Framework, 19 May 2005*.

RBZ, *The Road to Macroeconomic Stability: A Synopsis of What Went Wrong in 2005 and the Way Forward: Supplement 9 of the Fourth Quarter 2005 Monetary Policy Statement, 24 January 2006*.

RBZ, *A Synopsis of the Impact of the Central Bank's Interventions to the Economy from Jan 2004 - June 2006: Supplement to the First Half 2006 Monetary Policy Review Statement, 31 July 2006*.

RBZ, *Sun-Rise: A New Beginning: The National Payments System and the Observed Disintermediation: Need for Currency Reforms, Supplement to the First Half 2006 Monetary Policy Review Statement, July 2006*.

RBZ, *2006 Year- End Monetary Policy Statement, Taking the Bull by the Horns: Roadmap to Our Rapid Disinflation Programme, Macroeconomic Stability and Prosperity for All Zimbabweans, 31 January 2007*.

RBZ, *Extraordinary Interventions By the Reserve Bank of Zimbabwe: December 2003 to Date, Supplement to the 2007 Fourth Quarter Monetary Review Statement, 2007*.

RBZ, *First Quarter Monetary Policy Statement: A Focus on Food, Foreign Exchange Generation, Producer Viability and Increased Supply of Basic Commodities*, 30 April 2008.

RBZ, *Monetary Policy Statement: Turning Our Difficulties into Opportunities*, January 2009.

RBZ, *Monetary Policy Statement*, 30 November 2008.

RBZ, *The Reserve Bank Governor, Dr G Gono Breaks His Silence on Motor Vehicle Allocations to Parliamentarians and Other Issues Relating to Quasi-Fiscal Operations*, 18 April 2009.

B. Parliamentary Debates

Parliament of Zimbabwe (PoZ), *Hansard National Assembly Debates*, 24 June 1980.

PoZ, *Hansard National Assembly Debates*, 27 June 1980.

PoZ, *Hansard National Assembly Debates*, 29 July 1980.

PoZ, *Hansard National Assembly Debates*, 30 July 1980.

PoZ, *Hansard National Assembly Debates*, 18 September 1980.

PoZ, *Hansard National Assembly Debates*, 18 February 1981.

PoZ, *Hansard National Assembly Debates*, 4 August 1981.

PoZ, *Hansard National Assembly Debates*, 16 September 1981.

PoZ, *Hansard National Assembly Debates*, 16 August 1983.

PoZ, *Hansard National Assembly Debates*, 18 August 1983.

PoZ, *Hansard National Assembly Debates*, 31 August 1983.

PoZ, *Hansard National Assembly Debates*, 11 July 1984.

PoZ, *Hansard National Assembly Debates*, 6 August 1986.

PoZ, *Hansard National Assembly Debates*, 9 September 1986.

PoZ, *Hansard National Assembly Debates*, 1 April 1987.

PoZ, *Hansard National Assembly Debates*, 25 July 1988.

PoZ, *Hansard National Assembly Debates*, 16 August 1988.

PoZ, *Hansard National Assembly Debates*, 27 June 1989.

PoZ, *Hansard National Assembly Debates*, 8 August 1989.

PoZ, *Hansard National Assembly Debates*, 17 August 1989.

PoZ, *Hansard National Assembly Debates*, 5 September 1991.

PoZ, *Hansard National Assembly Debates*, 26 February 1992.

PoZ, *Hansard National Assembly Debates*, 4 March 1992.

PoZ, *Hansard National Assembly Debates*, 4 March 1992.

PoZ, *Hansard National Assembly Debates*, 16 July 1992.

PoZ, *Hansard National Assembly Debates*, 18 August 1992.

PoZ, *Hansard National Assembly Debates*, 1 September 1992.

PoZ, *Hansard National Assembly Debates*, 13 June 1995.

