The Economic Structural Adjustment Programme

The Case of Zimbabwe, 1990–1995

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Introduction

After almost a century of struggle against colonial rule and over a decade of bitter armed struggle when the two African liberation movements, the Zimbabwe African National Union (ZANU) and the Zimbabwe African People's Union (ZAPU) took up arms to liberate the country from White domination, Zimbabwe attained independence in 1980. The independence era was ushered in amidst a great deal of rejoicing by an African population that was brimful with optimism that the country was on the threshold of a new future that would be both prosperous and peaceful. They had every confidence that, now that a people's government was in power, the inequalities of the colonial past would be redressed. Full access to education and health services, among other services which had been denied the African majority under colonialism, would be assured for all. As the British flag was lowered for the last time and the new Prime Minister, Robert Mugabe, addressed those gathered at Rufaro Stadium in Mbare to celebrate the coming of independence, the Zimbabwean air was pregnant with promise.

The optimism of the people was not entirely unjustified as ZANU, in its earlier policy statements and in its 1980 pre-election manifesto, had promised to build a socialist nation based on equity and undertook to pursue developmental policies for the benefit of the Black majority. Indeed, the new government proceeded swiftly to end racial discrimination and enacted legislation designed to improve the quality of life for the Zimbabwean majority.

Among the many measures adopted by the Mugabe government were the expansion of education facilities to service those areas that had hitherto been ignored by the colonial administrations and the provision of free primary education and free health services to benefit the poor majority. Basic consumer goods such as mealie meal (the staple food), milk, cooking oil and several other items were subsidised to make them affordable to the Zimbabwean poor. A minimum wage law was promulgated to ensure that workers received a decent living wage. As will be shown below, the quality of life of the Zimbabwean majority improved considerably during the first decade of independence despite numerous economic, geo-political, environmental and other problems that faced the country between 1980 and 1990.

By 1995, however, the optimism was fading away fast as the impressive gains made in the educational, health and other fields were being steadily eroded, mainly as a result of the International Monetary Fund (IMF)/World Bank (WB) Economic Structural Adjustment Programme (ESAP)[1] which

Zimbabwe began implementing in 1991. School enrolments were declining, people were avoiding the numerous health facilities that had been established in 1980, infant mortality was on the increase, the country's primary health care system was crumbling from lack of staff and essential drugs, while inflation was eating into the incomes of the Zimbabwean people in general and the low-income groups in particular.

However, Zimbabwe suffered a series of droughts throughout the period under discussion. In fact the 1991–95 reform programme was, in the words of one source, 'greeted by the most economically devastating drought ever experienced in the history of the country', which resulted in some sectors of the economy, such as agriculture, witnessing a serious decline in productivity. It is also noted that the programme was also 'bade farewell [sic] by a second drought in 1994/95'.[2] The strain on the national economy exerted by these droughts and the droughts' contribution to the problems facing the Zimbabwean people cannot be under-estimated.

Nevertheless, because scores of studies on the impact of ESAP in other developing countries since the 1980s clearly demonstrate that the pattern of impoverishment and hardship which manifested itself in Zimbabwe between 1991 and 1995 is similar to that of other countries which did not experience droughts at the time of implementing ESAP, it is contended here that ESAP was the most decisive variable in the reversal of gains registered by the Zimbabwean people during the first decade of independence.[3]

In her study, Hevina Dashwood (1996) disputed the fact that IMF/World Bank reform programmes inherently cause hardships for the poor majority. She argued that

> It is not so much the market-based reforms that have been detrimental to the long-term interests of the poor, but rather a failure to integrate these reforms with additional poverty related policies in order to create a coherent, socially sensitive development strategy.[4]

With regard to Zimbabwe, specifically, she contended that it was, in fact, the ruling elite that resisted the urging of the IMF and the World Bank to protect the poor and which, therefore, was to blame for the impoverishment of the majority under ESAP. In her words,

> Such influential institutions as the World Bank have now recognised the need to support programmes that provide primary education and health care, as well as the need to provide safety nets to protect the very poor . . . the government of Zimbabwe [in fact] had even to be persuaded by the World Bank to include the Social Dimensions of Adjustment programme in its overall reform programme.[5]

