IMF tightens the screws on Zimbabwe

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18 August 1999

After months of withholding finance, bringing Zimbabwe to the brink of collapse, the International Monetary Fund has finally agreed to provide a 14-month standby loan of US$193 million. This is to enable the country to resume its repayments to its international creditors. For the first time since independence in 1980, Zimbabwe is $20 million a month behind in its foreign debt payments, resulting in a $190 million deficit for 1999.

The standby loan is merely bridging finance until a more comprehensive Enhanced Structural Adjustment Facility is worked out. Even so, the stringent conditions imposed by the IMF are truly staggering. They constitute nothing less than economic, social and political terrorism against a country already ravaged by poverty.

* President Mugabe's government must slash money supply growth from 52 percent to 10 percent (equal to a cut of more than $5 billion), reduce the budget deficit to 6.3 percent of Gross Domestic Product, and cut inflation to 30 percent from 50 percent within the next five months.
* The central bank must end its control of interest rates (already an astronomic 40 percent) and the exchange rate, and allow them to “adjust freely” to the dictates of the markets.
* The government must sack 14,000 public employees and strictly control wages by the end of the year.
* State-owned enterprises must be privatised and a Value Added Tax introduced.
* The government must not divert funds to the military budget to fund its 9,000 troops fighting in the Congo civil war at a cost of US$3 million a month.
* Price controls must cease. The price of petrol, fuel and electricity must be reviewed quarterly and allowed to rise in line with inflation. Price controls on maize meal, already at an all-time high with famine threatening, must be removed.
* Last year's increased import duties and surcharges, introduced in an attempt to reduce the balance of payments deficit, must be revoked.
* Ailing banks must be allowed to go to the wall.
* Some of the large landholdings must be bought up and redistributed.

In effect, Zimbabwe is in the hands of the moneylenders who are laying claim to everything in sight. These standby credits will ensure a huge transfer of wealth from one of the world's poorest nations to the international bankers and transnational corporations.

Catastrophic interest rate hikes, bankruptcies, sackings and social devastation will follow. Removing the power of the government to raise or even maintain the standard of living for its people must lead, in turn, to the growing political destabilisation of Zimbabwe. The military might of NATO rode roughshod over the national sovereignty of Serbia. The IMF and the World Bank are doing the same throughout Africa on behalf of world capitalism.

For months, Mugabe sought finance elsewhere for Zimbabwe's balance of payments deficit to avoid the outrageous demands of the IMF. The economy is in a state of collapse. Half the workforce is unemployed. People stand at street corners begging for jobs. Children cannot go to school because their parents cannot afford the charges. Roads, phone lines and the basic infrastructure are crumbling. Cholera has reached the outskirts of the capital Harare.

Other countries, such as Sudan and Zambia, have tried to ditch the IMF before but found themselves reeling under plunging currencies, burgeoning balance of payments deficits and desperate economic conditions. They were later forced to restore ties with the IMF after the West threatened to freeze aid. Mugabe too has had to succumb.

Organisations such as the European Union, the European Investment Bank, the African Development Bank, the PTA Bank, and other important financial institutions work closely with the IMF. If a government breaks with the IMF, it finds that all the other banks slam their doors in its face.

The present wretched situation in Zimbabwe is itself the product of the IMF's structural adjustment programmes. Unlike other developing countries, Zimbabwe was not suffering from an unsustainable foreign debt crisis when it turned to the IMF for help with its budget deficit in the early 1990s. But far from helping Zimbabwe's economic development, the aim of the structural adjustment programme (SAP) outlined in the *Framework for Economic Reform* (1991-95), written by the IMF and World Bank, was to remake Zimbabwe's economy in the interests of the transnational corporations.

Its first step was to insist that the government halve the fiscal deficit to 5 percent by 1994 through cutting taxation. Between 1989 and 1995, the top rate of tax was reduced from 60 percent to 45 percent, and corporation taxes from 50 percent to 37 percent. Huge tax breaks were given to the commercial farming sector producing for the international market. The net result was to reduce government revenue as a share of GDP by 5 percent—even more than envisaged in the original targets.

The IMF's SAP has wrought untold havoc on economic and social conditions in Zimbabwe. It struck at the very heart of the political and economic programme followed by Mugabe's government since independence. This was to expand social and public services while leaving the white settler community's share of the country's land, wealth and income intact. By cutting social provision, structural adjustment removed the very limited safety net for the nation's people at the same time as increasing the overall level of poverty.

By 1994, the cost of financial “liberalisation”, devaluation, hikes in interest rates and the other measures that come with SAPs, meant that the cost of government debt more than doubled from 13 percent of domestic revenue in 1989 to 27 percent in 1994. Since the payment of this debt to the international banks could not be avoided, and tax revenues had fallen, the burden of adjustment fell on non-debt expenditure.

These factors taken together led to a massive contraction, equal to 15 percent of GDP between 1992 and 1995 in order to meet the IMF's fiscal targets. In absolute terms, the fiscal deficit actually *increased* over the period.

