

The Economic Structural Adjustment Programme

The Case of Zimbabwe,
1990–1995

A. S. Mlambo



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The IMF/World Bank Reform Package: An Analysis

As has been shown in the Introduction, in 1991, Zimbabwe joined a growing community of developing countries which implemented IMF/World Bank structural adjustment programmes in an attempt to revamp their ailing economies. Developing countries have turned to these multilateral lending agencies because they have found themselves facing balance of payments problems, partly as a result of their own flawed economic policies in the past and partly as a result of external forces beyond their control. The IMF and World Bank are lenders of last resort, that is, borrowing countries only approach the IMF because they have no other alternative. The international global financial system is such that, countries with balance of payments problems are shunned by all other international financing agencies unless they are first approved by the IMF and the World Bank. The approval of these agencies is only given on condition that the borrowing countries implement a package of economic reforms designed and supervised by the two multi-lateral agencies.

IMF/World Bank structural adjustment programmes have been widely criticised for their role in worsening the economies of the borrowing countries and deepening poverty among the borrowing country populations. It needs to be emphasised that the need for economic adjustment in developing countries is not at issue here. It is evident that in many developing countries, years of heavy protectionist measures designed to prevent competition for highly subsidised, inefficient local industries undermined initiative, investment and productive potential, while over-valued currencies encouraged imports at the expense of exports. This inevitably increased local industry's dependence on imported capital goods which undermined markets for local manufacturing companies. It is also evident that gross mismanagement of the economy by local ruling elites, in addition to numerous other global and environmental factors, led to declining economic growth rates, high debt burdens and deterioration of services in most developing countries in general and post-colonial Sub-Saharan Africa in particular.

For these and other reasons, it is necessary for developing countries to adjust their economies to make them more efficient and stable in order to promote sustainable development for the betterment of the lives of their

populations. However, what is criticised is the nature of the economic reforms which the IMF and WB impose on developing countries. To understand the argument being made here, it is necessary to analyse the IMF/World Bank reform package to determine both its nature and implications.

The IMF/World Bank reform package requires the borrowing country to restructure its economy through demand management, currency devaluation, trade liberalisation, elimination of price controls, reduction of budget deficit, removal of government subsidies on goods and services and increasing interest rates to their natural market levels to discourage capital flight. Other requirements are that the borrowing country should reduce state investment in the economy, privatise public corporations such as parastatals and open up the local economy to foreign investment. This reform package which is supposed to correct all the ills of the borrowing countries' economies is problematic as will be argued below.

The experience in many Sub-Saharan countries has shown that, far from helping resolve the borrowing countries' balance of payments problems, SAPS may actually worsen the debt problems. Under IMF tutelage, between 1977 and 1984, Sudan witnessed an escalation of its current account deficit from 6 per cent to 11 per cent of GDP, while its total foreign debt also increased from US\$2 million to US\$86 million. Its debt-service ratio rose from 19 per cent in 1979 to over 150 per cent in 1984. Meanwhile, the Sudanese pound was devalued to 27 per cent of its 1978 value and the GDP per capita fell from US\$483 in 1977 to US\$344 by 1984. In addition, Gross National Savings fell from 2 per cent to 0.3 per cent of GNP in the same period.¹

In Senegal, A. Ndiaye's study concluded that 'despite implementing policy reforms designed to reduce the country's debt service, its foreign debt has sharply increased from 44 per cent of GNP in 1980 to close to 80 per cent in 1989'. Tanzania's experience was similar to that of Sudan and Senegal in that, during the years of the IMF programme, its current account deficit shot up from US\$302 million in 1984 to US\$425 million in 1990, while its overall debt rose from US\$2 743 million to US\$5 866 million in the same period.² Similarly, according to M. Arruda, from 1980 to 1990, Brazil paid a total of \$148 billion as service on its debt, \$90 billion in interest and the rest in principal. In 1980, the debt was \$64 billion, but 'ten years later, having paid \$148 billion on that debt, Brazil now owes \$121 billion . . . the more we pay, the more we owe'.³

The above trends are in line with the findings of Susan George's study which argued that IMF/World Bank programmes were worsening, rather than alleviating developing country balance of payments problems and that the multilateral finance agencies were, in fact, playing the role of highly

efficient debt collectors for the industrialised countries of the North. Susan George reported that, from 1982 to 1990, countries of the South were remitting to their creditors in the North, every month, 'an average of \$6.5 billion in interest payments alone', yet the absolute size of their debt burden was growing rather than diminishing. She noted that,

In spite of paying out more than \$1.3 trillion between 1982 and 1990, the debt countries, as a group, began the 1990s with a full 61% more in debt than in 1982. Sub-Saharan Africa's debt increased by 113% during this period.⁴

Commenting on the same phenomenon, W. Bello noted:

Structural adjustment programmes functioned extremely effectively as a mechanism to collect Third World debt and caused a massive redistribution of financial resources from the South to the North . . . From Argentina to Ghana, state intervention in the economy has been drastically curtailed, protectionist barriers to Northern imports have been eliminated wholesale, restrictions on foreign investment have been lifted and, through export-first policies, internal economies have been more tightly integrated into the capitalist world market dominated by the North.⁵

Zimbabwe's experience under SAP between 1991 and 1995 conforms to the above patterns. During this period, its external debt increased from US\$2 billion in 1991 to US\$4 billion in 1992. By the beginning of 1995, the debt had risen to over US\$5 billion and amounted to 91 per cent of the country's GDP as compared to only 45 per cent in 1989.⁶ The above examples show quite clearly that SAPs do not help resolve borrowing countries' balance of payments or debt problems but may actually worsen them.

In fact, the World Bank and the IMF have been long aware of the inefficacy of their programmes in this respect. For instance, a 1988 in-house IMF study noted that IMF reform programmes were failing to resolve balance of payments problems in the developing country economies. The study recorded that the 40 programmes implemented between 1983 and 1987 had failed in their aims of enhancing economic growth, reducing fiscal and balance of payments deficits, lowering inflation and mobilising or decreasing external debt.⁷

Explaining why developing countries, despite paying ever-increasing sums of money to the North every year, are deeper in debt than they ever were, UNICEF cited, among other factors, escalating interest rates or what it called 'the weight of past debts'. UNICEF reported:

In total, the developing world owes approximately \$1 300 billions to the governments and banks of the industrialised nations and to international financial institutions. Each year, the repayment of capital and interest amounts to approximately \$150 billion — roughly three times as much

as the developing world receives in aid — it has now reached a point at which not only can the debt never be repaid but the attempt to meet even the interest charges is often crippling the potential of economic reform.

UNICEF also noted that, when the total amount of all financial flows into the developing countries from the industrialised countries is compared to the amounts that the developing countries pay back in repayments of capital and interest, 'the net effect is that the developing world is now benefiting \$40 to \$50 billion a year to the industrialised world'.⁸

The poor performance of Zimbabwe and other countries' economies under SAP casts serious doubt on the efficacy of reforms and reinforces 1989 findings of the United Nations Economic Commission for Africa (UNECA) which showed that, between 1980 and 1987, economies of the non-adjusting Sub-Saharan African countries grew, while those of the strong adjusters actually declined. UNECA's findings are documented in the following table.