In the light of the argument of this study, that IMF/World Bank programmes, by their very nature, hurt the poor, Dashwood's claim needs to be questioned. First, it has to be pointed out that the Zimbabwean experience under ESAP is not unique. If the reform programme's negative effects on the poor were limited only to Zimbabwe, it would be sensible to argue that it was indeed the Zimbabwean ruling elite's own fault that the poor majority experienced hardships under ESAP. However, the fact that the negative effects of such reform programmes on the poor have been consistently observed in all the countries that implemented the programmes since the 1980s and throughout the wide cross-section of countries in Africa, Latin America and Asia makes Dashwood's analysis untenable.[6]

Secondly, Dashwood's claim that the World Bank is sensitive to the need to provide safety nets for the poor and to promote education and health, while true for the present time, is not sustainable for the early years of IMF/World Bank SAPs as the numerous studies on the impact of World Bank and IMF reforms on the poor have long documented. At 1991, when Zimbabwe embarked on its reform programme, the World Bank was just beginning to respond to the increasing barrage of protests against the deleterious impact of its policies on the poor.

To question Dashwood's interpretation of the role and impact of IMF/WB reform programmes is not, however, to deny that the Zimbabwean ruling elite could have handled the situation differently and put into place, from the very start, measures to protect the interests of the poor and to minimise the damage to the country's social services which benefit the poor. However, as her own study demonstrates, by 1991, the mood and thinking of the ruling elite had undergone a metamorphosis as manifested by its renunciation of the socialist ideology. The elite was, by then, speaking a language which would have been unrecognisable to anyone who had listened to its pronouncements only a few years earlier. The elite's earlier rhetoric championing socialist egalitarianism had, by then, been replaced by a capitalist ethos that now emphasised growth rather than development and talked about cost-recovery rather than equity.

The point being made here is that, while the role of the ruling elites in mitigating the negative effects of such reform programmes is important, it is crucial to appreciate the fact that the elites operate within the constraints of the IMF/WB conditions and implement a reform package which is informed by policies which, by their very nature, are unfriendly to the poor. The problem, therefore, is less to do with the lack of willingness of the ruling elite to defend the interests of the poor — although this is an important factor — but with the very structure and objectives of the reform package itself.

In any case, as will be shown in this book, the safety nets that Dashwood refers to have proved to be token gestures which are grossly inadequate and have failed to address the immense problems confronting the poor whose condition has been worsened by the reforms. In the light of this evidence, therefore, it remains the contention of this study that IMF/WB economic reform programmes are decidedly injurious to the poor. The ordinary Zimbabwean people were very quick to notice the deleterious impact of the reform programme on their lives as evidenced by the fact that, as they were increasingly buffeted by a myriad of mounting economic problems resulting from the structural adjustment programme, they began to refer to the term ESAP sarcastically as the Eternal Suffering of the African People.[7]

To emphasise the deleterious impact of the programmes on the poor is not to say that the reform programme impacted negatively on all sectors of the population or that all its results were wholly negative. Clearly, some sections of the economy and society did benefit from the programme. It is, in fact, the very nature of such programmes to promote uneven development. Indeed, one of the most often repeated charges against SAPs is that they benefit the big companies and the wealthy members of society at the expense of the poor.[8] It can, in fact, also be confidently asserted that even the ordinary Zimbabwean people did realise improvements in some aspects of their lives, such as better urban transportation following the government's de-regulation of the sector in 1994.[9] Nevertheless, it is contented here that the overall impact of the programmes on the poor is negative, while their efficacy in improving the economy is yet to be proven.

Zimbabwe's gravitation into the arms of the IMF and WB began soon after independence when it became a member of the two multi-lateral financial agencies. As a result of financial problems resulting from the economic downturn of 1982, Zimbabwe secured an eighteen-month standby credit from the IMF in 1983 worth Z$375 million. In return, it agreed to devaluation, restoration of internal and external balances and cuts in development programmes and subsidies.

In early 1984, the standby credit facility was suspended by the IMF because of Zimbabwe's failure to meet both credit and budget reduction targets. Thereafter, Zimbabwe steered clear of the IMF. In the mid-1980s, however, Zimbabwe became involved with the WB when the Bank provided US$70 million to finance the country's first export revolving fund. When Zimbabwe sought to extend this facility, however, the WB made the introduction of trade liberalisation a condition for the extension applied for. Although Zimbabwe refused to knuckle under at this time, persistent economic problems led to a gradual shift in position by the Zimbabwean government.

