zimbabwe's plunge

exhausted nationalism, neoliberalism
and
the search for social justice

by

Patrick Bond
Associate Professor
University of the Witwatersrand, Johannesburg
pbond@wn.apc.org

and

Masimba Manyanya
Associate
Zimbabwe Coalition on Debt and Development
mjmanyanya@hotmail.com

THE FOLLOWING PAGES ARE EXCERPTS FROM CHAPTER FIVE OF *ZIMBABWE'S PLUNGE* (PUBLISHED IN FEBRUARY 2002 BY AFRICA WORLD PRESS, MERLIN PRESS AND UNIVERSITY OF NATAL PRESS). THEY ARE THE MAIN ARGUMENTS ASSOCIATED WITH AN "ALTERNATIVE" NON-NEOLIBERAL STRATEGY FOR A GENUINELY DEMOCRATIC ZIMBABWE.

***

It cannot be denied that a cogent approach to replacing monolithic Washington-centred neoliberalism with far different philosophical and practical arrangements is urgently required. We are not the ones to propose such an approach, but we can point out some of the debates over embryonic principles, analysis, strategies, tactics, and alliance-formation that emerged in the global justice movements during 1999-2001.[1]

To begin, it may be useful to recognise a series of strategic principles of social justice, which are beginning--it appears--to take the following forms in Southern Africa:

- `deglobalisation of capital' and decommissioning of the multilateral agencies that work most aggressively on behalf of transnational capital;
- delinking from those circuits of finance, commerce and direct investment that actively *underdevelop* Africa;
- denuding South Africa of its explicitly subimperialist role in the region and denying Pretoria the pretention that by joining the neoliberal project, on terms largely dictated by Washington and the world's financial markets, Africa as a continent will progress; and
- `decommodifying'--i.e., making free at a basic lifeline consumption level--access to the basic goods and services that we all need to survive, and in the process defining a generous social wage to which all people have a human right.

More consistently, and with much more democratic input than Thabo Mbeki's African state elites discussed in Chapter Four, various movements for global justice across the globe were carrying out the first task, by:

- firstly, conscientising the world that corporate globalisation was harmful and must be rolled back;
- secondly, putting human bodies in the way of the elites so the latter encountered difficulty both getting into their meetings and retaining their legitimacy; and
- thirdly, by working hard to deny the main front-line institution of underdevelopment the money it needed to keep its project going, via a World Bank Bonds Boycott.[2]

But more work was needed. Especially in the wake of the terrorist attacks, momentum had to be quickly and decisively regained by the mass, non-violent civil disobedience movements that work in the spirit of Gandhi and King. Those who engage in symbolic property destruction--e.g. of three-metre high fences--had to be far more careful, and less prone to provocateurs, adventurism and infiltration, than occurred, say, in Genoa.

The second task encompassed the interlocking and overlapping strategy of diverse Southern African debt, development and human-rights groups which--alongside crucial international allies--campaign for their governments,

- to repudiate Third World debt and to take on no new foreign debt for basic-needs development;
- to reject intellectual patents and property rights on HIV-Aids drugs so as to save millions of lives; and
- to renounce both imports and exports of arms.

The third task was still outstanding, but as noted above, a movement appeared to be taking seed in Zimbabwe and neighbouring countries via the anti-neoliberal network of eco-social movements and visionary trade unionists: the Southern African Peoples Solidarity Network. A variety of other environmental, social and labour networks were also growing and interlocking at the regional scale: a process to promote an `African People's Consensus' began amongst progressive church and development groups in Lusaka; the Accra-based Africa Trade Network continued working against the WTO's Doha round; and the large `Dakar 2000' meeting held out promise that resistance would emerge to the top-down, neoliberal *Map/Nai/Nepad*, across the continent's most advanced civil society groups.

Concrete financial strategies. The principles and core strategies noted above may inspire noble ambitions, but in what ways could they be actualised? Since most of this book has relied upon our reading of intertwined political and financial problems, it is to the latter terrain we again proceed in search of feasible `non-reformist reforms,' which would allow a genuinely democratic nation-state to contend with the financial mess that engulfs so much of the world. Four basic findings emerge from our investigations throughout this book:

- the international financial system's problems are not accidental, but are structural, and in this context capital account liberalisation and foreign borrowing have *harmed not helped Zimbabwe's and other developing country prospects*;
- in any case, *hard-currency* financing for most sustainable development requirements associated with infrastructure *is inappropriate*;
- *domestic financing* can be raised for sustainable infrastructure development projects that do not require foreign inputs; and

- financing of hard-currency inputs can be carried out largely through (transformed and democratised) *international trade financing mechanisms*.

What are the concrete implications of these findings? We can begin by considering the dangers of foreign financial dependence. During an earlier period of dramatic financial volatility, when banking crashes, sovereign Third World debt defaults and stock market collapses were common, John Maynard Keynes responded:

> I sympathise with those who would minimise, rather than with those who would maximise, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel--these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible and, above all, let finance be primarily national.[3]

Keynes, the leading economist of the 20th century, was not merely advocating nation-state control of finance because of concerns over volatility. In addition, at stake was nothing less than economic policy sovereignty: `In my view the whole management of the domestic economy depends upon being free to have the appropriate interest rate without reference to the rates prevailing in the rest of the world. Capital controls is a corollary to this.'[4]

These insights apply equally as well to low- and middle-income countries today, as to Britain during the 1930s. By the late 1990s, the leading practitioner of international finance, George Soros, confirmed that cross-border financial flows were out of control:

> The private sector is ill-suited to allocate international credit. It provides either too little or too much. It does not have the information with which to form a balanced judgment. Moreover, it is not concerned with maintaining macroeconomic balance in the borrowing countries. Its goals are to maximise profit and minimise risk. This makes it move in a herd-like fashion in both directions. The excess always begins with overexpansion, and the correction is always associated with pain.[5]

Degloblisation of finance therefore represents a serious and laudable objective. In the spirit of Keynes, therefore, we can return to the idea of *national-scale* finance, instead of chaotic, destructive and self-contradictory international financial flows, in part by restoring national sovereignty via capital controls. But to realistically envisage a dramatic change in how domestic finances are raised, lent and spent, also requires envisaging how international financial power relations can be radically (but feasibly) overhauled--simply so as to open the space for the reclamation of national financial sovereignty.

Domestic financial self-reliance. Keynes' most important dictum may well have been, `above all, let finance be primarily national.' The problem of financing development occurs not only in those middle-income countries which have periodically been attacked by currency speculators, but also in the lowest-income countries--including now Zimbabwe--where basic-need development inputs are still denied the vast majority of citizens. Typically, badly distributed political power and weak technical understandings of financial markets prevented state bureaucracies from both establishing safeguards against foreign financial raiding, and redirecting local financial resources towards areas of basic needs.