PoZ, *Hansard National Assembly Debates*, 26 July 1995.
PoZ, *Hansard National Assembly Debates*, 9 October 1996.
PoZ, *Hansard National Assembly Debates*, 1 July 1997.
PoZ, *Hansard National Assembly Debates*, 9 December 1997.
PoZ, *Hansard National Assembly Debates*, Volume 36, Number 3, 21 October 2009.
PoZ, *Hansard National Assembly Debates*, Volume 35 Number 35, 15 July 2009.
PoZ, *Hansard National Assembly Debates*, Volume 37 Number 31, 31 May 2011.
PoZ, *Hansard National Assembly Debates*, Volume 37 Number 35, 15 June 2011.
PoZ, *Hansard National Assembly Debates*, Volume 38, Number 40, 13 June 2012.
PoZ, *Hansard National Assembly Debates*, Volume 41, Number 20, 3 March 2015.

C. British and US Congress Debates

House of Commons (HC) Debates, Southern Rhodesia (Sanctions and Amnesty), 7 May 1980.
House of Lords Debates, Zimbabwe Provision of Aid, 6 August 1980, 6 August 1980.
House of Representatives (HR), Sub-Committee on Africa of the Committee on Foreign Affairs, 96th Congress, Second Session, 23 September 1980.
The Federal Register, The President Executive Order 13288—Blocking Property of Persons Undermining Democratic Processes or Institutions in Zimbabwe, Volume 68, Number 46, March 10, 2003.
The Federal Register, The President Executive Order 13391—Blocking Property of Additional Persons Undermining Democratic Processes or Institutions in Zimbabwe, Volume 70, Number 226, Friday, November 25, 2005.
USA Senate, Congressional Record, 23 June 2000.
USA Senate, Debate on Zimbabwe Democracy Act of 2000, June 23, 2000.
USA Congress, Zimbabwe Democracy and Economic Recovery Act of 2001, Public Law 107–99 107th Congress, [S. 494], Dec 21 2001.
USA Congress, Debate on Zimbabwe Democracy and Economic Recovery Act (ZiDERA) of 2001, Public Law 107–99, 107th Congress, [S. 494], Dec 21 2001.
USA House of Representatives, ‘Zimbabwe: From Crisis to Renewal – Subcommittee on Africa and Global Health of the Committee on Foreign Affairs House of Representatives One Hundred Eleventh Congress’, 2 December 2010.

D. Reports from Non-Governmental Institutions

AfDB, Proposal to Strengthen Bank Presence in Zimbabwe, July 2010.
AfDB, Statement by Hon. T. Biti Governor for Zimbabwe at the 45th African Development Bank and 36th African Development Fund 2010 Board of Governors Annual Meetings, 28 May 2010.

AfDB, Zimbabwe Country Brief, January 2010.

AfDB, Zimbabwe Economic Structural Adjustment Programme, Project Performance Evaluation Report (PPER), Operations Evaluation Department, 9 December 1997.

Economic Intelligence Unit, *Zimbabwe's First Five Years: Economic Prospects Following Independence*, November 1981.

IMF, 2010 Article IV Consultation – Informational Index on Fund Relations, 28 April 2010.

IMF, 2011 Article IV Consultation – Informational Index on Fund Relations, 12 May 2011.

IMF, IMF Preliminary Observations of the 1989 Article IV Consultation Mission to Zimbabwe, 30 August 1989.

IMF, *Press Release: IMF Approves Stand-By Credit Facility for Zimbabwe*, 1 June 1998.

IMF, *Press Release: IMF Declares Zimbabwe Ineligible to Use IMF Resources*, 25 September 2001.

IMF, *Press Statement: IMF Adopts Declaration of Non-cooperation for Zimbabwe and Suspends Technical Assistance*, June 14, 2002.

IMF, *Press Release: IMF Suspends Zimbabwe's Voting and Related Rights*, June 6, 2003.

IMF, *Press Release: Statement on IMF Technical Assistance Missions to Zimbabwe*, 15 May 2009.