Consequently, in 1988, the Government set up a committee comprising University experts, representatives of the Zimbabwe Confederation of Industries and an Australian consultant to analyse the implications of embarking on an economic structural adjustment programme. On the basis of the committee's recommendations, the Government announced a new investment code in May 1989 which loosened the restrictions on foreign investment in the country. Essentially, the Code redefined foreign companies as those with 25% of their shares or more owned by non-Zimbabweans as opposed to the earlier figure of 15%. Also in 1989, Government agreed to sign two international investment protocols which it had resisted throughout the 1980s.

By 1991, Zimbabwe was ready to embrace structural adjustment. First came the announcement of a major easing of price controls in February 1990. Then in July, government announced that it would 'de-emphasise its expenditure on social services and emphasise investment in the material production sectors such as agriculture, mining and manufacturing'. Import control and foreign currency allocation systems would be scrapped and replaced by a more liberal system to be known as Open General Import Licence (OGIL) and tariffs. The country's budget deficit would be reduced through a cut in the size of the civil service, the phasing out of subsidies to parastatals and the introduction of cost-recovery measures for social services. Finally, in January 1991, came the major economic structural adjustment programme document entitled *Framework for Economic Reform, 1991–1995*. By 1991, therefore, Zimbabwe was fully in the clutches of the IMF and WB.

A number of questions immediately arise: Why did the Zimbabwean government agree to implement an economic reform programme whose harmful effects on the poor were already known from past experiences elsewhere in the developing world and which was likely to negate everything the nationalist leaders had claimed to struggle for? Why was a government which had been at the forefront of the struggle to end colonial inequalities and which had publicly dedicated itself to combat neo-colonialist imperialism now presiding over a process which would eventually re-impose colonial-type inequalities and a new form of imperialism, albeit one in which international financial agencies were the new colonial masters?

These questions become even more pertinent in the light of the Zimbabwean President R. G. Mugabe's categorical and uncompromising statement in 1984 in response to a question by a journalist whether he did not feel that foreign aid given to Zimbabwe was likely to compromise its principles and make 'it difficult for the government to chart out an independent political programme and policy'. Mugabe responded:

> Our donors should not think that they can dictate their own policies to Zimbabwe. So on that score, I can assure you that what might have happened in respect of other environments is not what we expect will happen to us. We refused and will continue to refuse any aid given to us

> with strings otherwise we become a neo-colonialist state and Zimbabwe hasn't the desire to be either a colony or a neo-colony.[10]

Yet at 1991, Zimbabwe not only accepted IMF/WB funding, with all its attendant strings, but also permitted the two multi-lateral financial organisations to dictate its economic policies which were leading the country towards neo-colonialism.[11] The forces that led to this situation need to be investigated.

This study seeks to understand the forces that compelled Zimbabwe to turn to the IMF and WB by analysing the major trends in Zimbabwe's political economy in the first ten years of independence. It argues that the Zimbabwean Government achieved remarkable successes in the provision of services to the majority of the Zimbabwean people and did improve their quality of life. The reform efforts were, however, undermined by the failure of the country's economy to grow at rates high enough to sustain the Government's reform agenda. The economy's disappointing performance was partly the result of the government's policy blunders and also partly because of several geo-political and economic factors beyond the government's control.

It is contended here that, while economic restructuring was clearly necessary at 1991, the Government's decision to implement the IMF/WB variety of reform was unfortunate, in the light of the negative impact the reform programme had on the majority of the Zimbabwean people. More significantly, IMF/WB reforms were also likely to foist on the Zimbabwean people and economy the very neo-colonial dependency that the years of struggle against colonialism had sought to end. By analysing the character of the IMF/WB reform package and its impact in the first five years of its operation, the study tries to document the deleterious impact of the IMF/WB reform programme between 1991 and 1995.

The study is structured as follows: Chapter 1 analyses the IMF/WB economic structural adjustment programmes and their implications for developing countries. It argues that the multi-lateral reform prescriptions are both ineffective and deleterious to the peoples and economies of the borrowing countries of the developing world. Chapter 2 and 3 examine the problems inherited by the independence government at 1980 and the performance of the Zimbabwean economy throughout the first decade of independence, respectively, to help explain why it became necessary for the country to introduce the economic reform programme at 1991.

Chapter 4 analyses the Government's education and health policies in order to demonstrate that, despite the many constraints and problems confronting the Zimbabwean government in the first decade of independence, impressive strides were made in the provision of social services to the Zimbabwean majority and that the people's quality of life improved as a result. Chapter 5 demonstrates the impact of the economic structural adjustment programme on the Zimbabwean people with special emphasis on education and health. It argues that the programme had disastrous effects on the majority of the Zimbabwean people's access to health and education.