The following are the potential ingredients of a programme to democratise finance and re-establish economic sovereignty, appropriate to low- and middle-income countries:

- *local basic-developmental needs with no foreign inputs should be paid for with local currency*, not with hard currency (like dollars, yen or euros);
- the reestablishment of *capital/exchange controls* is necessary to allow states to adopt pro-poor policies without fear of a financial run by the rich;
- a great deal *more public information and transparency* must be achieved in relation to financial resource flows, through disclosures of, for example, large transfers and cash transactions;
- *state-owned banks should be central* to redirecting financial flows, since the `public good' and public-utility functions of financial markets are so important;
- *directed credit and credit-related subsidies* have, in the past, helped many countries to assure that finance flows into areas of greatest need and potential, and should be resurrected as industrial and social policy tools;
- for private-sector financial institutions that are reluctant to participate in meaningful development finance, one option is *`community reinvestment legislation,'* including requirements for cross-subsidisation of financial services (eg, through lifeline accounts);
- *prescribed assets* have also been used effectively by developmental states, so as to assure that privately-raised finance is used more productively (while earning a market-related rate of return);
- another vital component of domestic financial resource mobilisation is a return to *progressive taxation* (income taxes to support both development and redistribution) and tariff resurrection (to raise resources, to promote important infant-industries, and to guard against transfer pricing);
- a feature of macroeconomic management consistent with financial resource mobilisation is *fiscal and monetary expansion* (i.e., printing money to finance deficits, so long as the deficits are justifiable, so long as hyperinflation is not threatened, and so long as protections against inflation are in place for low-income people);
- in the area of domestic financial regulation, a return to *`financial repression'* is important, including techniques such as interest rate capping, dual interest rates, reregulation, deposit-insurance for socially-important depository institutions, and state development finance guarantees that are demand-side not supply-side; and
- in all these respects, *central bank democratisation*--not formal independence (hence excess influence by the banking fraternity)--is vital;
- *social/labour movement leadership* is essential, so as to sustain the deeper political

basis for change; and

- organic experiences in controlling finance for development are, in this process, crucial to build upon, including *existing community/labour-controlled savings/credit systems*.

A complementary international-scale agenda. It is only, of course, in each particular *national* setting that alliances between popular organisations and movements can be achieved, so as to realise whatever parts of the above agenda are prioritised. Nevertheless, given the upsurge in protest against the existing international financial architecture, and given the role of the United Nations in promoting a `Financing For Development' discussion process, the international terrain deserves consideration.[6]

Consistent with gaining space to accomplish the above agenda, a menu for international action on development finance would logically include the following components:

- *Third World debt is canceled once and for all*, without conditions associated with the `Washington Consensus' philosophy, and with attention to demands for *reparations for past `odious debts'* made to undemocratic regimes or for failed projects, which were already repaid;
- *international tax havens are closed*, by means of wealthier countries' prohibitions on their banks operating in, or transferring funds from/to such centres;[7]
- *foreign direct investment in banking is restricted*;[8]
- *the Bretton Woods Institutions are abolished*;[9]
- *redistributive North-South funding flows occur on a (no-strings-attached) grant basis*;[10] and
- *trade finance becomes freely available from export credit agencies for progressive input-requirements*.[11]

By restructuring international financial architecture in the interests of the world's majority, there would be no need for Bank/IMF loans (which even for impoverished countries when provided at a `soft' rate of less than 1%--for which a post-Mugabe Zimbabwe would potentially qualify--are extremely expensive when currencies crash, and when hard currency is required to repay the lender). Instead of hard-currency loans (for soft-currency purchases such as rural schools and teacher salaries, or microcredit programmes), an ideal-type, alternative development finance strategy is needed at global and national scales. Such a strategy is discussed in the next Section.

2. Zimbabwe's options

Our understanding of Zimbabwe's intertwined political and financial problems leads us again to respond to this reasonable query: but what kinds of solutions are feasible? Here we limit ourselves to considering what sorts of debt-related options exist for a genuinely democratic Zimbabwean government, in the event one is elected that truly desires an end to tyrannies associated with not only malgovernance, but also neoliberal economics.

Of course, what is ultimately needed in Zimbabwe is a universal, `rights-based' philosophy built into a new and improved, popularly-designed Constitution, which gives strong mandates for extremely innovative, progressive development strategies, and harsh penalties to those public servants who fail to properly serve the society. But to get to that point, Zimbabwe requires a blank public-debt slate. Only then can a popular government address the multiple failures associated with two decades of rule by Zanu, whether in terms of political governance, economic management, military adventurism, socio-environmental concerns or abuse of Zimbabwe's cultures and traditions for narrow party-political ends. The lenders who allowed Mugabe to make so many of these mistakes, must and will share the blame and their costs.

To ensure that the slate is truly clean for a new and democratic way of governing the country, a democratic finance ministry would have to embark upon a combination of technical--though highly political--economic interventions:

- repudiation of the foreign debt;
- deflation of the domestic debt;
- regulation of the foreign exchange system; and
- verification that resulting distortions--overvalued property and share markets, inadequate pension payouts, and the consequences of inflation for poor people--are mitigated through a strong but slim, efficient, and benevolent state.

The argument is laid out below, but it is worth insisting at this stage that the apparently radical positions we propose *are not particularly controversial* for countries--other than Zimbabwe--which reach the debt-trap stage. As we noted earlier, on several occasions in history countries had to default on their debt. During the late 1990s, even the South African government contemplated default as one potential policy course in the midst of the emerging markets crisis. Pretoria's most austere finance ministry official, Maria Ramos, was heard to remark, during a conference discussion on Brazil's economic problems, `In an extreme crisis situation, default will have to be part of the equation. In that case, the only way in which you are going to prevent a short-term outflow of capital is through some pretty tough exchange control measures.'[12]

By December 2001, *Washington Post* editorialists--notoriously pro-neoliberal--had begun to recognise the obvious when it came to Argentina:

> Here is a country that has received two rescue packages in the past year from the IMF, yet still finds itself in a desperate state. The government has already forced domestic creditors to accept lower interest payments and placed a semi-freeze on bank deposits. For Argentina's people, an explicit default on the country's debts would be better than further efforts to stave off the inevitable with tax hikes, which is what the government now suggests.[13]

And, as in Zimbabwe, the debt was only one symptom. As the founder of `World Systems' analysis, Immanuel Wallerstein, commented,

> As `collateral damage' of the world economic downturn, Argentine workers are hungry and unemployed, and the Argentine middle class is justifiably terrified that all its savings are disintegrating (a bit like the pensions of the employees of Enron). It is this combination of despairs that has created the volatile and almost anarchic situation in Argentina today.
>
> If it were just a matter of Argentina, the U.S. would shrug its shoulders, and so would the world. (Actually, that's what seems to be happening at the moment.) But this sort of upheaval is contagious amidst an economic deflation. Indonesia might be a good next location for such a development in terms of its economic situation. And the political consequences are most unpredictable, not least in Indonesia.
>
> Everywhere that such breakdowns occur, we shall probably have a populist upheaval whose character (left or right) may be unclear, at least at first. We may get military coups, of uncalculable stability. We may get governments clinging to power by dictatorial means that are ugly.[14]

From Argentina to Zimbabwe, Brazil to South Africa, people were asking: at what price do we repay the debt, at what price do we suffer social breakdowns?

Repaying foreign debt? At the time of writing, Zimbabwe's foreign debt was not being repaid. It was simply too large to justify full repayment, and nor was there any incentive to partially repay, since new loans were not forthcoming. As explained by Eddie Cross in December 2001:

> Zimbabwe will come out of the presidential elections with a new government burdened by over US$10 billion (*sic*) of debt. We will have arrears of up to US$1.5 billion in unpaid debt servicing charges. We will face critical food shortages for at least two years whilst we try to restore our agricultural production, we will have no reserves of fuel and no international credibility. We will face a huge crisis in our health and education system--both of which are going to have to be rebuilt from the ground up. Up to two thirds of our population will be out of work and up to 80% living below the poverty datum line. Inflation will be running at well over 100%.[15]

Under these circumstances, Zimbabwe cannot afford to repay the foreign debt. But in any event, as argued in Chapter Two, *Zimbabwe shouldn't be compelled to repay*, since it has already paid excessively for loans taken out by Zanu leaders. There are moral and legal reasons to consider the foreign debt invalid, and instead, we promote the idea of *a public, participatory debt tribunal to examine all the foreign loans inherited and contracted by the Zanu government, to consider whether there exist grounds for repayment.*