Table 1.1: African Economic Growth, 1980–1987 (1980 = 0)

Country	1981	1982	1983	1984	1985	1986	1987	Average
Strong Adjusters	-3.01	3.33	-3.85	-4.31	6.33	2.82	-1.97	-0.53
Weak Adjusters	5.44	3.46	0.66	-1.29	0.13	4.01	1.88	2.00
Non-Adjusters	3.92	3.35	3.53	3.68	6.40	3.62	-2.51	3.50

Source: World Bank data files, quoted in UNECA, *Statistics and Policies: ECA Preliminary Observations on the World Bank Report: Africa's Adjustment and Growth in the 1980s* (Addis Ababa, UNECA, 1989).

On the basis of the above evidence, it can be asserted with confidence that IMF/World Bank structural adjustment programmes are ineffective in remedying borrowing countries' balance of payments problems.

Central to SAPs is the condition that borrowing countries should liberalise their economies to allow for full and free competition in the market. This condition is predicated on the belief that the removal of exchange and import controls makes the economy of the borrowing country more efficient by promoting a free market environment unencumbered by public sector administration and regulation. By becoming more integrated into the global economy, it is argued, borrowing countries' economies will be able to realise their full development potential.

The IMF/World Bank's insistence that developing countries should 'open up' their economies is at odds with the view of a large segment of the intellectual community of these countries which has long argued that the

Third World's impoverishment over the centuries was the result of over exposure to international economic influences. Abundant literature showing how the developing world was incorporated into the evolving capitalist system as a source of raw materials and consumer of finished products exists. Such literature argues persuasively that it was the protracted interaction between the developed countries and the developing world which resulted in the former's development and the latter's underdevelopment.⁹

Liberalisation of trade leads to a progressive denationalisation of the borrowing country's economy through destroying locally-owned enterprises and promoting multinational businesses. This is because liberalisation results in the flooding of the local market by cheaper imported goods which ultimately destroy local businesses whose prosperity depends on the availability of a protected market. Commenting on the deleterious impact of trade liberalisation on local industry, a 1993 OXFAM study noted:

By encouraging largely uncoordinated market liberalisation at a time when fragile local industries are already under severe adjustment pressure, SAPs have become a prescription for disinvestment and de-industrialisation rather than recovery.¹⁰

A recently retrenched Zimbabwean worker succinctly summarised the problem associated with IMF/WB liberalisation measures when he stated:

Competition is fine, but if you run a race you have to make sure that everyone starts off from the same place. These industries from abroad are decades ahead of us. How on earth are we supposed to match their resources?¹¹

Indeed, as a Government of Zimbabwe's 1996 document conceded, during the ESAP years, the manufacturing sector's performance declined considerably because, while trade liberalisation 'provided free access to capital goods and imported raw materials . . . it also opened the domestic market to competition from imported finished goods' which placed severe strain on local companies. Moreover, local companies found it extremely difficult to take advantage of the opening up of the economy to increase their exports to the international market, particularly those which had 'not previously pursued serious export strategies' and which found that penetrating export markets 'required a concerted effort, without necessarily producing immediate benefits'.¹²

Indeed, by 1994, Zimbabwean textile manufacturing companies were feeling the negative impact of liberalisation. It was reported then that the number of textile companies had fallen from 280 to 193 by that year, while some of the major companies like Cone Textiles, with a local employee force of 6 000, were forced to close. Management blamed, among other

factors, the rapid increase in cotton lint prices following the removal of government subsidies for lint in December, 1994, depressed local demand, competition from abroad particularly South Africa, whose textile goods exporters continued to enjoy a government export subsidy at a time when Zimbabwean producers had lost theirs as a result of the SAP.¹³

Other companies that either went under or were forced to curtail their operations included Industrial Steel and Pipe, a holding company for various metal-working companies, Radar Holdings, an engineering company, and Bayer Zimbabwe, a leading chemical manufacturer established after independence in 1980 to produce for the region.¹⁴ Not surprisingly, when local companies collapse, their share of the domestic market is immediately taken over by multinational companies which flood the market with their products.

In the case of Zimbabwe, trade liberalisation did ease the problem of shortages of some consumer goods in the market. This led the Zimbabwean government, in a 1996 government working paper, to hail trade liberalisation as one of the reform programme's 'major success stories', particularly since under its influence 'the long and unpopular queues, which had been a notorious feature before the programme, suddenly vanished and no imported commodity was in short supply in the market anymore'.¹⁵

While acknowledging this clearly positive contribution of the trade liberalisation policy, the point has to be made that the cost the nation has to pay for being able to buy imported items may be unacceptably high. In other words, while the Zimbabwean consumer at 1995 could now buy shirts and electrical gadgets made in Taiwan, the United States, Japan and elsewhere, as opposed to the previous years which were characterised by various shortages of such items, it remains to be proven that the Zimbabwean economy will be better off in the long haul as a result of the denationalisation of its economy because of the SAP.

Of course, not all the effects of liberalisation are harmful as the Zimbabwean government's de-regulation of the urban transport system clearly demonstrates. For many years, urban transportation, particularly in Harare, was monopolised by the Zimbabwe United Passenger Company (ZUPCO), which increasingly proved unable to cope with the volume of urban commuters with the result that passengers had to wait for long periods before receiving service.

When its franchise lapsed in June 1994, the Government decided to allow competition by licensing other operators. This de-regulation of the urban transport sector opened the way for scores of bus operators with the result that passengers received better and faster service than in the past.¹⁶

While the above example shows that liberalisation and de-regulation under SAP can have beneficial effects on some sectors of the economy, it

still remains doubtful, however, whether the overall impact on the national economy is positive. Of particular concern is the fact that trade liberalisation, combined with the fact that SAPs seek to promote an export-led economic growth strategy, is likely to perpetuate the traditional role of developing countries as consumers of finished products and exporters of raw materials — the very same global system which, it has been argued, produced underdevelopment in the developing countries. Most ominous is the fact that developing countries are being asked to open up their economies at a time when the developed world is, in fact, moving in the opposite direction and becoming increasingly protectionist.

The creation of trading blocs such as the European Union and the recently established North American Free Trade Area (NAFTA) means that, just as the developing countries are being compelled to move towards free trade, the industrialised countries are becoming more protectionist. As UNICEF noted in a 1992 study, protectionist practices of the industrialised countries over the last few years have cost 'the developing world approximately \$55 billion a year in lost exports . . . more than all the aid received'.¹⁷

Also worrying is the fact that SAPs are pushing developing countries into adopting export-led growth strategies at a time when bio-technology is producing substitutes for traditional primary products, thus rendering primary producers increasingly irrelevant to the needs of the global market. Given this situation, developing countries can no longer continue to rely on primary commodity exports. Yet this is precisely what SAPs are determined to promote.

With regard to the IMF/World Bank's insistence that government should distance itself from direct participation in the economy, several problems manifest themselves. While there may be a case for reducing government's direct participation in the economy in the light of the fact that the developing countries' governments have not always run their publicly-owned enterprises as efficiently as possible, the multilateral financial agencies' demand that state-owned enterprises be eliminated altogether through wholesale privatisation measures is problematic. This is because, in poor countries where local private capital is scarce, it is the government which, by virtue of its comparatively abundant resources, is the major catalyst for economic development and social welfare.