IMF, *Press Release: IMF Managing Director Approves a Staff-Monitored Program for Zimbabwe*, June 13, 2013.

IMF, Zimbabwe Debt Sustainability Analysis, 29 April 2010.

IMF, Zimbabwe: Staff Report for the 2009 Article IV Consultation, 20 April 2009.

IMF/World Bank, 2010 Article IV Consultation – Joint IMF/World Bank Debt Sustainability Analysis, 5 May 2011.

IMF/World Bank, 2012 Article IV Consultation – Joint IMF/World Bank Sustainability Analysis, 7 September 2012.

World Bank, Zimbabwe Country Economic Memorandum: Performance, Policies and Prospects, October 28, 1985.

World Bank, Report and Recommendation of the President of the International Bank of Reconstruction and Development and the International Development Association to Executive Directors, December 23, 1991.

World Bank, Loan Agreement (Structural Adjustment Loan) between the Republic of Zimbabwe and International Bank for Reconstruction and Development, February 4 1992.

World Bank, Development Credit Agreement, Second Structural Adjustment Credit between Republic of Zimbabwe and International Development Association, July 14 1993.

World Bank, Program Completion Report: Zimbabwe Structural Adjustment Program, 3 January 1995.

World Bank, Memorandum of the President of the IDA to the Executive Directors on a Country Assistance Strategy of the World Bank Group for the Republic of Zimbabwe, 1 May 1997.

World Bank, Implementation Completion Report: Republic of Zimbabwe Second Structural Adjustment Credit, 30 June 1998.

World Bank, Establishment of a Programmatic Multi-Donor Trust Fund for Zimbabwe, Southern Africa Country Department 2, Africa Region, 25 June 2009.

E. Interviews

Biti Tendai, Former Minister of Finance (2009 – 2013), 25 July 2019.

Chapfika David, Former Deputy Minister of Finance and Economic Development (2005 – 2007), 17 July 2019.

Chivhore Pepukai, Clerk for the Parliamentary Committee on Budget, Finance, and Economic Development, 10 June 2019.

Gono Gideon, Former RBZ Governor, 22 April 2017.

Hamandishe Eria, Director for Fiscal Policy and Advisory Services, MoFED, 16 July 2019.

Kanyenze Godfrey, member of the TNF, academic and author, 15 July 2019.

Makoni Simba, Former Minister of Finance (2000- 2001), 19 July, 2019.

Mandaza Ibbo, Former member of the NECF, academic and author, 5 July 2019.

Mashakada Tapiwa, Former Minister of Economic Planning and Development (2009 – 2013), 23 July 2019.

Moyana Kombo, Former RBZ Governor (1983 – 1993), 15 July 2019.

Murerwa Herbert, Former Minister of Finance, (1996 – 2000; 2002 – 2008), 30 June 2019.

F. Newspapers

Newsday

The Chronicle

The Daily Mirror

The Daily News

The Financial Gazette

The Herald

The Record

The Standard

The Sunday Mail

The Zimbabwe Independent

SECONDARY SOURCES

A. Books

Astrow Andre, *Zimbabwe: A Revolution That Lost Its Way?*, (London: Zed Press, 1983).

Boas Morten and McNeill Desmond, *Multilateral Institutions: A Critical Introduction*, (London: Pluto Press, 2003).

Besada Hany (ed), *Zimbabwe: Picking Up the Pieces*, (New York: Palgrave Macmillan, 2011).

Boas Morten and McNeill Desmond, *Global Institutions and Development: Framing the World?*, (London: Routledge, 2004).

Bond Patrick and Manyanya Masimba, *Zimbabwe's Plunge – Exhausted Nationalism, Neoliberalism and the Struggle for Social Justice*, (Harare: Weaver Press, 2003).

Chang Ha Joon (ed), *Institutional Change and Economic Development*, (Tokyo: United Nations University Press, 2007).