We believe the starting position in any negotiation should be repudiation, for the five reasons outlined above. To recap, the first issue is whether debt stock that mounted during the 1980s-90s is formally `legitimate,' given the hundreds of millions of (US) dollars in Odious Debt associated with the illegal UDI regime and inherited by Zimbabwe, plus hundreds of millions of more dollars considered to be `apartheid-caused debt' during the 1980s. Secondly, the foreign debt has already been repaid in large part, via the squeeze on Zimbabwe's trading and debt repayment capacity.[16] Thirdly, conditions associated with the new IMF and World Bank credits that would be necessary to service old debt, are unreasonable, in part because they are excessively painful to the most vulnerable Zimbabweans and in part because they reflect an unreconstructed Washington's distorted priorities.[17] Fourthly, likely punishment for ongoing non-repayment can be partially discounted.[18] Fifthly, since so much has already been repaid, since legal provisions for taking on reasonable debt were violated, and since the structural adjustment programme--responsible for such a large amount of the debt--was a failure, lenders must share the blame for the failed loans.[19]

Repaying domestic debt? Like the foreign debt, the domestic debt is unrepayable as it stands. The interest bill on local and foreign loans was projected by the finance minister in late 2000 to reach 48% (about Z$94 billion) of the annual state budget in 2001. The vast majority was for domestic debt servicing, on a domestic debt then estimated at $170 billion. That debt had to be `deflated,' and there are only a few ways to carefully whittle down debt.

What becomes clear, at first blush, is that the domestic debt can only be repaid under conditions of very relaxed monetary policy. The technique is to keep interest rates very low--negative after inflation is subtracted--so that savers receive a minimal return on their government investments. The two other options--privatisation so as to raise revenues, and `externalising' the debt (a foreign lender taking over from local borrowers) such that foreign debt rises dramatically--are advocated by the Movement for Democratic Change economics desk, but are untenable.

Privatisation, or `selling the family silver,' is not an appropriate debt-management strategy. Selling potentially profitable state-owned enterprises allows a once-off decline in the public debt. The 48% debt servicing burden announced in the 2001 Budget would have been even higher were it not for a misguided promise to privatise state assets worth Z$22 billion. In reality, during 2001, apparently only Z$5 billion in privatisation revenues were raised. The Zanu government was determined to hang on to patronage opportunities until the last possible minute, and then to privatise (to cronies). Such behaviour is not uncommon amongst governments that have reached the desperation stage that Zimbabwe is now experiencing.

But the most important reason not to privatise is the potential to realise benefits that take the form of corrections for market failures, which can only be resolved through state enterprises. Only state control of electricity distribution can ensure the cross-subsidisation of household energy supplies for low-income people, for example, so as to mitigate against burning of firewood and coal inside homes (with resulting health impact), or to prevent deforestation, or to abate fires caused by paraffin, or to promote gender equity, as noted in the above discussion on Kariba hydroelectricity. None of these social and environmental objectives merit the interest of private-sector suppliers, whose sole interest is to make profit, thereby ignoring social externalities. Hence privatisation should not be considered without taking into account the full range of positive social and environmental externalities associated with state production of goods and services.

There also emerges a question as to which companies would want to privatise Zimbabwean state assets given the extreme difficulties the economy faces and the shortage of foreign exchange for profit repatriation. One British water company, BiWater, decided to forego a municipal water privatisation deal on offer in 1999 because of limited profitability associated with the vast needs for subsidised Harare water.[20]

That aside, bureaucracy has been a formidable obstacle. Notwithstanding Jonathan Moyo's claim--reviewed in Chapter Three--that Zanu's objective was to sell state assets in order to improve `efficiency and effectiveness of service delivery,' Zimbabwe's recent record meant that the phrase privatisation `has become just another derided institution in Zimbabwe, mainly because it is seen as an excuse for Zanu to steal money,' as business commentator Martin Rushmere put it, using a contemporary parastatal's example:

> An agro-industrial company, one of the biggest of its kind, is the subject of a tussle over ownership. A management buyout seemed assured when the Privatisation Agency gave its full backing to the proposal. But along comes a rival bidder in the form of a well-connected individual who has often been in the news for wheeling and dealing. He has the backing of senior politicians who are trotting out the computer-generated accusation of Zanu, when its greed comes to the fore, that the management offer is `a front for whites.'
>
> The Privatisation Agency has been overruled and the well-connected individual is about to become the biggest single investor in a business that employs 1 200 people. The term `asset stripping' is being bandied about as the reason for the take-over, which means that the jobs of 1200 people are in jeopardy.[21]

Rushmere had commented, in early 2000, that `selling the grossly inefficient and corrupt parastatals is the best way to get the country out of the economic dung pile that it has sunk into. The government has trumpeted that sales of the first few bloated corporations will rake in Z$5 billion.' But on second thought, he conceded, the three agencies on the sales block in early 2000--Affretair, Cold Storage Commission and the Forestry Commission--were themselves indebted by Z$5 billion at the time:

> It is ludicrous to assume that this bankrupt government could look after them and so the hapless taxpayer will be shouldering the burden. And this is before the main meal comes--what's left of the NRZ after the Beitbridge-Bulawayo Railway company has picked up its most profitable operations, and the debt-crippled power authority, Zesa... and the rest.[22]

Likewise as noted in Chapter Three, the MDC's *Esarp* also conceded `limited net returns for the fiscus' due to the existing debts.

It *is*, however, possible to whittle the domestic debt down through a rigorous, careful but very loose monetary policy. The monetary policy adopted in January 2001 set the interest rate very low, both to make domestic debt repayment easier and to make it possible for productive investors to borrow more cheaply, so as to induce more investment. It was thus estimated in mid-2001 that only half the debt service previously estimated would be required, as a result of the new policy. However, prescribed assets and other methods of persuading institutional investors to buy low-interest government Treasury Bills are needed, so as to redirect monies that are now being externalised (on the parallel market) or transferred into real estate and the Zimbabwe Stock Exchange.

Some people lose and some win from a loose monetary policy. Essentially, the Zanu government spread the pain of debt payback to relatively wealthier savers, who received a negative rate of return on their interest-earning assets, after discounting high (and rising) inflation. By year-end 2001, the negative rate of return on savings--with a 15% interest rate and 100% inflation--was -85%. One estimate (in the MDC Esarp) is that Z$26 billion per year was being drawn from savers through the negative interest rates.

What would justify this unprecedented attack on savers? Financiers and those with extensive financial assets were the main beneficiaries of structural adjustment during the 1990s, given that interest rates were extremely high (after inflation), thus rewarding those who simply left their money in financial institutions to accumulate, rather than taking risks. Those excessive financial profits are now being taxed by the loose monetary policy. As noted below, however, the poor will be hurt unless protected through a rights-based strategy based upon subsidisation of basic needs. A side benefit of the negative real interest rate was that productive investment could be financed more cheaply than at any time in the last decade, for those very rare businesses interested in expanding during the midst of depression.

As a result, regulation on financial flows became more vital than ever before. Because institutional investors weren't getting the return on interest-earning assets that they demanded, they pushed unprecedented funding into property and shares. The Zimbabwe Stock Exchange was the fastest rising in the world during 2000-01, at a time most stockmarkets were experiencing dramatic negative corrections. Moreover, the stocks that Zimbabwean investors bought became absurdly overvalued, so investors would lose again when normalcy returns, and when the very small profits and dividends per share are announced.

Currency-pegging? Another distortion that arose from 1999 onwards was the pegging of the Zimdollar to the US dollar, typically at an overvalued rate. There are two considerations when determining what rate the Zimdollar should trade at. Firstly, government rationalises maintaining an official exchange rate that is a small fraction of what is available on the black market. The justification is that the state can't afford to pay for vital imports at the market rate. The private sector reverts to the higher rate for its own imports, while government insists on charging 40% of all hard currency revenues from exporters, at the lower rate, so as to pay at least US$12 million each month on fuel and electricity imports.