In this regard, a 1994 UNICEF study noted,

The role of government remains critical. Especially in poor countries where investments in basic infrastructure cannot be made by private enterprise alone, government can help to mobilise the investment necessary to liberate the energies of private enterprise. The gains in food production in Zimbabwe, for example, have been achieved by the efforts of thousands of small farmers and particularly by the efforts of rural

women. But those efforts have been liberated by Government action in redistributing land to smallholders; in mobilising national scientific capacities; in financing research and development into seeds, fertilisers and pesticides relevant to the small farmer's needs; in paying for the training and salaries of extension workers to act as links between scientists and farmers; in making credit available to the poor by accepting eventual crops as collateral; in legalising agricultural trade unions; in investing in roads to get surplus crops to market.¹⁸

Similarly, A. Adeoye argued:

Government is the prime mover of the economy. Government is the major employer of labour. Therefore, its expenditure is crucial for the promotion of private spending. It is also an indispensable source of investible funds. The implementation of the policy of less government in economic affairs inevitably leads to loss of jobs, reduction in incomes and general economic depression.¹⁹

The IMF/WB insist on government withdrawal from the economy, despite the fact that those developing countries of South East Asia which have registered remarkable economic growth levels in the past few years achieved this through direct government involvement in the economy. Since 1960, Japan, South Korea, Singapore, Taiwan, Indonesia, Malaysia, Hong Kong and Thailand have prospered through a strategy which was based on close government involvement with business. Nationalised banks selectively granted low interest rate loans to targeted industries, while governments restricted foreign investment to maintain control over the direction of economic development.

In addition, governments provided subsidies to select businesses. The success registered by these countries through the adoption of a strategy that is directly contrary to that advocated by the IMF and WB shows that ESAP's route is by no means the only or even the correct one to follow in order to achieve economic development. Yet the IMF/WB ignore the East Asian example even in the face of mounting evidence of the inefficacy of their prescriptions.

Moreover, officials of the IMF/World Bank seem not to be aware of the contradiction in what they say they are trying to achieve and how their policies promote just the opposite. For instance, Edward Jaycox of the World Bank stated in the early 1990s that,

The aim of adjustment programmes is to help restore financial stability and accelerate growth, but the basic objective is always to help alleviate poverty . . . Adjustment programmes must be buttressed by adequate programmes in education, health, family planning and natural resources protection.²⁰

Nobody can quarrel with the desirability of these objectives, but the World Bank official conveniently forgot that, in the developing countries,

Education, health, birth planning services and natural resource protection all involve government spending, a habit which most adjustment programmes are seeking to discourage.²¹

The IMF/World Bank's insistence on devaluation is also another harmful condition that is common in all SAPs. The two multilateral agencies maintain that devaluation makes the exports of the borrowing country more competitive and attractive in the international markets. The resultant increase in export volumes, it is argued, must of necessity increase the country's foreign earnings. The fallacy of this argument can be shown by the fact that, between 1980 and 1984, Latin America increased its export volume by 7 per cent but export revenue on each unit exported actually fell by 8.5 per cent in the same period.²²

In the case of Zimbabwe it was reported that 'although an annual increase in exports of 9% was projected, exports in fact fell in both 1991 and 1992 and may not have reached 1990 levels in 1994'.²³ In Africa, in general, a Food Agricultural Organisation's (FAO) 1992 study reported not only that Africa's share of world trade had declined sharply throughout the 1980s but also that,

Falling prices for the continent's main export commodities, in particular, have meant losses of approximately \$12 billion a year. In Cote d'Ivoire, for example, exports of coffee rose by 26% in volume but fell by 21% in value between 1988 and 1990.²⁴

This seemingly paradoxical situation can be easily explained by two main factors. Firstly, the deteriorating terms of trade for primary exports means that developing countries find themselves exporting more and more of their commodities to earn less and less from them. Secondly, the resulting competition for markets by several countries producing the same commodity, which has now been made cheaper through the economic adjustment exercise, exerts downward pressure on international market prices. The gains that are supposed to accrue to developing countries through devaluation may thus turn out to be more imaginary than real.

Indeed, as a 1993 OXFAM study entitled *Africa: Make or Break* noted:

These programmes [IMF/WB SAPs] have also contributed to the crisis in world commodity markets. They have done so by encouraging countries producing a narrow range of commodities to expand production simultaneously, for already saturated markets characterised by relatively fixed levels of demand . . . in effect, SAPs have had the effect of forcing the region [Sub-Saharan Africa] to struggle up a downward-moving escalator: expanding its export production for diminishing foreign-exchange returns.²⁵

Moreover, devaluation increases the cost of importing finished products and productive inputs necessary for economic development. This is

because, as the prices of the country's exports continue to fall, the cost of acquiring manufactured inputs from the industrialised countries continues to rise. For instance, in 1980, Zimbabwe could buy a tractor from abroad for approximately 100 bales of cotton. By 1983, however, the same tractor cost 130 bales of cotton. Similarly, Tanzania could purchase a seven-tonne truck for 38 tonnes of sisal in 1972, yet by 1982, it took 134 tonnes of sisal to purchase the same type of truck.²⁶ Primary producers are thus caught in a no-win situation, the IMF and World Bank's alleged benefits from devaluation notwithstanding.

Making a similar point, the Secretary General of Zimbabwe's Congress of Trade Unions, Morgan Tsvangirai stated in 1992:

Five Zimbabwe dollars are now worth US\$1, but the government says we will [earn] \$16 billion from exports. But how can we get that if this means that our products are actually cheaper outside? [Devaluing] means we purchase goods at high prices, use them as inputs, then sell our products at even lower prices. This is tantamount to giving away our products.²⁷

Furthermore, devaluation increases the local costs of production to an extent which may be beyond the means of small domestic businesses which have no direct access to foreign currency through export earnings. So harmful were Zimbabwe's successive devaluations from the start of ESAP in 1991 that, even Zimbabwe's pro-business economist, Erich Bloch, who was described by the London-based Economist Intelligence Unit as one 'whose support for ESAP has made the World Bank seem pessimistic in comparison', was moved to decry the country's latest devaluation exercise in January 1993, pointing out that many local manufacturers supplying the domestic market and 'therefore without foreign currency accounts, would be crippled by rising import costs'.²⁸

In addition, SAPs' insistence on raising interest rates to their market level, ostensibly to prevent capital flight, redounds clearly to the benefit of multinational companies at the expense of the indigenous business. As the cost of borrowing becomes prohibitive at the very time that local companies are expected to improve their productive capacity in order to compete in a free-market environment, most domestic companies collapse. In the Zimbabwean case, two years into ESAP, the Confederation of Zimbabwe Industries (CZI) was already complaining that high interest rates were forcing many indigenous companies to the wall. It was, in fact, at this time that African entrepreneurs, known in Zimbabwe as emergent businessmen, established the Indigenous Business Development Council (IBDC) to protect indigenous business interests which, it was feared, were being increasingly threatened by dominant White (mostly expatriate) enterprises. They also started demanding that the government do something urgently to put into place policies to promote Black economic empowerment.

