

***ZIMCONSULT***



***HUMAN SECURITY IN ZIMBABWE –***  

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***Economic meltdown***

Daniel Ndlela

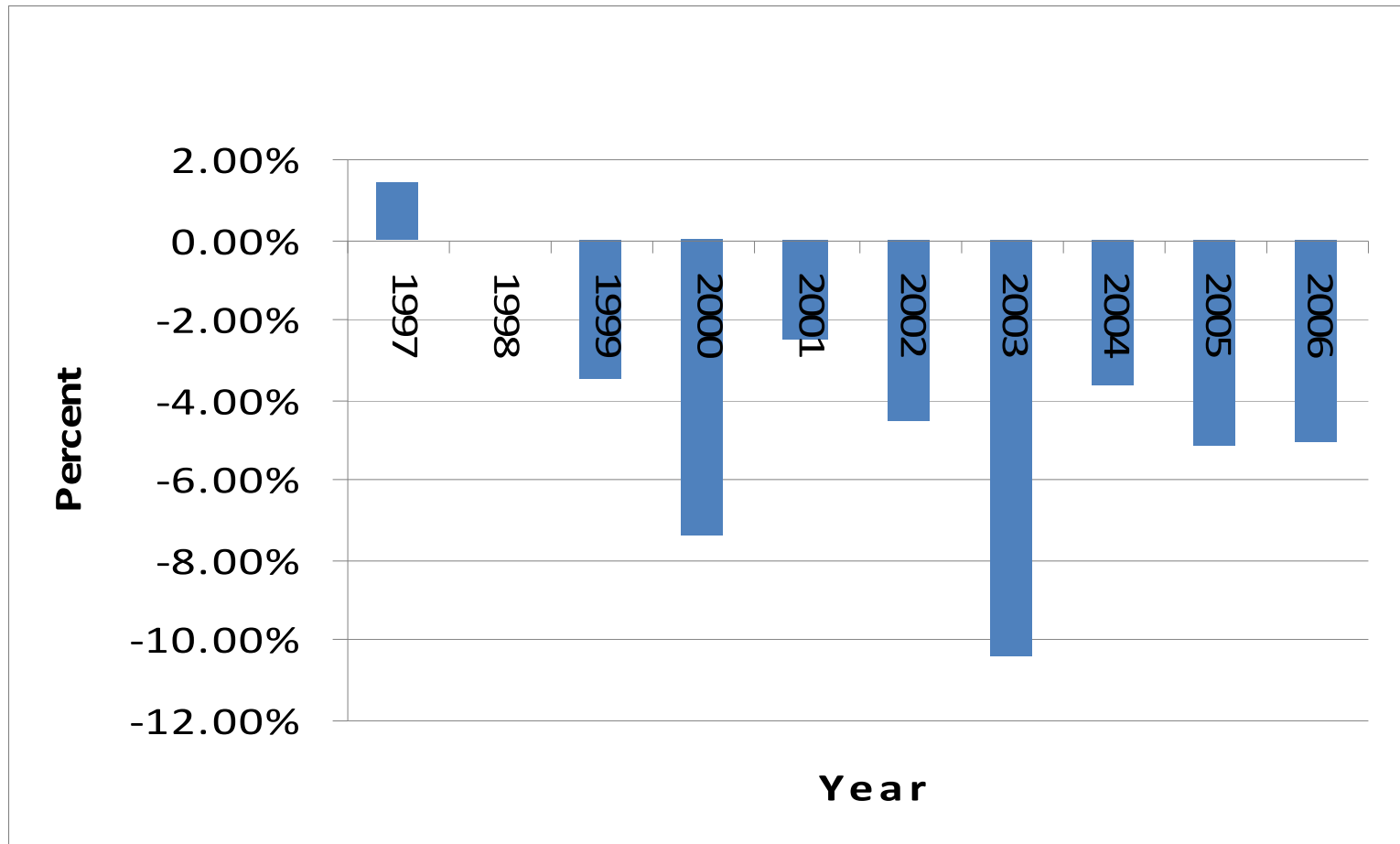


## *Origins of Zimbabwe's Current State of Human Security*

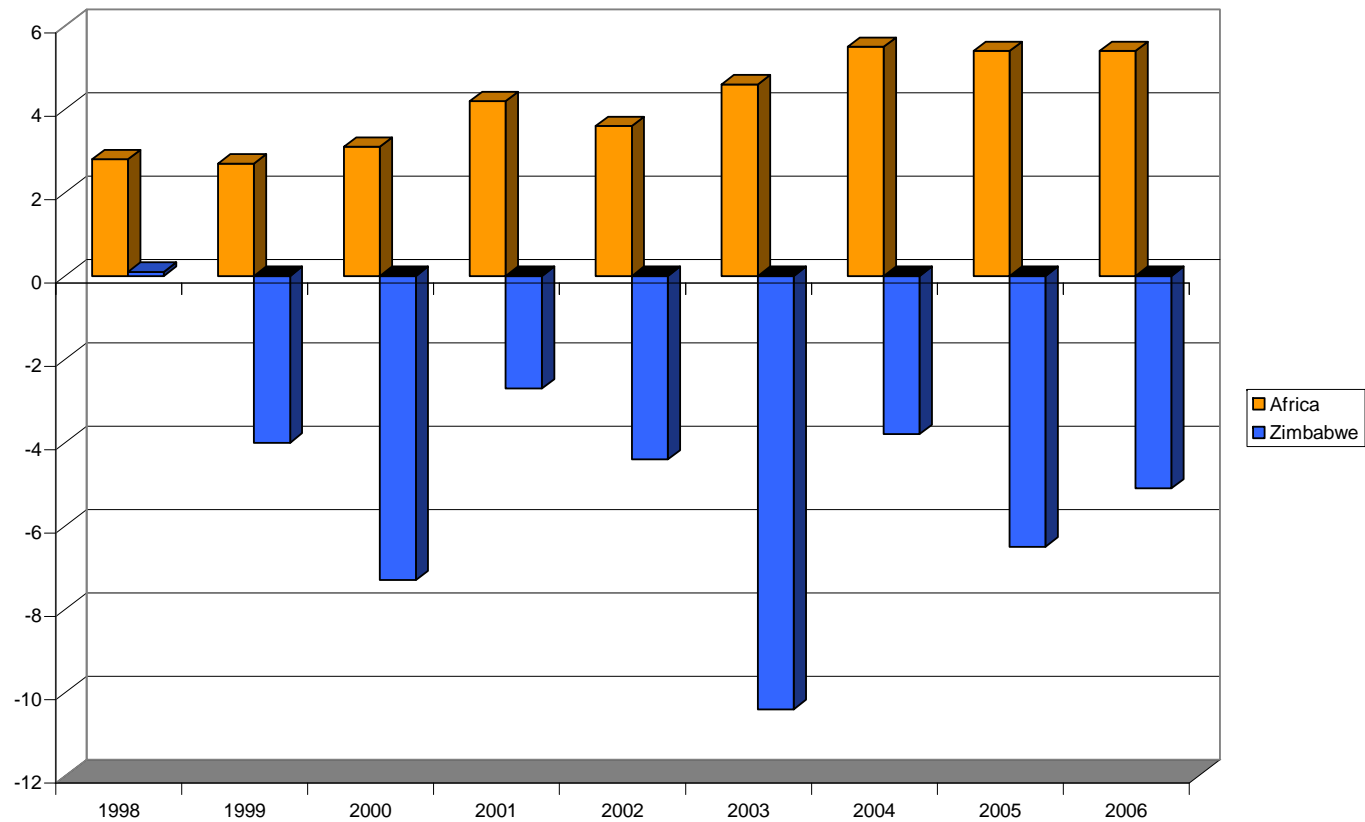
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- Post 1995/96 parliamentary/presidential majorities caused the government to arrogantly ignore growing calls for participation in political space by CSOs, including the unions
- Unbudgeted payouts of Nov 1997 - Z\$ 5 billion (US\$412,837,973) – gratuities to an estimated 50,000 war veterans (5% of GDP) immediately caused a massive devaluation of the Z\$.