Secondly, some people will lose more than others from ongoing overvaluation of the currency. Ruling party opposition to devaluation reflects the desperation of the state, and the need to spread the burden of failed policies to another group which systematically benefited during the 1990s liberalisation era: exporters who are not given the full forex value of their receipts. However, at some point it is obvious that vast currency distortions are being taken advantage of by both the notorious Zanu-linked `briefcase businessmen' to whom state financial managers provide forex, and to other companies which, in the words of the MDC *Esarp*, simply `borrow Zimbabwe dollars and purchase foreign currency' thus driving the currency's parallel-market value down further. Much tighter regulation, along the lines of the 1962 and 1965 exchange control systems, will be needed, along with the political will to prosecute forex chiselers no matter what party they belong to.

Reducing other distortions? To deal with fallout from price distortions, additional steps would also be needed: redirecting financial capital towards productive investments; protecting the pensions of ordinary workers; and shielding the poor from inflation.

The Zimbabwe government's contradictory economic policies aren't tenable over the medium-term. But they are the kinds of desperation measures that may prevent--indeed have prevented since 1997--a full-fledged meltdown. Expanding capital controls and tightening on `transfer pricing' of profits out of the country are essential aspects, given the incentive for financial institutions and exporters to cheat the system.

Secondly, controls on domestic financial flows must be tightened. Financial capital is now flooding away from interest-bearing assets in record amounts. The beneficiaries are the stock market and real estate market, where extreme price inflation is being recorded. Since so many assets held by pension and insurance companies are invested in (low-paying) government assets thanks to the prescribed assets requirement, it is disturbing that the discretionary investment funds are moving into two unsustainable outlets.

The overvaluation of property and stock markets mean not only the greater likelihood of those markets crashing, as they have done repeatedly in recent decades. In addition, pension and insurance funds are buying overvalued assets which will not provide a reasonable rate of return on the basis of profit and dividend flows. The earnings/share ratio will come under increasing stress, as the price/earnings ratio rises higher.

Institutional investors were neglectful during the 1980s and 1990s when they could and should have been establishing primary and secondary markets in venture capital and other productive sector outlets. Because such markets were not established, the major institutional investors deserve very little sympathy if their current investment course is self-destructive. However, for society's sake, the redirection of financial resources into more productive outlets should be undertaken, even if that requires compulsion and higher prescribed asset rates.

Thirdly, pensions must be protected so low-income workers do not suffer. Where there are clear cases that pension managers are spreading the pain of loose monetary policy overwhelmingly to current and future pensioners, protection of the real value of those pensions will be crucial. In some cases, pension surpluses increased during the era of structural adjustment (1993-97) due to overvalued share market investments. More recent upward ZSE movements confirm this in many cases. But additionally, the tragic onslaught of HIV-Aids has had a devastating impact on worker longevity, with many who contributed to pension funds now dying before they mature. The responsibility of government isn't only to have a National Social Security System as a safety net, but to more rigorously ensure that pension funds are maintaining the value of retirement incomes, which otherwise diminish extremely rapidly due to inflation.

Fourthly, shielding poor people from inflation is likewise a task for a strong state. There are many means of ensuring that high inflation does not continue to ravage the living standards of impoverished Zimbabweans, especially those from vulnerable groups.

Ideally, something like a `People's Development Charter' would be established by civil society organisations to give detailed guidance as to budgetary and policy priorities. In the meantime, free `lifeline' supplies of food, water and sanitation, other municipal services, energy, shelter, healthcare and education are vital. A system of price-control, subsidisation and cross-subsidisation exists for some vital goods and services. But too often, because of a charity mentality and large holes in the safety net, these have not worked.

A holistic debt strategy. In sum, to deal with the debt (local and foreign), there are four logical ways forward:

1) The foreign debt--approaching US$5 billion in early 2002 thanks to the huge arrears which are typically `capitalised' on the end of the loan--is unpayable, and should not be repaid, because so much has already been spent by president Robert Mugabe's government in servicing foreign debt and because foreign lenders--especially in Washington--have to share in the blame for failed loans;
2) The domestic debt--approaching Z$200 billion--can only be repaid to domestic institutional investors under conditions of very relaxed monetary policy (i.e., interest rates of 15-20% that in early 2002 were at least 85% below the inflation rate);
3) Dealing with the forex crisis by pegging the currency at 55 Zimdollars to one US$ from mid-2000 through early 2002 (when the parallel market rate had reached a level at least six times that rate) is extremely distortionary and difficult to maintain, but some form of controlled overvaluation and forex-allocation system might be justified under circumstances not so beset by official patronage and corruption;
4) Because of systematic distortions of a variety of prices, three additional steps must be taken by this government and the next government to deal with the fallout:

• redirecting financial capital that flooded away from interest-bearing assets into the stock market, towards productive investments;
• protecting the pensions of ordinary workers; and
• shielding the poor from inflation, for instance through well-conceived subsidies on basic needs.

Local government debt and underdevelopment. The latter point leads us to a comment on the most basic of needs: water. Local authorities are the primary suppliers, but they are fed by a water-supply system that includes a national utility and catchment-based agencies which are themselves coming under extreme neoliberal pressure from Washington, as noted below.

Perhaps most importantly, because local authorities took on enormous amounts of debt, they too will require a holistic strategy for escaping the debt trap. The World Bank has begun preparing plans for a bond market for Zimbabwe's largest municipalities, which we believe could be avoided if central government better utilised its borrowing capacity in future. In the meantime, our sense is that, ideally, local government debt should be canceled and central government should take over the guarantee function provided for in law, so that negotiations with creditors can be conducted from a position of strength. What we fear, however, is that two factors will make this impossible, and instead, municipalities will be the coming site of enormous class struggle over debt repayment.

The first factor is the apparent capacity of the MDC to win any and all urban elections in coming years, which on the one hand will mean an opportunity for cleaner and more democratic local government than under Zanu's corrupt and repressive reign. On the other hand, if Zanu wins the 2002 presidential election, such a political misfit ensures a drastic cut in central-local funding flows. In late 2001, to illustrate, Zanu's minister of local government already erased Bulawayo from one major donor scheme, in the wake of the MDC's mayoral victory.

The second factor, whether Zanu wins the 2002 election or not, is an opportunity that the neoliberal faction in the MDC might try to exploit: municipal-services privatisation. The sale or outsourcing or management-contracting of water, sanitation, waste removal and various other municipal services was already underway by the mid-1990s thanks to a national neoliberal policy for local authorities that the World Bank encouraged Zanu to adopt. In some cities, like Harare and Gweru, municipal managers were being aggressively recruited by the full assembly of neoliberal agencies--the World Bank, African Development Bank, European Investment Bank, French Development Agency, US Agency for International Development, British Department for International Development, the German aid agency GTZ, the South African Municipal Infrastructure Investment Unit, international water companies and Harare merchant banks--to promote `PPPs': Public-Private Partnerships.

Simultaneously, the World Bank also began to work closely with African water utilities--including the Zimbabwe National Water Authority--and municipalities, with the aim of water commodification. The `Kampala Statement'--drafted by the Bank in association with the African Water Utilities Partnership at a February 2001 meeting--is the most important aspirational vision of water-neoliberalism yet produced.[23] The Statement is misleading, for it makes the case that poor people, and women in particular, deserve primary consideration in water policy. However, the actual content of the Statement--and all the follow-up work planned--is very much towards market-oriented reforms and privatisation. Typical is the Statement's unfounded allegation that `the poor are willing and have the capacity to pay for services that are adapted to their needs.'