Chan Stephen and Primorac Ranka (eds), *Zimbabwe Since the Unity Government*, (London: Routledge, 2013).

Herbst Jeffrey, *State Politics in Zimbabwe*, (Berkeley: University of California Press, 1990).

Jerven Morten, *Poor Numbers: How We Are Misled by African Development Statistics and What To Do About It*, (Cornell: Cornell University Press, 2013).

Kararach George and Otieno Raphael O (eds), *Economic Management in a Hyper-Inflationary Environment: The Political Economy of Zimbabwe, 1980-2008*, (Oxford: Oxford University Press, 2016).

Makochekanwa Albert and Manyeruke Charity Manyeruke (eds), *The Impact of Dollarization on Zimbabwe*, (Harare: University of Zimbabwe Publications, 2017).

Mandaza Ibbo (ed), *Zimbabwe: The Political Economy of Transition 1980-86*, (Dakar: CODESRIA, 1986).

Mandaza Ibbo and Sachikonye Lloyd (eds), *The One-Party State and Democracy: The Zimbabwe Debate*, (Harare: SAPES Trust, 1991).

Masunungure Eldred V (ed), *Defying the Winds of Change: Zimbabwe's 2008 Elections*, (Harare: Weaver Press, 2009).

Mlambo Alois, *The Economic Structural Adjustment Programme: The Case of Zimbabwe, 1990-1995*, (Harare: University of Zimbabwe Publications, 1997).

- Moyo Sam *et al*, *NGOs, the State and Politics in Zimbabwe*, (Harare: SAPES Books, 2000).
- Mumbengegwi Clever (ed), *Macroeconomic and Structural Adjustment Policies in Zimbabwe, 1980-2000*, (Basingstoke: Palgrave, 2002).
- Ndlovu – Gatsheni Sabelo (ed), *Mugabeism?: History, Politics and Power in Zimbabwe*, (New York: Palgrave Macmillan, 2015).
- Onslow Sue and Plaut Martin, *Robert Mugabe*, (Ohio: Ohio University Press, 2018).
- Raftopoulos Brian and Phimister Ian (eds), *Keep on Knocking: A History of the Labour Movement in Zimbabwe 1900-1997*, (Harare: Baobab Books, 1997).
- Raftopoulos Brian and Sachikonye Lloyd, *Striking Back: The Labour Movement and the Post-Colonial State in Zimbabwe 1980-2000*, (Harare: Weaver Press, 2001).
- Raftopoulos Brian (ed), *The Hard Road to Reform: The Politics of Zimbabwe's Global Political Agreement*, (Harare: Weaver Press, 2012).
- Sachikonye Lloyd, *When A State Turns on its Citizens: Institutionalised Violence and Political Culture*, (Harare: Weaver Press, 2011).
- Saunders Richard and Nyamunda Tinashe (eds), *Facets of Power: Politics, Profits and People in the Making of Zimbabwe's Blood Diamonds*, (Harare: Weaver Press, 2016).
- Shumba Jabusile, *Zimbabwe's Predatory State: Party, Military and Business*, (Durban: University of KwaZulu Natal Press: 2018).
- Skalnes Tor, *The Politics of Economic Reform: Continuity and Change in Development*, (New York: St Martin's Press, 1995).
- Stoneman Colin (ed) *Zimbabwe's Inheritance*, (New York: St Martin's Press, 1981).
- Tendi Blessing Miles *et al* (eds), *The Oxford Handbook of Zimbabwean Politics*, (Oxford: Oxford University Press, 2020).

B. Articles And Book Chapters

- Brett E A, 'From Corporatism to Liberalization in Zimbabwe: Economic Policy Regimes and Political Crisis, 1980-97', *Journal of International Political Science Review*, Volume 26, Number 1, 2005, pp 91-106.
- Cameron Hazel, 'The Matabeleland Massacres: Britain's Wilful Blindness', *International History Review*, Volume 40, Number 1, 2018, pp 1-19.