In a 1990 study, G. Kanyenze had warned of the danger of the marginalisation of Black enterprise, stating:

The government has adopted a more 'rational and market oriented' approach to development and has indicated its intention to liberalise the economy . . . to stimulate investment . . . But what does this . . . imply? In a country where 4 per cent of the population owns 90 per cent of the wealth, market approaches will concentrate more wealth in a few hands, making the rich richer and the poor poorer.²⁹

The negative impact of SAPs on local businesses was well summarised by Payer in the following passage:

The programmes result, typically, in the take over of domestic owned businesses by their foreign competitors. The stabilisation programmes put the squeeze on domestic capitalists in several ways. The depression which it causes cuts deeply into their sales, raises the costs, in local currency, of all imports. This, a severe blow in itself, is compounded by the fact that the contraction of bank credit makes it more difficult than before to get the loans they need to carry on operations. Finally, the liberalisation of imports robs them of the protected markets they had enjoyed before.³⁰

The SAPs' promotion of export-led growth has sometimes resulted in serious declines in food production for domestic consumption as well as damage to the environment. Because exports pay well and provide access to the much-prized foreign currency, agriculturalists concentrate mostly on producing cash crops for export rather than food production for local consumption. The peasant sector is weakened in the national quest for foreign currency as large-scale mechanised plantations, producing high quality cash crops — to be consumed in the industrialised countries — expand, displacing small-scale peasant farmers in the process.

Sudan provides a good example of how the quest for exports can harm domestic food production. Following the introduction of the IMF-sponsored adjustment programme in Sudan in 1978, the government started a massive capital-intensive agricultural project code-named the 'Breadbasket Plan'. The emphasis on the production of cotton and grain under this plan had two negative effects on the Sudanese economy and society. One result was the progressive redistribution of land from the small-scale producers to the wealthier classes (traders, military officials, large landowners and agribusinesses) which could afford the huge capital inputs required under the Plan. Small-scale producers were pushed off the land. Secondly, food production for local consumption fell sharply with the result that, by the time of the 1983 famine, Sudan was not in a position to avert or minimise the crisis.³¹

Officials of the IMF and World Bank claim that their programmes benefit the small-scale agricultural producers who were disadvantaged in the past by an economic regime which favoured urban populations through subsidies for food imports, thus undercutting the viability of the peasant food-producing sector. In the words of one IMF official:

It has been said that Fund programmes have the effect of worsening the situation of the urban poor and it is true that the elimination of food subsidies had often had this effect. But the great majority of the African population live in rural areas. The reduction of subsidies on imported food in urban areas has the effect of improving terms of trade of the rural poor who are often poorer than the urban poor.³²

Apart from the highly questionable issue of whether economic hardships under structural adjustment programmes are acceptable as long as it is the urban poor who suffer, as seems to be implied by the above statement, it is not true that the rural poor benefit under ESAP. Indeed, a recent study notes that a World Bank's own in-house evaluation of the performance of 42 countries implementing structural adjustment programmes in 1991 reported that, as a result of the reform programme, 'income inequality in rural areas appears to have gone up in some countries as landless farm workers bear the greater burden of higher food prices'.

With respect specifically to Cote d'Ivoire, the report noted:

Poverty increased by 4.8 per cent a year during 1980-85; and hard-core poverty by 7.9 per cent a year. The urban poor were the hardest hit because of both unemployment and wage reductions. In the rural areas, the prices of tradeable food crops fell relative to those of export crops. This had an adverse impact on income distribution in rural areas as food crop farmers, who are hardest hit by the price movements, were the poorest social groups in Cote d'Ivoire. The incidence of hard-core poverty among this group increased from 13 to 20 per cent.³³

As the World Bank's own evidence proves, the rural poor do not, in fact, benefit under the SAP, not only because prices decline as a result of reduced demand due to the economic depression resulting from declining wages and retrenchments which are the hallmark of SAPs, but also because the productive base of the rural poor is insufficient for them to take advantage of whatever opportunities the reform programme creates. The peasant producer's small plot, already exhausted from generations of overuse, cannot sustain any expansion in production.

In general, the terms of trade for the small producer's primary products, like those for the nation's exports, are ever deteriorating so that, even if the small producer were able to sell more and earn more, he still would not be able to afford the manufactured products and agricultural inputs he must purchase from the cities.

In any case, the withdrawal of government support through subsidies and agricultural extension services, as required by the IMF and World Bank, redounds to the disadvantage of the small-scale producers. The price hikes and removal of subsidies mean that inputs such as fertiliser become unaffordable. Commenting on IMF/WB programmes' impact on peasant farmers in Senegal, A. Ndiaye noted:

withdrawal of government agricultural inputs like seeds and fertilisers caught farmers off guard . . . given their low incomes, farmers could not meet these production input requirements . . . the use of fertiliser, which averaged 100 000 tons per year before (the reform), declined to less than 25,000 tons in 1989. Fertiliser subsidies were eliminated, leading to a five-year-fold price increase.³⁴

Commenting on the same issue, OXFAM noted that the multilateral agencies' claim that SAPs support poverty alleviation in the rural sector is problematic as in some countries like Ghana, 'the removal of subsidies on inputs and the rising cost of imported fertilisers resulting from devaluation have outweighed the benefits of higher prices, leaving producers worse off'. In the case of Zimbabwe, OXFAM commented that economic reform measures, particularly devaluation, had 'dramatically increased prices for export crops produced by commercial farmers' yet poverty was concentrated 'among maize farmers in the communal areas, producing either for subsistence or for sale on the domestic market'.³⁵

Moreover, other ESAP measures, such as unregulated liberalisation policies and the phasing out of government-run enterprises such as marketing boards, impact negatively on the small-scale rural producers. The removal of government-operated marketing boards and their replacement with private companies often means that rural producers simply trade government monopoly for a more rapacious and not-so-sympathetic monopoly by private entrepreneurs who manipulate purchase prices to the producers' disadvantage.

In Zimbabwe, the major government agricultural marketing body, the Agricultural Marketing Authority (AMA), was abolished in 1994, while other agricultural parastatals like the Dairy Marketing Board (DMB), the Cotton Marketing Board (CMB), and the Cold Storage Commission (CSC) were commercialised. At the same time, marketing of agricultural products was also de-regulated to allow for competition. While the commercialisation of government parastatals eased the financial burden of government which had consistently found itself having to subsidise them, at the time of writing, there was no evidence to show to what degree private enterprise would compete in this sector and what the impact on the small-scale, rural farmers would be.

If the experiences of other countries that abolished state-run agricultural marketing boards are anything to go by, it is likely that rural producers may be disadvantaged as 'private-sector traders often have little interest in operating in more remote areas'. Should this happen, then 'the withdrawal of State buying and storage facilities may leave the poorest farmers facing even greater difficulties in marketing their crops'.³⁶

That peasant producers suffer from the negative impact of structural adjustment programmes was demonstrated by the Tanzanian Prime Minister, Joseph Warioba, when he appealed to the president of the World Bank for help in protecting the small rural farmers who were suffering from 'higher prices for agricultural inputs, lack of storage facilities for crops [and] poor transport'.³⁷

In addition, the IMF and World Bank's distinction between the urban and the rural poor is unsustainable and seems to be born of a lack of appreciation of the fact that most urban workers, at least in Africa, are not permanent city dwellers but maintain their rural homes and retire to them at the end of their working life in town. While the father works in the city, the wife and other relatives maintain the rural home and are supported in their agricultural activities by the father's earnings which are used to purchase the necessary agricultural inputs for use in the fields. The urban poor thus are also members of that corporate body the IMF and the World Bank refer to as the rural poor.