Not surprisingly, omitted from the Kampala Statement is any substantive information that would assist African policymakers to understand and address--even via state regulation--four crucial drawbacks to such private partnerships:

- the high profit rate extractions, in hard currency, typically demanded by the transnational corporations which dominate water privatisation;[24]
- the issue of whether hard-currency World Bank loans are required to promote water privatisation;[25]
- the change in the incentive structure of water supply once private suppliers begin operating (especially in relation to pricing);[26] and
- the difficulty of a private supplier recognising and internalising positive socio-environmental externalities.[27]

Aside from private sector involvement, another feature of the Kampala Statement is its promotion of water-system cost recovery. As a result, the Statement denies the most fundamental reality faced by water services providers:

> The objectives of addressing the needs of the poor and ensuring cost recovery for utility companies are not in contradiction; well thought-out mechanisms for cross-subsidies, alternative service provision, and easing the cash flow demands upon the poor can allow the utility to survive whilst attending to their needs.

There is an enormous contradiction, in reality, between the drive to cost-recovery and the needs of the poor--as well as other vulnerable groups, and the environment--for the *decommodification* of water. The Bank's insistence that water-system `reform' occur in neoliberal mode, relies upon the universally-acknowledged fact that African water systems do not work well, especially when associated with public utilities that enjoy a relaxed budget constraint (i.e., ongoing subsidies from general revenues). But progressive critics of the African state--dating at least as far back as Fanon in *The Wretched of the Earth*--have typically pointed out this problem, as characteristic of neo-colonialism, compradorism, neoliberal economic pressures, petit-bourgeois bureaucratic class formation, and patriarchal power relations, whereby elites garner far more resources from local states than do the masses.

In contrast, the Kampala Statement derives water problems from one fundamental cause, namely, Africans get the prices `wrong': `The poor performance of a number of public utilities is rooted in a policy of repressed tariffs which leads to lack of investment, poor maintenance lagging coverage, and subsidised services reserved for the privileged who are connected to the network.' The mandate for full cost-recovery and an end to cross-subsidies--with meagre subsidies allegedly to be available for poor people at some future date--follow logically. As a result, one of the most important issues associated with water resource management, namely the abuse of water by large-scale agro-corporate irrigation and wealthy consumers, is barely remarked upon. The word `conservation' is only used once, in passing.

Politically, the Kampala Statement is extremely naive--or disingenuous: `Labour can also be a powerful ally in explaining the benefits of the reform to the general public. It is essential therefore that the utility workers themselves understand and appreciate the need for the reform.' In reality, the more advanced trade unions of Africa, including Zimbabwe, are rejecting `the benefits of reform,' because those benefits are mainly captured by for-profit companies and wealthy households, as has been documented in many settings.[28]

What is the importance of the debate over water commodification for Zimbabwean politics? The spectre of municipal water privatisation reflects a struggle for the country's soul and spirit, that we believe will soon transcend Zanu-MDC conflicts and rural-urban splits which currently represent the superficial state of class and electoral struggle in Zimbabwe. In the event that Mugabe wins an unfree-unfair election in 2002 and maintains Zanu's repressive rule for another six years, urban constituencies will be even more harshly punished for their universal opposition. But that punishment may be exacerbated by trends we have identified towards municipal neoliberalism. In 2002, the MDC will either/both win a national electoral victory--and if the MDC *Esarp* is implemented, consequently *privatise all parastatal activity, and outsource most health/education services*--and/or win control over municipal services, for which enormous pressure to privatise has also emerged.

That pressure, as noted above, had roots in Harare and Gweru, but by early 2002 appeared ready to intensify. The catalyst was a 1995 directive by the senior secretary of the Ministry of Local Government, Rural and Urban Development, `encouraging urban local authorities to consider options for commercialisation, privatisation and contracting in and out some or all of their services.'[29] In 1996, a Task Force for Commercialisation of Municipal Services was established, with three Gweru representatives.

But the subsequent municipal privatisation of refuse collection in Harare was widely considered to be a disaster. Likewise, in 1996 the disgraced Harare mayor Solomon Tawengwa signed a letter of intent to Biwater to repair water infrastructure worth billions of rands, but Biwater backed out when objections arose and profitability was too low.[30] A few years later, as Harare water was beset by quality, shortage and leakage problems, more multi-billion dollar public-private-partnership proposals were mooted by international agencies. The main sites for a set of international privatisers aiming to `cherry-pick' the most profitable municipal services are the wealthiest councils--Victoria Falls, Ruwa and Gweru--whose per capita urban council revenue has been about double that of the main MDC stronghold, Bulawayo.[31]

In 1999, the British subsidiary of French water privatiser Saur was selected by Gweru officials to prepare a plan. They demanded a 100% increase in water tariffs, which was initially rejected. As one pro-privatisation consultancy reported in 2001, `However, since the negotiation stage, the council has introduced a programme of massive tariff increase and thus removed one of the primary hurdles in the negotiations.'[32] Moreover, consistent with the international evidence of privatisation, lower-income residents would be forced to accept much lower services levels, including communal toilets and pit latrines.

In addition, cutting off the supplies of water to those unable to afford payment was also on the cards. Not merely theoretical, this problem had emerged by early 2002, after the minister of local government told urban and rural councils not to increase rates and tariff bills to residents by more than 10% over 2001. (The populist electioneering request was ignored, but offered a telling indication of future struggles between central and local tiers of government.) After suffering consumer debts approaching Z$600 million, the Bulawayo city council approved disconnection of water supplies to residents, as punishment for failure to pay for a variety of municipal services: rates and supplementary charges, water, sewerage, refuse removal, amublance and interest on overdue accounts. As city treasurer Middleton Nyoni put it, `Although we appreciate that our residents are facing economic difficulties, it is important for them to realise that council can only continue to provide the services if they pay.'[33]

At the same time, while debate raged over the ongoing management of Harare by a non-elected commission, city councillors asked officials to cut off the bulk water supplies that they provide to neighbouring municipalities Norton, Ruwa and even Chitungwiza, on grounds of non-payment.[34] And simultaneously, rumours emerged that Mugabe would introduce legislation to replace elected mayors with carefully selected, unaccountable chief executive officers--which would probably lead to yet more rapid municipal privatisation, even if the officials were appointed by the allegedly socialist Zanu.

Will this, then, become the most durable site of political conflict in Zimbabwe, long after the passing of the Zanu/MDC phase of electoral contestation? At that future stage, will the struggle for social justice which we point to now, mature into a struggle for political power, particularly state power? Will the nationalist/post-nationalist divergence evolve into a debate over neoliberalism/post-neoliberalism? At some point in the very near future, we are certain, a more focused fight to establish a progressive alternative to neoliberalism will become explicit.

A broader development strategy. As noted at the outset of this Section, space constraints prevent us from doing more than unpacking technical aspects of the debt crisis and of its political-economic implications, which worry us so much from national to municipal scales, and offering technical solutions. But obviously any debt defaults or decommodification strategies--associated, for example, with water--would have to be applied within a broader, deeper strategy for inward-oriented, equitable development.

One set of proposals has been supplied by the *Zimbabwe Human Development Report* published in February 2000. Sponsored by the United Nations Development Programme's Carlos Lopes, the study was conducted by progressive civil-society intellectuals associated with the Poverty Reduction Forum and Zimbabwe Institute of Development Studies.[35] They came to similar conclusions about the financial and fiscal difficulties Zimbabwe faces in coming months and years, after detailed investigations of the background to and course of structural adjustment. The report makes six recommendations for government economic development policy--the last two of which are worth citing in full--with which it is appropriate to contrast the export-led decline, high-debt strategy pursued during most of the post-Independence period:

> 1) Overall objective: restore confidence by creating conditions of fulfillment of basic human material and social needs, and by opening up democratic space for dialogue in all sectors of life...
> 2) The hitherto neglected responsibility of ensuring conditions for the reproduction of labour and ensuring a life of dignity must form the core of the new strategy...
> 3) Better integration of gender concerns...
> 4) A well-focused land reform and agricultural regulation policy framework are necessary...
> 5) Restore production and safeguard the domestic market from external competition in respect of essential commodities and services, as a basic complement to fiscal and monetary tools. Probably considered subsidies and tariff protection might be necessary.
> 6) Carry out an audit of imports and introduce measures to cut down all inessential imports and luxury products. Carry out a similar audit of debt, retire illegitimate debts, and negotiate with the creditors for the payment of the legitimately incurred debts on the *principle of joint responsibility*. Put in place capital controls, regulate the banking sector, and review financial liberalisation measures to develop an indigenously led banking sector.