Coomer Jayson and Gstraunthaler Thomas, 'The Hyperinflation in Zimbabwe', *The Quarterly Journal of Austrian Economics*, Volume 14, Number 3, pp311-346, 2011.

Dougherty Edward, 'ZIMCORD Conference Documentation', *A Journal of Opinion, The Re-Creation of Zimbabwe: Prospects for Education and Rural Reconstruction*, Volume 11, Number 3/4, 1981, pp. 51-53.

Dzimiri Patrick, 'African Multilateral Responses to The Crisis In Zimbabwe: A Responsibility To Protect Perspective', *Strategic Review for Southern Africa*, Volume 39, Number 2, pp 50-77.

Hanke Steve H and Krus Nicholas, 'World Hyperinflations', Randall E. Parker and Robert Whaples (eds), *Routledge Handbook of Major Events in Economic History*, (London: Routledge, 2013), pp367-378.

Jenkins Carolyn, 'The Politics of Economic Policy-Making in Zimbabwe', *The Journal of Modern African Studies*, Volume 35, Number 4, pp575-602.

Jones Jeremy, 'Freeze! Movement, narrative and the Disciplining of Price In Hyperinflationary Zimbabwe', *Social Dynamics*, Volume 36, Number 2, 2010, pp338-351.

_____, "Nothing is Straight in Zimbabwe": The Rise of the "Kukiya-kiya" Economy 2000–2008", *Journal of Southern African Studies: The Zimbabwe Crisis through the Lens of Displacement*, Volume 36, Number 2, 2010, pp285-299.

Kadhani Xavier, 'The Economy: Issues, Problems and Prospects', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, (Dakar: CODESRIA, 1986), pp 99- 122.

Kanyenze Godfrey, 'The Performance of the Zimbabwe Economy, 1980-2000', Staffan Darnolf and Liisa Laakso (eds), *Twenty Years of Independence in Zimbabwe: From Liberation to Authoritarianism*, (New York: Palgrave Macmillan, 2003).

Masaka Dennis, 'Paradoxes in the 'Sanctions Discourse' In Zimbabwe: A Critical Reflection', *African Study Monographs*, Volume 33, Number 1, 2012, pp49-71.

Mbanje Bowden B.C and Mahuku Darlington N, 'European Union Sanctions and Their Impact on Zimbabwe 2002-2011: Finding Alternative Means to Survive', *Sacha Journal of Policy and Strategic Studies*, Vol 1, No 2, 2011, pp1-12, 2011.

Mkandawire Thandika, 'Home Grown' (?) Austerity Measures: The Case of Zimbabwe', *Africa Development*, Volume 10, Number 1/2, January – June 1985, pp. 236-263.

Mlambo Alois and Pangeti Evelyn S, 'Globalisation, Structural Adjustment and the Social Dimensions Dilemma in Zimbabwe, 1990-1999', Taye Assefa *et al* (eds), *Globalization, Democracy and Development in Africa: Challenges and Prospects*, (Addis Ababa: OSSREA, 2001).

Morgan Mary S, "Seeking Parts, Looking for Wholes", Lorraine Datson and Elizabeth Lunbeck, eds., *Histories of Scientific Observation* (Chicago: University of Chicago Press, 2015).

Mumbengegwi Clever, 'Continuity and Change in Agricultural Policy' Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, (Dakar: CODESRIA, 1986), pp 203 – 222.

Mupamhandzi David and Mandishara Leonard, 'Relegating the Core Business: The Case of the Reserve Bank of Zimbabwe Undertaking Quasi-Fiscal Activities, 2000-2008', Kararach George and Otieno Raphael O (eds), *Economic Management in a Hyper-Inflationary Environment*, (Oxford: Oxford University Press, 2016).