Making exactly this point, a 1996 working document of the Government of Zimbabwe noted that a recent survey of household incomes concluded that

The most important sources of income for most households are employment for urban households, while for rural households, the major sources of income were non-farm activities and remittances from urban areas.³⁸

Given this fact, therefore, it is clear that when food subsidies for urban workers are removed and the workers suffer reductions in their wages or they are retrenched, this does not help the rural poor as the multilateral financial agencies suppose. It just means that the extra income from the city that helped subsidise agricultural production is no longer forthcoming at the very time that government support systems in the rural areas are being withdrawn as per IMF and World Bank prescriptions. It is no wonder, therefore, that World Bank studies, like that on Cote d'Ivoire quoted above, report that economic conditions in the rural areas deteriorate in times of SAPs.

The above evidence demonstrates quite clearly that IMF/World Bank adjustment programmes may worsen rather than alleviate the economic problems of the borrowing countries. What is disturbing, however, is that

as already noted, all this is not news to the IMF and the World Bank as they have long known that their programmes do not achieve their intended economic objectives. Their own in-house studies have long reported that the programmes were not working.

For instance, a June 1992 World Bank Report entitled *World Bank Structural and Sectoral Adjustment Operations*, prepared by the Bank's Operations Evaluation Department, noted that the short-term impact of SAPs could, in fact, endanger the long-term success of adjustment efforts. It noted that, in countries undergoing structural adjustment experiences, the expected increases in the efficiency and growth rates of economies had failed to materialise and that two-thirds of countries implementing these programmes had actually witnessed a decline in both public and private sector investment.³⁹

It is evident, therefore, that officials of both the IMF and the World Bank have long been cognisant of the fact that things were not well with their programmes which they have been imposing on all borrowing countries since the 1970s. Indeed, one IMF official, D. Budhoo, growing increasingly aware that the organisation he was working for was brokering poverty in the developing world, resigned in 1988 in disgust at what he called the Fund's 'increasingly genocidal policies'.⁴⁰

If, for some inexplicable reasons, the IMF and the World Bank distrusted their own findings, there were scores of other studies by individuals and international organisations to inform them that they needed to take another serious look at what it was they were trying to achieve through their SAPs. Organisations like UNICEF, UNECA, and UNESCO have consistently documented the damage SAPs are wrecking on the educational, health and economic sectors of the developing countries as well as pointing out that the programmes are imposing unacceptable burdens on the poor of the borrowing countries.

For instance, a United Nations Advisory Group reported that, throughout Africa, 'health systems are collapsing for lack of medicines, schools have no books and universities suffer from a debilitating lack of library and laboratory facilities' as a result of structural adjustment programmes. The report also noted that SAPs had promoted massive environmental damage 'as many African countries were forced to cut down forests rapidly and exploit other natural resources more intensively to gain the foreign exchange they needed to make mounting interest payments'.⁴¹

From Argentina recently came the report of Maria Onestini, the Co-Director of the Centre for Environmental studies which stated:

The Rio Conference on environment and development constantly referred to 'sustainable development'. But we in the South would rephrase that in light of policies such as structural adjustment because what they

actually promote is unsustainable underdevelopment. The adjustments that really need to be made are adjustments in global production, consumption and distribution patterns.⁴²

In his study, Gershman documented the fact that the economic costs of structural adjustment programmes for the poor majority were catastrophic. In his words:

Real wages in Chile are 40 per cent lower than in the early 1970s, while those in Mexico fell 50 per cent in the last decade. Living standards in much of Latin America have fallen to the level they were at 30 years ago . . . In Mexico, the workers' share of national income fell from 49 per cent to 29 per cent between 1981 and 1990. In Chile, the richest ten per cent capture 47 per cent of national income, compared with 36 per cent in 1970. [Yet] Mexico and Chile are considered by the Bank and the IMF as success stories.⁴³

In Zimbabwe, both the IMF and the World Bank witnessed first hand, how harmful their recommendations could be when they insisted in 1991 that the Zimbabwean Government sell its maize stocks. Throughout the 1980s, Zimbabwe had produced enough maize to feed its population as well as maintain adequate strategic reserves. It was even able to export to its food-deficit neighbours. As a result of the 'farm war' between the United States and the European Community in the 1980s, however, Zimbabwe became a victim of food dumping by both protagonists and suffered from declining prices for maize as a result. Declining maize prices resulted in the Zimbabwe Grain Marketing Board [the institution responsible for maintaining strategic maize reserves] incurring a huge financial deficit.

The IMF and WB decided that the deficit was the result of the country carrying large uneconomic maize reserves and, therefore, advised Zimbabwe to sell its maize at a loss, arguing that it would be more economical for Zimbabwe to purchase maize as and when needed. This was a very risky step for Zimbabwe to take, not only because of the possibility that this would leave the Zimbabwean population at risk should there be a crop failure in the coming seasons, but also because Zimbabwe was responsible for the Southern African Co-ordination Conference (SADCC)'s food security programme. Any disaster in Zimbabwe's food-producing sector would thus have regional repercussions. Zimbabwe followed the advice and sold its stocks. The result was catastrophic.

The 1991/92 crop season witnessed the worst drought in recent memory, resulting in the agricultural sector contracting by 24.4 per cent in 1992. Unable to feed its own people, let alone help the other countries in SADCC which were also facing food shortages, Zimbabwe was forced to import large quantities of yellow maize, which the Zimbabwean people traditionally dislike, from the United States at a phenomenal cost which left the country

with a disturbingly large deficit of Z\$2 billion.⁴⁴ If the multilateral agencies ever admitted to the fact that their advice had been disastrous for Zimbabwe's food programme, that evidence was not yet available at the time of writing.

The Zimbabwean case demonstrates clearly why it is necessary for developing countries to protect their domestic agricultural industries from food dumping by the industrialised countries through trade barriers. Yet, it is exactly these trade barriers that are targeted by IMF/WB programmes. As OXFAM notes, instead of being encouraged to protect their domestic food producers, developing countries are

... being pressed to liberalise food imports under structural adjustment programmes sponsored by the IMF and World Bank, with potentially serious long-term consequences for local agriculture. In Ghana, for example, the government has complained at the damage caused to local rice producers by the boom in cheap imports which followed import liberalisation.⁴⁵

Furthermore, IMF/WB reforms increase the chances of social unrest and instability in borrowing countries. Examples from several African countries which implemented these programmes indicate clearly that governments' legitimacy and ability to maintain law and order are undermined by the popular opposition to the programmes which often results in anti-IMF riots. For example, there were widespread demonstrations in Tanzania in December 1986 against a rail fare increase of between 150 and 200 per cent. In the same month, University students demonstrated for three days demanding higher book allowances because of recent price increases. In 1986, Zambia witnessed widespread food riots in the Copperbelt which left 15 people dead, and in 1987 nurses, teachers and postal and telecommunications workers went on strike.⁴⁶

With respect to Zimbabwe, in particular, students at the national University of Zimbabwe demonstrated and boycotted classes in 1992, demanding an increase in their grants to offset financial difficulties resulting from devaluation and inflation. The government conceded a 25% increase in student grants but almost immediately afterwards announced that University fees would also go up by 25%, effectively cancelling out the earlier grant increase. This triggered off violent student demonstrations in Harare which led to the closure of the University and the expulsion of all the members of the student body in June that year. In June/July 1995, the same scene was re-enacted when students, once again demonstrated against inadequate allowances and the University was plunged into turmoil as the riot police took over the campus and fired teargas canisters into lecture rooms, students rooms and lecturers' offices, disrupting normal teaching.