The UNDP/PRF/IDS report concludes by noting that such recommendations hark back to earlier periods of state intervention:

> Zimbabwe has a way out as it moves into the third decade of its Independence. It has a rich dual heritage. One, ironically, is the heritage left by the UDI regime that built itself up on a largely internally-oriented economy with minimal dependence on the outside world. Its illegitimacy was the cause of its demise. The second legacy is that of *chimurenga* (liberation war). That spirit is still present and often not properly channelled. The people of Zimbabwe can, once again, assert their primacy and with sober and deliberate intervention in national matters bring back the state and economy to serving first and foremost the interests of the people based on people's efforts and resources, and not one based on foreign dependence.[36]

These recent programmatic and strategic suggestions are interesting not because they were formed in a democratic, thorough-going manner. But they do hint at a scenario by which alternatives to exhausted neoliberalism and looming neoliberalism can and must emerge.

3. Conclusion: Scenarios for social change

The overarching aim of our concluding chapter thus far, has been to restore some hope in the idea that the nation-state--if democratically constituted and rid of the kind of corruption so long associated with Zanu--can indeed withstand the pressures associated with Washington's version of corporate globalisation. Is there any hint of activist initiatives that correspond with this way of approaching politics and finance in a more democratic future Zimbabwe?

Unfortunately, in the wake of Zanu's long-standing attack on independent civil society organisations, the idea that donor-dependent, ideologically-diverse `NGOs' can stand in for a mass democratic movement is ludicrous.[37] Nevertheless, a variety of civil society groups--church agencies, a resurgent movement of residents' associations, community health workers, and the more progressive currents within the ZCTU itself--have established a broadly anti-neoliberal perspective. They make regular demands on the state to provide not simply good governance, but also the goods and services that Washington financiers--or the MDC's Eddie Cross--insist should rather be offered by for-profit suppliers. The 1999 National Working People's Convention resolutions were illustrative of these sentiments (Appendix Three).[38]

A subsequent example was a joint budget statement--`Civil Society Position on Minimum Standards of a Democratic Budget Process'--issued in November 2000 by the Combined Harare Residents Association, Community Working Group on Health, National Association of Non-Government Organisations, National Council for Disabled Persons of Zimbabwe, Public Services Association, Zimbabwe Coalition on Debt and Development, Zimbabwe Council of Churches, Zimbabwe Congress of Trade Unions, Zimbabwe National Chamber of Commerce, Zimbabwe Teachers Association, Zimbabwe United Residents Association, and Womens Action Group. The groups' statement began,

> The current budget process is deeply flawed. This is a major reason for the mounting public dissatisfaction over the way public priorities are reflected in the national budget and over the manner in which expenditures are managed. Persistent economic decline, weak redistribution of economic opportunity, *ad hoc* expenditure decisions, inadequate funding of social sector obligations and weak parliamentary control over spending have all combined to undermine the critical role of the budget as an instrument of public policy.

While by no means radical, this perspective does at least shy firmly away from promoting fiscal contraction, which is a core goal of the MDC's business supporters. Efforts intensified during 2001 to build a Civic Alliance for Social and Economic Progress, drawing on both national-level advocacy projects and the grassroots struggles of residents' associations, community healthworkers, and others. We might conclude with the observation that in Zimbabwe, like so many other sites of struggle on the semi-periphery and periphery of the world economy today, the challenge for mass-based organisations is to resist distractions such as 1990s-style corporatism[39] and instead, pull together both social and political movements that forthrightly contest neoliberalism.

… (SNIP)…

Zimbabwe's social movements can also take confidence from previous episodes of tough macroeconomic management throughout the country's history. As noted in Chapters One and Two above, concrete strategies included imposition of watertight exchange controls; careful reflation of the economy through strategic state spending; prescribed assets on financial institutions; increasing nationalisation of strategic sites of the economy; directed investment requirements; creative juggling of import/export requirements; default on outstanding foreign debt; and a more general commitment to `get the prices *wrong*,' if need be, to assure maximum local backward/forward linkages. The last two times such policies were adopted, during the 1930s and just after UDI was declared in 1965, *the Zimbabwean (then Rhodesian) economy grew at nearly double-digit rates each year for a decade.*

On those occasions, however, growth-through-deglobalisation occurred in a way that amplified racial, gender and class divisions. Assuming the political balance of forces can be changed in coming years, it should be even more feasible, technically, to impose the same mechanisms but this time, to reorient production to meet basic needs: particularly of rural women, and particularly in areas that should be easy to expand--rural water/sanitation and small-scale irrigation systems, electricity, public works--without debilitating import requirements.

These are probably the minimal policy arrangements in the sphere of national political-economy required for Zimbabwe to prosper as a society. At the international scale, reduced pressure from neoliberal actors and markets will also be vital (as demonstrated repeatedly by visiting IMF missions and World Bank resident representatives). Fortunately, this is being achieved through initiatives ranging from mass protests to more surgical activist campaigns, such as the World Bank Bonds Boycott and the successful October 2000 campaign against IMF- and World Bank-imposed user-fees in health and education programmes.

And finally, what lessons does this confusing period in Zimbabwe's post-Independence experience provide to other Third World progressive social forces? We are certain, for example, that the appropriate normative formula is *not* the dismissal of strengthened state-sovereignty as a short-medium term objective, as is fashionable in some Leftwing quarters.[40] Instead, aligned simultaneously with international popular struggle against Washington and various other transnational corporate headquarters, the goal must be the rekindling of nation-state sovereignty: *but under fundamentally* *different assumptions about power relations and development objectives* than during the nationalist epoch. Such power relations can probably only be changed sufficiently if the masses of oppressed people contest those *comprador* forces who run virtually all their nation-states. To do so will require the articulation of a multifaceted post-nationalist political programme, grounded in post-neoliberal economic formulations.

Zimbabwe is not the only such site of economic and political strife. For example, in the wake of tossing out several unsavoury presidents in late 2001, Argentina's mass movements have begun building on the preliminary work of their Jubilee South affiliate chapter, to demand not just debt cancellation, but a redistributive, inward-oriented economic reconstruction strategy.

But the struggle in Zimbabwe holds crucial lessons for the African continent. If it is possible to generalise, the most exciting social struggles in contemporary Africa tend to be between advocates of progressive politics and basic-needs development within formal and informal organisations--based in workforces, communities, women's and youth groups, environmental clubs and churches--on the one hand, and on the other, nationalist political parties that still rule most states, often pursuing neoliberal policies yet still capable of deploying radical rhetoric.

We have enough confidence in the struggle for social justice, and enough skepticism about both exhausted nationalism and looming neoliberalism, to know who will win in the end.

notes

1. These are taken up in much more detail in Bond, *Against Global Apartheid*, Part Four.

2. http://www.worldbankboycott.org

3. Keynes, J.M. (1933), `National Self-Sufficiency,' *Yale Review*, 22, 4, p.769.

4. D.Moggeridge, Ed, *The Collected Works of J. M. Keynes*, Vol.25, London, Macmillan, p.149.

5. Soros, G. (1997), `Avoiding a Global Breakdown,' *Financial Times*, 31 December.

6. The process derailed early on, when the repressive, neoliberal Mexican ex-president Ernesto Zedillo was named chair of Kofi Annan's commission on development finance. Worse, Zedillo appointed as his main advisor and author John Williamson of the bank-funded Institute for International Finance, one of the most vigorous of Washington Consensus ideologues. Zedillo persuaded the UN to hold the Financing for Development conference in Monterrey, Mexico, in March 2002. Findings and proposals were to be tabled at the World Summit on Sustainable Development in Johannesburg, in September 2002.