Phimister Ian, 'Rambai Makashinga (Continue to Endure)': Zimbabwe's Unending Crisis, *South African Historical Journal*, Volume 54, Number 1, 2005, pp112-126.

_____, 'The Making and Meanings of the Massacres in Matabeleland', *Development Dialogue – Revisiting the Heart of Darkness*, Volume 50, Number 1, 2008, pp197-215.

Raftopoulos Brian, 'The Crisis in Zimbabwe, 1998 – 2008', Raftopoulos Brian and Mlambo Alois (eds), *Becoming Zimbabwe*, (Harare: Weaver Press, 2009), pp201-233.

_____, 'The State in Crisis: Authoritarianism, Selective Citizenship and Distortions of Democracy in Zimbabwe', Hammar Amanda, *et al* (eds), *Zimbabwe's Unfinished Business*, (Harare: Weaver Press, 2003).

Riddell Rodger C, 'Zimbabwe: The Economy Four Years after Independence', *African Affairs*, Volume 83, Number 333, 1984.

Sibanda Vusumuzi and Makwata Ranganayi, 'Zimbabwe Post-Independence Economic Policies: A Critical Review', (Saarbrücken: Lap Lambert Academic Publishing, 2016).

Sithole Masipula, 'The General Elections: 1979-1985', Ibbo Mandaza (ed), *Zimbabwe: The Political Economy of Transition*, (Dakar: CODESRIA, 1986), pp75-98.

_____, 'Zimbabwe: In Search of Stable Democracy', L. Diamond, J.Linz and S Lipset (eds), *Democracy in Developing Countries: Vol 2* (Boulder: Lynne Rienner, 1998).

Southall Roger Jonathan, 'Bond Notes, Borrowing, And Heading For Bust: Zimbabwe's Persistent Crisis', *Canadian Journal of African Studies*, Volume 51, Number 3, 2017, pp389–405.

Stoneman Colin, 'The Industrialisation of Zimbabwe Past, Present and Future', *Afrika Focus*, Volume 6, Number 3-4, 1990, pp 245-282.

_____, 'The World Bank and IMF in Zimbabwe', Bonnie K. Campbell and John Loxley, *Structural Adjustment in Africa*, (New York: Palgrave Macmillan, 1989).

_____, 'The World Bank Demands Its Pound of Zimbabwe's Flesh', *Review of African Political Economy*, Number 53, 1992, pp94-96.

Taylor Ian and Williams Paul, 'The Limits of Engagement: British Foreign Policy and the Crisis in Zimbabwe', *International Affairs (Royal Institute of International Affairs)*, Volume 78. Number 3, 2002, pp547-565.

C. Unpublished Papers and Dissertations

Besad Hany and Moyo Nicky, 'Zimbabwe in Crisis: Mugabe's Policies and Failures', Working Paper No 38: State Fragility, Centre for International Governance Innovation, October 2008.

Jenkins Carolyn, 'Economic Objectives, Public - Sector Deficits and Macroeconomic Stability in Zimbabwe', WPS/97-14, Centre for the Study of African Economies, Institute of Economics and Statistics, University of Oxford, March 1997.

Kararach George *et al*, 'Currency Reforms in Zimbabwe: An Analysis of Possible Currency Regimes', Occasional Paper No 10, The African Capacity Building Foundation, 2010.

Munoz Sonia, 'Central Bank and Quasi-Fiscal Losses and High Inflation in Zimbabwe: A Note', IMF Working Paper, WP07/08, 2007.

Sibanda Geraldine, 'Institutional Responses to the Zimbabwe Economic Crisis: The Case of the Reserve Bank of Zimbabwe's Quasi-Fiscal Activities, 1997-2009', Unpublished MA Dissertation, University of Zimbabwe, 2017.

Tsumba Leonard, 'Restructuring and Reform of the Reserve Bank of Zimbabwe: Towards Good Governance', Occasional Paper Number 2, Centre for Peace Initiatives in Africa, 20 April 2010.