In 1993, Harare's normally affable population in the low-income residential suburbs, known as high density areas, staged violent bread riots smashing windows of local bakeries and either looting or destroying all the bread found in them. This was in direct reaction to government's decision to decontrol flour and bread prices, resulting in prices for these commodities skyrocketing by an astounding 73.5% overnight.⁴⁷ IMF/WB programmes thus promote anti-government feeling and compound the recipient government's problems of how to manage opposition.

Anti-IMF riots, though destabilising the country's peace and order, pale into insignificance in the face of military coups that have sometimes accompanied the IMF/WB's harsh austerity measures. In the words of an American Government document entitled *United States Security Strategy for Sub-Sahara Africa*, the African 'economic malaise plaguing some 40 of the continent's 55 countries' could trigger continent-wide instability. The report notes:

The danger remains that in some cases, economic stagnation and ethnic strife during times of heightened expectations could lead African military organisations to intervene in domestic politics as they have done in the past.⁴⁸

As the above document was being written, a coup was already taking place in Sao Tome and Principe because of the deepening poverty resulting from IMF/WB economic reforms. Sao Tome and Principe's debt was reported to have increased from US\$23.5 million in 1980 to US\$254 million by 1993, while income per head fell from US\$470 to US\$350 between 1975 and 1993. Explaining why such reform programmes sometimes lead to military coups, a correspondent of the Cape Town *Argus* stated that this was because 'while the reforms are hailed internationally, their [recipient countries'] people are getting poorer and internal tensions are rising'.

The same article noted that, while the IMF/WB often sing praises of the success of their reform programmes in Ghana and Kenya and other countries, the majority of these countries' populations are suffering. In Ghana, which is supposed to be an IMF/WB success story, 'in the last two months, some seven people have been shot dead during anti-government demonstrations'. With regard to Kenya, a Washington-based humanitarian agency reported that, although a recent conference of donors spoke optimistically of how much 'the economic situation [in Kenya] was improving', 'there was little evidence in Kenya of the economic improvement donors applaud' and evidence suggested that 'the lot of most Kenyans' was not improving.⁴⁹

IMF/WB reform programmes thus threaten the political stability of countries implementing them and undermine their efforts to consolidate democracy. Making precisely this point, OXFAM stated:

Is genuine democracy compatible with the *de facto* transfer of economic political sovereignty to Washington-based institutions, which are manifestly not accountable to the communities which their policies affect? . . . Is a democratic contract between state and civil society possible where externally-imposed stabilisation programmes undermine the ability of governments to meet minimum welfare needs, forcing them instead to rely on donor-funded and designed safety nets?

As the above examples of anti-government demonstrations show, the answer to the questions posed by OXFAM is clearly 'No'.

Officials of the IMF and the World Bank have consistently ignored the mounting evidence and paid a deaf ear to all the complaints about their programmes coming from various quarters. Sometimes, they have disingenuously tried to distance themselves from the consequences of their actions by claiming that the suffering of the poor in borrowing countries during SAPs was not of their doing. They have argued that they were not directly involved in deciding how governments distributed the burdens of adjustment. They merely advised governments on how much spending had to be cut, but it was up to the borrowing governments to decide where those cuts were to be made.

Indeed, according to one IMF official, 'imposing our own income distribution objectives in other countries may be considered as infringing on the prerogatives of sovereign governments'. This was, of course, dishonest posturing on the part of the IMF official since the IMF conditions which accompany its loans amount to dictating to the recipient country how to organise its finances.

Payer summarily dismissed this official posturing by stating that IMF's claim that it is neutral on the issue of distributing burdens is

simply a lie. The IMF has quite definite ideas about who should bear the burden of spending cuts — also definite ideas that wages should be repressed and social spending curtailed while tax concessions are given to foreign investors and laws are changed if necessary to facilitate foreign participation in the economy.

According to Payer, it is, in fact, the rich and powerful elites who enjoyed the fruits of earlier borrowings and who were responsible for accumulating the foreign debts who benefit from the IMF/World Bank austerity programmes. The poor, who gained nothing from past loans, have to shoulder the burdens of economic adjustment.⁵⁰

A 1990 UNICEF study also pointed out that the blame for balance of payments problems

lies with irresponsible borrowers and irresponsible lenders and with international economic arrangements, including trade regulations and commodity prices, over which the developing world has little control,

but within which it must earn its living. Meanwhile, the consequences are falling in totally disproportionate measure on those who are least responsible for the debt and have the least capacity to repay. Truly, as President Mugabe of Zimbabwe said, 'Few scourges in human history can claim so many victims as today's debt crisis'.⁵¹

More recently, some officials of the World Bank and the IMF have begun admitting that their programmes are not only hard on the poor but that they may also have been mistargeted and misguided. For instance, in May 1993, the World Bank's resident representative in Zimbabwe, Christian Poortman, admitted that 'The recent downward trend in real public financing and education has already had some disturbing effects on the supply of basic social services.' Poortman's statement followed hard on the heels of an admission, earlier in the same month, by the World Bank Vice-President, Edward Jaycox, that the Bank had got it wrong in Africa. In an address to the African-American Institute, Jaycox said that 'the donors [had] done a disservice to Africa and many African governments [had] participated blindly'.⁵²

Such admissions are coming rather late in the day, after decades of IMF/World Bank experimentation in Africa and elsewhere during which borrowing countries' varied experiences were forcibly made to fit the multilateral agencies' predetermined models, regardless of how disparate such country experiences were, instead of reform programmes being designed to suit specific country requirements. That for years both the IMF and the World Bank were groping in the dark in the developing countries and using borrowing countries as guinea pigs was suggested in a report of the British-based Economist Intelligence Unit which stated that 'The world Bank admits privately that, if structural adjustment does not work in Zimbabwe, it will not work anywhere in Africa.' The report then appropriately commented that the World Bank's admission was 'quite alarming if it implies that the reforms are . . . experimental'.⁵³

The question arises: if, as has been argued above, SAPs are mistargeted and ineffective and deleterious to the economies and societies of the developing countries and if all this has long been known to the officials of both the IMF and the World Bank, informed, in part, by their own in-house studies and also by numerous independent private studies and studies by various international organisations, why do the IMF and the World Bank persist in imposing SAPs on developing countries? Indeed, a G-7 Summit Meeting, held as recently as June 1995, resolved, not to review IMF and World Bank policies in the light of overwhelming evidence that they were not working as intended, but to tighten the organisations' lending conditions in future.