7. An important proviso is that closure should be consistent with alternative development strategies for low-income people in those tax havens.

8. The rationales for opposing foreign financial FDI include the outflow of (hard-currency) profits, questionable nature of banking practices, and the tendency of foreign banks to `cream'

local markets by providing services only to wealthy and corporate customers (in the process diminishing scope for cross-subsidisation for small business and consumer financing).

9. The grounds here include inappropriate financing mechanisms, failure to reform, and need to run down capital so as to cancel debt.

10. These could be drawn, for example, from Tobin-type financial-speculation taxes--but preferably should not operate through existing ineffectual, overly-ideological and corrupt Official Development Assistance channels.

11. The movement to reform export credit agencies is focusing on halting inappropriate megaprojects, but could easily expand to opposition to luxury good imports and to maintaining a progressive Third World country's financing options under conditions of debt default.

12. See Bond, *Against Global Apartheid*, pp.280-281.

13. *Washington Post*, 11 December 2001.

14. Wallerstein, I. (2002), `The 21st Century--The Next Five Years,' Commentary 81, 15 January, http://fbc.binghamton.edu/commentr.htm.

15. Cross, E. (2001), `Economic Implications of the Adoption of the Zimbabwe Democracy and Economic Recovery Act by the Congress of the United States of America,' MDC Secretary for Economic Affairs, Harare, 7 December. The US$10 billion figure apparently assumed that the exchange rate would remain at Z$55/US$1.

16. Recall that in 1998, the last full year Mugabe authorised repayment of the foreign debt, there were only two other countries in the world (Brazil and Burundi) paying higher debt-servicing charges in relation to their ability to earn exports. Since that time, Zimbabwe's terms of trade worsened dramatically.

17. Recall the conditions associated with IMF pressure in 1999, including removing the luxury goods imports tax, abolishing price controls aimed at helping poor people survive, and permitting further mercenary-adventurism in the DRC only if other budgetary allocations are reduced to make up for military spending.

18. Trade finance remains the most important single factor to sustain, although as noted below serious problems arose in the management of foreign currency more generally.

19. Recall that over the period 1990-95, gross domestic product fell by a fifth, from US$8.50 billion to US$6.80 billion, as foreign debt soared 55%, from US$3.25 billion to US$5.05 billion, according to the World Bank's own accounts.

20. *Zimbabwe Independent*, December 1999.

21. *Zimbabwe Standard*, 25 November 2001.

22. *Zimbabwe Standard*, 13 February 2000.

23. The Kampala Statement was drafted at the World Bank and issued in mid-March. It attempted to speak for `a total of 270 participants drawn from government, the utilities (including the private sector), financial institutions, external support agencies, and civil society...' All quotations below are from the final email version sent from the Bank on 14 March, 2001.

24. These have often been cited in the 30% range, payable in hard-currency (i.e., if the local currency falls, then the profit rate is even higher). See e.g., African Development Bank (1997),

`Investment Proposal: South Africa Infrastructure Investment Fund,' ADB Private Sector Unit, Abidjan, p.13, Annex 6.

25. The Statement argues, on the contrary, that multilateral and bilateral agencies `are keen to support' privatisation, and that `In view of the limited budgetary resources in most African countries, external financing should be available to cover the operational deficit resulting from the lag between improved service and increased revenue during the initial years of PPP.' No mention is made of the lack of hard-currency revenue that comes from selling water services to low-income people, yet the need to repay the multilateral and bilateral financiers in hard-currency revenues.

26. The Statement's only concession along these lines is that `Where price increases to cover costs and improve service are planned, these should be gradual and should follow service improvements to maintain public support.'

27. It is well known that there are public and merit good effects from provision of water and sanitation to the homes of low-income people, including (measurable) improvements in public health (e.g., abatement of diarrhoea, cholera and opportunistic AIDS infections) and income-generating possibilities (especially for women), as well as many unquantifiable but substantial benefits, including gender equity, environmental protection, class desegregation and other aspects of economic productivity. Logically, these should be factored in to any water provision strategy, so as to justify the case for greater lifeline subsidisation. Instead, tellingly, the Kampala Statement offers only extremely shallow rhetoric on this point:
While the role of the private sector should increase in most cases, the public aspects of water and sanitation services should not be compromised. The creation of an independent regulator and corresponding legislation before any major transfer of operational activity to the private sector can help to ensure the priority of the public interest through increased fairness, transparency, accountability and better monitoring of contract performance.

28. See http://www.psiru.org and http://www.queensu.ca/msp

29. Speech, cited in Plummer, J. and G.Nhemachena (2001), `Preparing a Concession,' GHK Working Paper 442 04, Birmingham, p.7.

30. *Zimbabwe Independent*, 20 August 1999.

31. Phelps, P. (1997), `Expanding Municipal Finance in Zimbabwe,' US Agency for International Development, Washington, p.14.

32. Plummer and Nhemachena, `Preparing a Concession,' p.1. The increases from 1998-2000 were 140% across the board for water services and 198% for sewerage. Important water privatisation pilot projects in Manila and Buenos Aires share this feature: let the city officials take the flack for higher tariffs and then the international water privatiser won't look so bad. See evidence at http://www.queensu.ca/msp

33. *Herald*, 8 January 2002.

34. *Herald*, 4 January 2002.

35. As noted earlier, the 1998 budget alternative that these organisations endorsed did not break from neoliberalism, but by February 2000 a far different sentiment was dominant.

36. UNDP/PRF/IDS, *Zimbabwe: Human Development Report 1999*, pp.82-83.

37. For Zanu's attack on independent movements, see Moyo, J. (1993), `Civil Society,'

Zambezia 20, 1; and Loewenson, R., N.Jazdowska and R.Saunders (1995), `Civic Organisations in Zimbabwe,' Harare, Cuso. For an update on the problems faced by the NGO sector, see Moyo, S., J.Makumbe and Brian Raftopoulos (2000), *NGOs, the State and Politics in Zimbabwe*, Harare, Southern African Political and Economic Series Books; and forthcoming doctoral theses by Sara Rich Dorman, Erin McCandless and Raj Patel. For an extremely sharp critique of NGOism during the epoch of neoliberalism, see Petras, J. and H.Veltmayer (2001), *Globalization Unmasked: Imperialism in the 21st Century*, Halifax, Fernwood and London, Zed, Chapter Eight: `NGOs in the Service of Imperialism.'

38. The main far-left political group in Zimbabwe--the International Socialist Organisation--plays a crucial (if often zealous) watchdogging role.

39. One such ploy was the revived Tripartite Negotiating Forum, whose redistributive tax-related provisions were ignored by Simba Makoni in the 2002 budget, according to an angry Wellington Chibhebhe, the ZCTU secretary-general (*Daily News*, 5 November 2001). Like Tsvangirai in 1999, Chibhebhe threatened to walk out of the Forum at the end of 2001, on grounds that Zanu could not be trusted.