Finally, the Conclusion summarises the findings of the study. It is hoped that the study will contribute to an understanding of the forces that shaped the trajectory of Zimbabwe's experience in the first 15 years of independence as well as contribute to the ongoing debate about the role and impact of the IMF and WB in the developing countries.

ENDNOTES

1. Note should be taken that structural adjustment programmes in the developing world are designed jointly by the International Monetary Fund and the World Bank. In addition, the World Bank runs its own adjustment programmes which are funded through its Structural Adjustment Loans (SALs).
2. Zimbabwe, 'Programme for Economic and Social Transformation, 1996–2000', [Draft] (Harare, Govt. of Zimbabwe, May, 1996), 1. [Hereafter referred to as ZIMPREST].
3. Numerous case studies of the impact of the IMF/WB structural adjustment programmes exist. Among these are the following: C. Payer, *The Debt Trap: The International Monetary Fund and the Third World* (New York, Monthly Review Press, 1974); C. Payer, 'The IMF and India', in J. J. Havnevik (ed.), *The IMF and World Bank in Africa: Conditionality, Impact and Alternatives* (Uppsala, Scandinavian Institute of African Studies, 1987); B. Rich, 'World Bank/IMF: 50 years is enough', in K. Danaher (ed.), *50 Years is Enough: The Case Against the World Bank and the International Monetary Fund* (Boston, South End Press, 1994); B. Budhoo, *Enough is Enough* (New York, Apex Press, 1990); F. Cheru, *The Silent Revolution in Africa: Debt, Development and Democracy* (London, Zed Press, 1989); S. Krasner, *Structural Conflict: The World Against Global Liberalism* (Berkeley and Los Angeles, University of California Press, 1985); J. Roddick, *The Dance of the Millions: Latin America and the Debt Crisis* (London, Latin American Bureau, 1988); W. Bello, *Dark Victory: The United States, Structural Adjustment and Global Poverty* (London, Pluto Press, 1994); D. Nabudere, *The Political Economy of Imperialism* (London, Zed Press, 1977); M. B. Brown and P. Tiffen, *Short Changed: Africa and World Trade* (London, Pluto, 1992); R. Brown, 'The rationale and effects of the IMF stabilisation programme in Sudan', in B. Campbell (ed.), *Political Dimensions of the International Debt Crisis* (London, Macmillan International Political Series, 1988); A. O. Adeoye, 'Of economic masquerades and vulgar economy: A critique of the structural adjustment program in Nigeria', in *Afrique et Development/Africa and Development* (1991), XVI, (i), 23–44; P. Balleis, 'The social costs of ESAP in Zimbabwe and the ethical dimension of a free market-based economy', in Konrad-Adeneur-Stiftung and SAFER, *On the Road Towards a Market-Based Economy*, Conference held in Harare, 3–5 Nov., 1992.

4. Hevina Dashwood, 'The relevance of class to the evolution of Zimbabwe's development strategy, 1980–1991', in *Journal of Southern African Studies* (March, 1966), XXII, (i), 27–48.
5. *Ibid.*
6. See Footnote 3 above.
7. A variation of the above is *'Ehe Satani Ari Pano'*, meaning 'Indeed the devil is among us'.
8. See J. Roddick, *Dance of the Millions*; M. B. Brown and P. Tiffen, *Short Changed*; and W. Bello, *Dark Victory*, among many other studies.
9. Until 1994, urban transport was the monopoly of the Zimbabwe United Passenger Company (ZUPCO) which had become notorious for its inefficient service as was evident in the long queues of commuters awaiting service. Deregulation in that year opened the sector to competition and resulted in improved transportation services to the urban workers.
10. *Social Change and Development* (1984), VI, 2.
11. Although in 1991, the Minister of Finance, Bernard Chidzero, was at pains to emphasise that the reforms were 'home grown' and had not been dictated by the IMF or the WB, a closer examination of the reform package implemented in 1991, however, shows that it is identical to the IMF/WB structural adjustment reform package implemented by scores of other developing countries over the last two decades. This raises a doubt as to just how far the Zimbabwean reforms were 'home grown' as claimed by the Minister then. A recent article, however, claims that the reform programme was indeed home grown, that neither the IMF/WB or any other outside force pressured the government into adopting the programme. See, Hevina Dashwood, 'Zimbabwe's development strategy', 27–48.