Neither the IMF and World Bank nor the G-7 countries could plead ignorance of the impact of the multilateral agencies' policies at 1995. The evidence gathered over the years proved quite clearly that developing countries were hurting from the conditions of World Bank and IMF loans. In the light of this evidence, scholars, particularly in the developing countries, have asked the questions: What is the real agenda of both the multilateral agencies and their backers in the developing countries? Are they trying their level best to help these countries 'get their act together' as IMF and World Bank officials never tire of claiming or is there a hidden agenda? The answers that scholars have come up with are analysed below.

THE IMF/WORLD BANK AGENDA: THE CRITICS' PERCEPTION

Confronted with the abundant evidence of the dichotomy between what multilateral financial agencies claim they are trying to accomplish in the developing world and the reality of the disturbing impact of their policies, scholars have offered various explanations of the dynamics of the global political economy under IMF/World Bank hegemony. One possible view is that the IMF and World Bank policy makers live in a totally different world from that which they seek to change and therefore do not have the necessary understanding of the nature of the problems facing the governments and people of the developing countries for whom they prescribe reform programmes.

According to this interpretation, World Bank and IMF policy makers, ensconced in their posh, air-conditioned and comfortable offices in Washington DC, are not in a position to appreciate the hardships facing poor peoples 'out there'. Representative of this view is Michael H. K. Irwin who writes:

The Bank staff, living and working comfortably in the Washington area and venturing forth in luxury, with first class flights and hotels, are out of touch with the realities and the causes of poverty in the Third World.

Irwin further points out that, in 1987, the World Bank President earned US\$154 000 a year: the 15 Vice-Presidents, US\$123 000 each and the 58 Directors earned, on average, US\$105 000 each while hundreds of 'technical advisers' earned up to US\$105 000 each tax free, resulting in an administrative budget of US\$1 billion in 1991. Given these facts, it is not surprising that World Bank officials in Washington were out of touch with the real world of struggle and poverty 'out there'.⁵⁴ What is implied by this critique of the IMF and the World Bank, therefore, is that the problem is essentially that of ignorance among well-off, but otherwise well-intentioned, IMF and World Bank officials, who unfortunately, simply do not understand the world which they are dealing with and its needs.

There is much to be said for Irwin's point of view, for it is true that someone who works in the comfortable surroundings of a Washington office and who, occasionally, undertakes fleeting visits to developing countries to consult with the local ruling elite and the organisation's own operatives in the field before flying back to Washington can not possibly understand the real hand-to-mouth struggle for survival taking place in the countryside and how his organisation's policies are impacting on that struggle.

What he/she hears is either the testimony of the local ruling elite which, because it wants more loans from the organisation, presents a brighter picture of the reality than is warranted by the facts or that of the local operatives whose careers may depend on up-beat reports on the success of the organisation's policies and, therefore, are likely to tell the visitor what he/she wants to hear. The organisation, in the end, thus feeds on its own propaganda and becomes increasingly divorced from the reality of the situation on the ground. This might explain why, year after year, some of the World Bank annual reports of the 'improvement' of the economies implementing their reform programmes read like fairy tales, especially when claimed successes are not evident in the improvement of the quality of life of the people in the borrowing countries.⁵⁵

Yet for all its attractiveness, the view that ignorance lies at the root of the disastrous policies of the IMF and the World Bank does not quite address the question. After all, it has already been argued that numerous studies by individuals and other international organisations have long documented the deleterious impact of IMF and World Bank programmes and that the organisations' own studies have confirmed these findings.

It is such considerations which have led many critics of the IMF and the World Bank to conclude that what the developing world is dealing with is not a bunch of well-meaning but misguided and ignorant World Bank and IMF bureaucrats but a system with a well calculated agenda to impose a particular world economic order on the developing countries regardless of the consequences to the economies and the peoples of these countries. In short, the view has been advanced by various scholars that the IMF and the World Bank are, in effect, agents of the industrialised countries on a mission to ensure that developing countries forever remain suppliers of raw materials and consumers of raw materials within a global *laissez-faire* system which works for the benefit of the countries of the North.

Critics cite the harsh conditions that always accompany IMF/WB reforms, the ideology underpinning them, the persistent pattern of denationalisation of the economy and the forced opening up of domestic economies to multinational companies that have been the hallmark of SAPs throughout the developing world. Criticisms of the IMF and the World Bank spring, not so much from the fact that they are harbingers of painful austerity

programmes (the need for economic restructuring is not at issue here), but because their *brand of austerity measures* appears to be particularly designed to benefit the powerful industrialised countries at the expense of the people and economies of the developing countries.

Critics of the World Bank and the IMF are not persuaded by statements by officials of the multilateral agencies such as that by the World Bank Vice-President that 'the aim of adjustment programmes is to help restore financial stability and accelerate growth, but the basic objective is always to help alleviate poverty.'⁵⁶ Jaycox's statement notwithstanding, critics of the IMF and World Bank argue, as Payer did, that

The entire arsenal of IMF [and World Bank] conditionality, which seems at first glance too complex, is actually reducible to the opening of the economy to imports and to foreign investment and technological exploitation . . . in the material interests of the countries which control the fund and the Bank.⁵⁷

As some leaders of the developing world have suggested, the insensitivity of the IMF and the World Bank to the complaints of the peoples and governments of the developing world that SAPs are deleterious to their interests suggests that what the spokespersons of these organisations say in public and the real aims of SAPs are not one and the same thing. In the words of the Director of the Third World Network in Malaysia, Martin Khor,

Structural adjustment is a policy to continue colonial trade and economic patterns developed during the colonial period, but which the Northern powers want to continue in the post-colonial period. Economically speaking, we [countries in the South] are more dependent on the ex-colonial countries than we ever were. The World Bank and IMF are playing the role that our ex-colonial masters used to play.⁵⁸

Similarly, in the view of former Tanzanian President, Julius Nyerere, the IMF 'is not a friend of poor countries' but is an organisation "used by imperialist countries . . . to control the economies of poor countries and to destabilise [their] governments".⁵⁹ For the outspoken African-American leader and campaigner for Afro-American and African rights, Reverend Jesse Jackson, the IMF and the World Bank are simply the modern versions of the former slave catcher and slave master. In his words, the industrialised countries 'no longer use bullets and ropes. They use the World Bank and the IMF [instead]'.⁶⁰

According to Bello, SAPs are, in fact, part of the IMF and World Bank's global agenda to 'roll back attempts to build Southern Unity' which manifested themselves in the 1970s. It was, after all, in this period that Third World countries were demanding a New International Economic Order (NIEO) and a New International Information Order and were calling for a strengthening of various United Nations agencies. This, combined with the

defeat of the United States in Vietnam and the successes of popular struggles in Angola, Mozambique, Nicaragua, Zimbabwe and elsewhere 'frightened some Northern elites'. Even more threatening to Northern interests were efforts in many developing countries to jettison, or at least modify, the free-market system through the introduction of statist planned economies, import-substitution strategies and strict monitoring of the activities of transnational corporations. These trends threatened to undermine the Western countries' economic interests and political hegemony in the developing countries and, therefore, had to be neutralised.