40. See, e.g., Hardt, M. and A.Negri (2000), *Empire*, Cambridge, Harvard University Press; Boswell, T. and C.Chase-Dunn (2000), *The Spiral of Capitalism and Socialism*, Boulder, Lynn Reiner. For skepticism about local applications and critiques, see Moore, D. (2000) `Zimbabwe's Crisis: Reflections on the Aftermath of Empire,' *Arena Magazine*, 49; and Bond, *Against Global Apartheid*, Part Four, and Bond, `Radical Rhetoric and the Working Class during Zimbabwean Nationalism's Dying Days' in the *Journal of World-Systems Research*.

appendix three

the national working people's convention[41]

The National Working Peoples Convention held in Harare on February 26-28 1999, gathered working people from all corners of Zimbabwe, rural and urban, and from all economic sectors,

- to identify and state the concerns, aspirations and priorities of the nation
- to identify the strategies to address these national priorities, and
- to unify working people around an agenda for action based on these strategies.

The Convention noted

- the disempowerment of the people and breach of rule of law through state sponsored violence and abuse of human rights
- the inability of the economy to address the basic needs of the majority of Zimbabweans;
- the severe decline in incomes, employment, health, food security and well being of people;
- the unfair burden borne by working women and persistence of gender discrimination in practice;
- the decline, and in some cases collapse of public services;
- the lack of progress in resolving land hunger and rural investment needs;
- the weak growth in industry and marginalisation of the vast majority of the nations entrepreneurs;
- the absence of a national constitution framed by and for the people;
- the persistence of regionalism, racism, and other divisions undermining national integration;
- widespread corruption and lack of public accountability in political and economic institutions.

The Convention noted that the inability to implement any meaningful steps to redress these basic economic and social problems emanates from a crisis of governance within the nation. This crisis expresses itself as a failure of government to observe the separation of powers between executive, legislature and judiciary; to obey basic rules of accountability and transparency; to respect human rights and to decentralise power in ways that enable meaningful participation of people in public institutions.

Accordingly, the Convention debated and adopted specific strategies to address these problems and to meet the aspirations of working people in Zimbabwe. These strategies are outlined in detail in the Agenda for Action of the National Working Peoples Convention.

More generally, the Convention resolved that a path to positive and sustainable economic and political development be restored in Zimbabwe, and in this respect, that:

- The writing of a people's constitution be initiated with immediate effect, through a constitutional commission not based on Presidential/partisan appointment, but defined by and accountable to a conference of representatives of elected, civil and other social groups. Such a constitution should provide clearly for basic social, economic and civil rights; for the clear separation of powers between the executive, judiciary and legislature; for the limitation of the powers of the executive; for such powers of parliament and the judiciary that they are not subordinated to the executive and for such powers of the electorate as to make parliament fully accountable to the people. The electoral process should be guaranteed in the constitution, run and supervised by an Independent Electoral Commission.

• A peoples constitution, as a reflection of a national value system, should be accompanied by a Truth and Reconciliation Commission to deal with unresolved aspects of our past that hinder national integration. It should further be supported by a clear, accessible and popularly understood mechanism for arbitration on and enforcement of constitutional rights.

• National policies should prioritise the mobilisation and organisation of resources to meet people's basic needs for food security, shelter, clean water, health and education; the equitable distribution of resources such as land, skills, capital and technology for production and industrialisation strategies that are based on building and using the capabilities of the people for production.

• Immediate measures should be taken to reduce inflation, including complementary monetary policy and fiscal policy; rationalisation of ministries and reduction of wasteful expenditure; strengthened independence and powers of state audit and action on transgressions found; widening of export incentives and control of non essential imports; vigorous promotion of local products and self reliant approaches to food security.

• These measures be supported by negotiations to reschedule and restructure the debt, including possible debt relief, with strengthened controls on and powers of parliament in respect of any areas of new borrowing. The country should aim to reduce its dependency on foreign loans and the loss of sovereignty that this brings.

• These and other measures be specified and implemented through a mechanism for national consensus that involves all national stakeholders, that has a mandate to negotiate, implement and evaluate economic measures; that is defined by law and that is mandated to negotiate a social contract on immediate pressing issues in an open, transparent manner that builds trust and accountability between the parties and that is carried out in an environment of respect for the rights of the participating parties.

• Zimbabwe position itself more effectively for the next millennium and for global competition through strategic investment in skills, technology, infrastructure, product design and supporting education and labour market systems, to enable the country to develop market niches and value added production.

• The state's role in production systems be redefined towards facilitation rather than interference, with state intervention strategic, targeted, transparent and time bound; aimed at resolving market failures; augmenting the market in a manner that maximises social welfare and overcoming constraints to or providing incentives for development of areas of future growth and economic opportunity. Where market failures severely weaken the ability of people to procure basic rights to food, shelter, health and education, the state shall intervene with targeted, end user directed and time bound subsidies.

• Active, transparent and time bound measures be taken to resolve land hunger in a manner that links the ownership, distribution and use of land to a policy of sustainable agricultural development and rural industrialisation and that balances agricultural employment with wider and new job opportunities in rural areas. That land be redistributed in a manner that is driven by the people through democratic, transparent and gender sensitive processes; with clear criteria and mechanisms for accountability guiding redistribution, backed by the social and economic investments to make that redistribution meaningful and with any land or agricultural taxes plowed back into agricultural development.

• Land should be recognised as a national asset, and that it therefore remain in state ownership, with individual ownership through tradeable long term leases, backed by legal protection of individual rights. The legal provisions for ownership of natural resources (land, water, minerals) be reviewed to ensure that access to these resources can be widened for sustainable production.

The Convention further resolved that measures be taken to restore a people driven process towards social development, that mobilises and organises capacities within communities and that matches them with complementary inputs from the state, according to agreed and legally defined standards.

Accordingly the Convention resolved that:

• The right to a minimum standard of health inputs (food, water, shelter) and health care be defined and entrenched in the constitution, guaranteed and funded on an equitable basis by the state through its mobilisation of national resources. Greater priority should be given to prevention of ill health. Community mobilisation of resource inputs for health should be complemented by the equitable allocation of health resources (drugs, staff etc) to the district level. Public participation and accountability in health should be entrenched through stakeholder health development structures from village to national level that are adequately supported to plan, mobilise and monitor agreed health standards and interventions.

• Mechanisms should be put in place to equitably and efficiently distribute public, private and household resources for education to enhance the quality of education, and to review the nature of the education curriculum and the support services provided to better prepare children with the skills and orientation needed to tap the economic and employment opportunities in the next millennium. Education and learning should be treated as an ongoing process, with facilities for decentralised vocational training, in service training and incentive systems to encourage and reward such training. The changes in education should be driven by intersectoral planning, to ensure education is oriented towards and supports areas of economic and social development, and by mechanisms for participation of key stakeholders, including parents.

• The right of equality of opportunity and treatment for men and women should be recognised and entrenched in the Constitution, with appropriate measures to implement this in law and practice in the domestic, educational, health, economic, employment and political spheres where gender discrimination is still found.

• A housing policy should be developed that integrates housing development across the country; matches community efforts and resources with state, employer and institutional resources; develops new possibilities for building materials and for procurement and distribution of materials; decentralises the organisation of housing delivery and ensures, through joint state/stakeholder mechanisms and public reporting, public accountability in the management of finances for and delivery of land and other inputs to housing.

• Media freedom should be enshrined in the constitution, supported by an Independent Media Commission and by laws providing for public rights of access to information and for curtailment of government control over and interference in the media. Media and public information should respect the diverse cultures and religious groups.

The National Working Peoples Convention noted that these resolutions, and the more detailed Agenda for Action that arises from them, will not be realised without a strong, democratic, popularly driven and organised movement of the people. Such a movement should recognise and protect the discrete and independent role and mandates of the various organisations of working people, including the labour movement, informal traders organisations and peasant farmers associations. The Convention thus resolved to take these issues to the people across the country, to mobilise them towards the working peoples agenda, and to implement a vigorous and democratic political movement for change.

note

41. Document prepared in Harare, 28 February 1999, and published on the Zimbabwe Congress of Trade Unions website: http://www.samara.co.zw/zctu/position.htm