The cuts in public expenditure triggered a collapse in public investment and the disintegration of the basic infrastructure. It has led to the re-emergence of diseases such as cholera, malaria and yellow fever, and the spread of new ones such as HIV/AIDS. With 25 percent of those aged 15 to 49 infected with the HIV virus, Zimbabwe is the worst affected country in Africa.

Social services suffered deep cuts. A recent Oxfam report, *Education No —Break the Cycle of Poverty*, showed that the effects on education were catastrophic. Over the period 1990-94, there was a 20 percent decline in real spending on primary education. Taking into account increased enrolment, real expenditure per pupil fell by about 40 percent. Teachers saw their jobs, wages and conditions go. School fees were introduced in 1992 for all urban primary schools. Although rural schools were supposedly exempt, in practice even before the SAP schools were resorting to all sorts of charges for uniforms, books and levies for building funds. In 1992, the average cost of sending a child to a rural school was $11 per pupil per annum. The more school budgets came under pressure, the more the charges rose.

Not surprisingly, there was a 5 percent drop in primary school completion rates in the early 1990s. The transition rate for girls into secondary education fell by 30 percent, with the dropout rate increasing by the same amount. Less than 4 percent of pupils entering secondary schools now graduate with a leaving certificate.

The deterioration in social provision and rising costs went along with increasing poverty, especially in rural areas. Even before the 1991-92 drought, one of the worst in recent history, an estimated 2.6 million out of a population of just over 10 million could not meet their basic needs. Communal farm areas accounted for over 75 percent of this poverty.

During the first half of the 1990s, poverty increased dramatically in rural areas. At the same time, urban poverty intensified as real wages fell by one third due to raging inflation. Remittances to rural areas, an important source of income for the rural poor, dropped sharply. The misery this created is reflected in child malnutrition rates of 30 percent.

None of this was acknowledged in the IMF's *Policy Framework Paper* or the World Bank's *Country Assistance Strategy*. Yet the IMF tacitly conceded, even before the implementation of Zimbabwe's SAP, that its policies do not promote economic growth.

"Although there have been a number of studies on the subject over the last decade, one cannot say with certainty whether 'programs' have worked or not.... On the basis of existing studies, one certainly cannot say whether the adoption of programs supported by the Fund led to an improvement in inflation and growth performance. *In fact it is often found that programs are associated with a rise in inflation and a fall in growth rate"* (Mohsin Kahn, *The Macroeconomic Effects of Fund Supported Adjustment Programs*, IMF staff papers, vol. 37, no. 2, 1990, pp. 196 and 122, emphasis added).

Growing poverty has given rise to mounting political protests and strike action, as wages fail to keep up with inflation and only 11 percent of the population are formally employed. Real incomes are now lower than they were 20 years ago. Last year, food price increases sparked off the worst riots in Harare since independence.

Mugabe has illegally arrested, jailed and tortured journalists, imposed bans on the media, outlawed strikes and "stay-aways", and allowed the military and Central Intelligence Organisation to arrest and detain civilians. He has openly flouted court orders. The government's brutal suppression of any opposition, the war in the Congo and the failure to distribute land to the rural poor, has brought it into conflict with all sections of society.

At the height of the economic and political crisis at the beginning of the year, the Zimbabwe Congress of Trade Unions (ZCTU), itself closely allied to the Mugabe government, stepped into the breach. It announced the formation of a new political party, the Movement for Democratic Change (MDC), as a political safety valve. There had been growing calls from business, the press, members of the ruling ZANU-PF party and parliament for a "strategic change" in economic and political direction.

Far from proposing any alternative programme to resolve the economic and social problems facing workers and the rural poor, this "strategic change" is nothing more than a call for the implementation of the IMF's structural adjustment programme. According to MDC General Secretary Morgan Tsvangirai, the problem is that "we are not living within our means".

Despite their opposition to the colonial order, and their present demagogic denunciations of the IMF, Mugabe and his ZANU-PF party that had fought for independence are organically incapable of carrying out the most basic measures to satisfy the needs of the oppressed masses. Mugabe has been forced over the years to abandon his own national program—the protection of Zimbabwe's domestic economy—go cap in hand to the IMF and deliver the country up to the international banks and corporations.

The evolution of ZANU-PF demonstrates the incapacity of the bourgeois national liberation movements to exert the slightest independence. Operating in a world capitalist economy characterised by global integration and transnational production, these movements have been transformed into the direct instruments of finance capital.

Mugabe's latest capitulation has not resolved the political and economic crisis. The *Financial Times* has clearly lost patience with him, saying, "Robert Mugabe is a lucky man. The International Monetary Fund decision to provide a 14-month $193m loan to Zimbabwe is part of a bail-out he does not deserve, on terms he is unlikely to implement, offered by lenders who should know better. While it may provide a respite for President Mugabe, it does a disservice to Zimbabwe and makes the Fund look foolish."

This is a clear indication that Mugabe's days are numbered, for politicians in Africa today rule under licence from the world's bankers.