Spearheading the counter-assault on developing countries' growing assertiveness and statist intervention in the economy was the United States government under the right-wing leadership of Ronald Reagan which adopted a multi-faceted approach ranging from military interventions i.e. Granada; covert support for surrogate armies i.e. Angola; and economic manipulation through international multilateral agencies like the IMF and the World Bank which the United States and other powerful countries of the West controlled.

The Reagan Administration took advantage of the growing economic problems of the developing countries in the 1980s, resulting mainly from unfavourable global economic conditions. Deteriorating terms of trade, high interest rates and the high oil prices of the 1970s hit most developing economies hard. The fall in the terms of trade for Sub-Saharan Africa in the 1970s and 1980s was so drastic that the IMF itself characterised the fall as 'brutal'.⁶¹ The dramatic escalation of oil prices following OPEC's 1973 oil-price hike drained what limited foreign currency reserves the developing countries had, leaving them in a situation in which they could not meet international trade and debt obligations. Furthermore, protectionism in the industrialised nations cost the developing world 'approximately \$55 billion a year in lost exports' throughout the 1980s. Meanwhile, high interest rates on past loans were draining the developing countries of approximately \$150 billion per year or three times as much as the developing countries received in aid.⁶²

The drain of financial resources from the developing countries was such that, while the debtor countries paid the Western nations over \$1.3 trillion in interest payments between 1982 and 1990, their collective debt increased rather than diminished. According to UNICEF,

When all transactions are taken into account, the amount that all sources of the industrialised nations lend to the developing countries, minus the amounts that the developing countries pay back in repayments of capital and interest, the net effect is that the developing world is now transferring \$40 to \$80 billion a year to the industrialised world.⁶³

It was this negative global economic climate, in which developing country economies, literally had to run as fast as they could in order to remain in

one place, that the Reagan Administration exploited in order to discipline developing nations. In Bello's words:

The Reagan [scheme] was certainly helped by the fall in raw material prices to their lowest point since the 1930s. But the rollback of the South was not primarily a result of market forces; it was engineered. The US-dominated World Bank spearheaded the effort. The main mechanism employed was the aid programme which was transformed from an instrument of limited wealth redistribution and pacification under Cold War liberals like World Bank head Robert MacNamara to a device that completely shaped Third World economies under Reaganites at the Treasury Department and the World Bank.⁶¹

As more and more developing countries faced balance of payments crises in the age of declining world prices for raw materials and became increasingly mired in debt in the early 1980s, the World Bank and the IMF went into action to implement the Reagan counter-revolution by introducing 'Structural Adjustment Loans' (SALs) which were designed to reverse the growing tendency in developing countries of promoting a strong state leadership in the economy, protecting the domestic market through tariffs, restricting or closely monitoring the activities of multinational companies and demanding a New International Economic Order.

While Bello is clearly correct in associating the more recent activities in the developing world with the Reagan counter-revolution, it must be noted that, even prior to the Reagan presidency, the IMF and the World Bank had always sought to promote policies that were advantageous to the industrialised countries ever since their establishment 50 years ago. The two Bretton Woods multilateral agencies were born at the end of the Second World War when the United States was determined that post-war global institutions should champion the principles and practices of economic liberalism that would advance its economic interests throughout the world.

Since then, the World Bank and the IMF have always tried to ensure that the industrialised countries of the West continue to have easy access to cheap raw materials and to the markets of the developing countries for the disposal of their finished products. Despite the current rhetoric of the officials of the two organisations which speaks of the need to establish a new international economic order, the agenda of the IMF and the World Bank has always been that of maintaining the Old International Economic Order of *laissez-faire* and comparative advantage which led to the prosperity of the industrialised countries and the underdevelopment of the peoples and economies of the developing world.

The insistence by the IMF and the World Bank that borrowing countries should adopt export-led economic development strategies is thus in line with the above objective, for dependency on raw materials for export takes

developing countries to their pre-1970s position when they were essentially suppliers of raw materials and consumers of finished products. As Payer notes, countries which implement IMF programmes are ultimately 'thrown back into the very economic pattern they were trying to escape from' and find that their efforts are rewarded 'not with a healthy and diversified economy and a better life for [their] citizens, but with temporary relief for immediate payments difficulties'.⁶⁵ As has been argued above, however, developing countries do not even benefit from this 'temporary relief' Payer alludes to.

Given the deleterious impact of IMF/WB structural adjustment programmes outlined above, the main characteristics of which were already well known by 1991, the question why the Zimbabwe Government went ahead to enlist the help of the two multilateral financial organisations needs to be addressed. The following two chapters analyse the background to the introduction of the economic structural adjustment programme in Zimbabwe. Chapter 2 examines the nature of the colonial legacy which independent Zimbabwe inherited at independence, while Chapter 3 evaluates the performance of the country's economy throughout the first decade of independence.

ENDNOTES

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55. This interpretation is based on the views of Irwin, 'Banking on poverty', 52 ff.
56. See UNICEF, *The State of the World's Children* (UNICEF, 1990), 57.
57. Payer, 'The IMF and India', 66.
58. Muhammad Yunus, 'Redefining development', in Danaher, *50 Years*, 4.
59. Nyerere's statement is cited in Economist Intelligence Unit, *Country Report: Tanzania and Mozambique* (1987), ii, 2.
60. American Civil Rights leader Jesse Jackson in a speech to African Heads of State in Libreville, Gabon, on 27 May 1993, cited in B. Rich, 'World Bank/IMF: 50 years is enough', in Danaher, *50 Years*, 4.
61. International Monetary Fund, *World Economic Outlook: A Survey by the International Monetary Fund* (Washington DC, IMF Occasional Paper 9, 1982), quoted in Helleiner, *IMF and Africa in the 1980* (Princeton, Princeton University Press, 1983), 3.
62. UNICEF, *The State of the World's Children, 1990*, 8.
63. *Ibid.*
64. W. Bello, *Dark Victory: The United States, Structural Adjustment and Global Poverty* (London, Pluto Press, 1994), 1–19.
65. Payer, 'The IMF and India', 66–82.

This book analyses the origins and assesses the impact of Zimbabwe's Economic Structural Adjustment Programme (ESAP) between 1990 and 1995. It argues that, despite the fact that for a variety of reasons, the Zimbabwean economy had not performed as well as expected in the first ten years of independence, the country achieved phenomenal successes in the provision of health and education and other facilities for the Zimbabwean majority. As a result, the quality of life of the Zimbabwean people, who had been consistently exploited and marginalised in the colonial era, improved considerably. It is conceded that because of the disappointing performance of the economy, the country needed to implement an economic reform programme at 1990.

The study contends, however, that the government's decision to implement the IMF/World Bank variety of economic reform was unfortunate, for not only did the reform programme impact negatively on the welfare of the Zimbabwean majority, but it also effectively reversed most of the gains made in the first decade of independence with respect to the provision of, and the majority's access to, educational and health services.

It further contends that IMF/World Bank-sponsored economic structural adjustment programmes, by their very nature, are hostile to the poor of the recipient countries and have deleterious effects on both the economies and societies of such countries as the Zimbabwean case study shows.

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