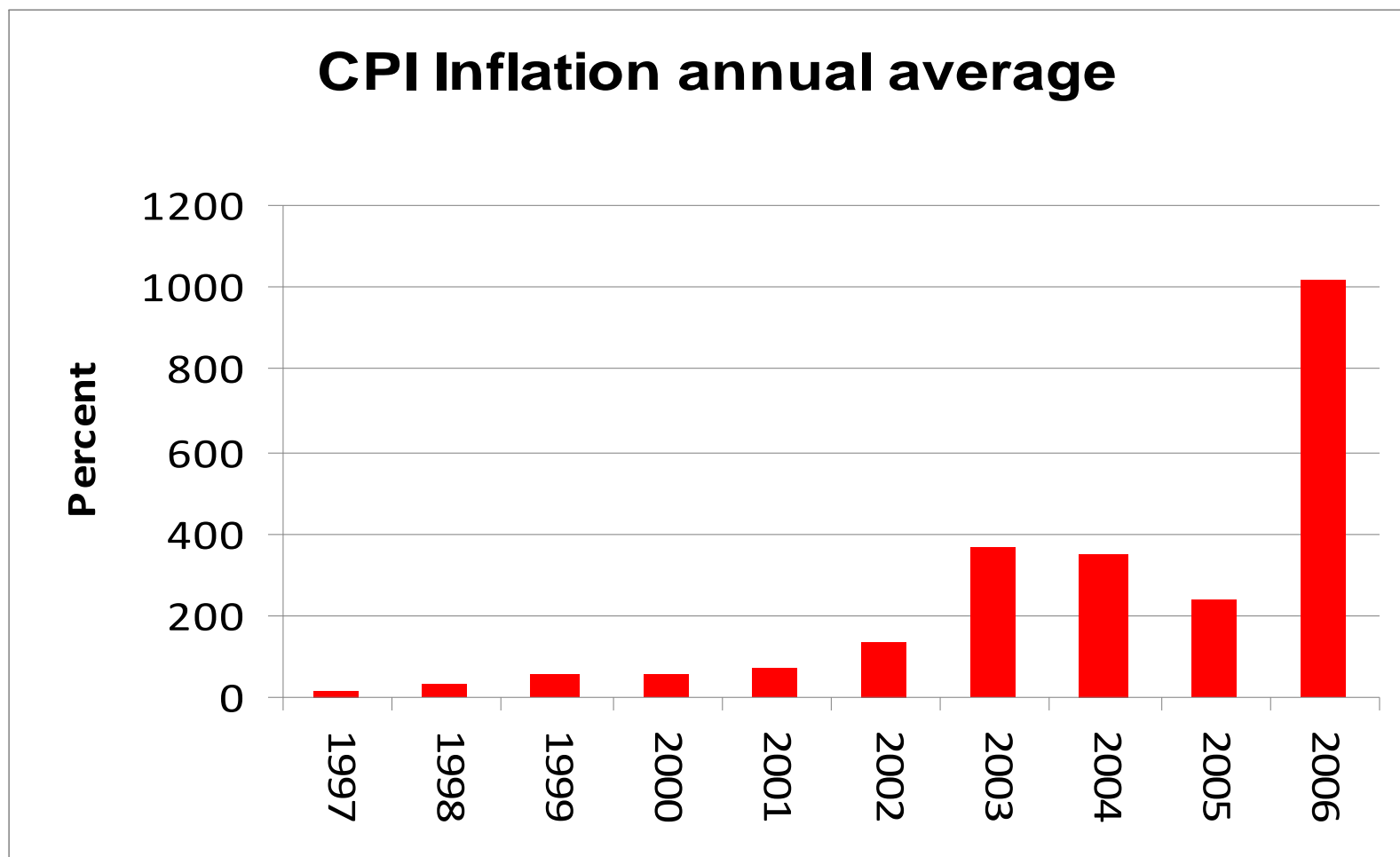
# Zimbabwe's GDP growth (%) – 1997-2006



# GDP growth in Africa & Zimbabwe 98-06



# Zimbabwe's CPI Inflation Annual Average: 1997-2006



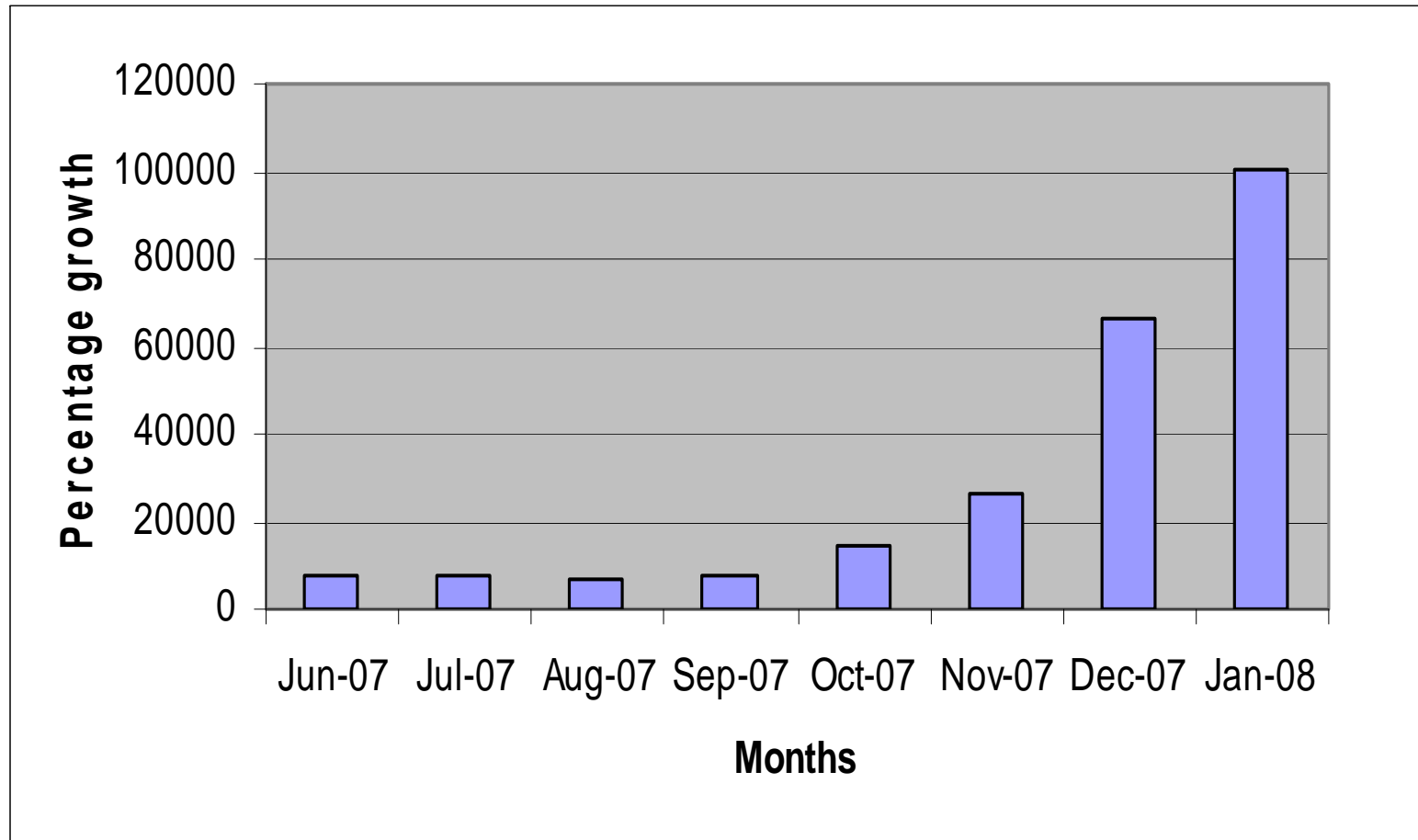


## Hyperinflation numbers: Oct 07 – May 2008

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Oct 07	14,840%
Nov 07	26,470%
Dec 07	66,212%
Jan 08	100,580.2%
Mar 08	356,000%
Apr 08	700,000%
May 08	over 1million%

# Zimbabwe's Hyperinflationary State: June 2007 – Jan 2008



# Economic performance under different policy epochs (in %)

	1980-1990	1991-2000	2001-2006
<b>National Strategy</b>	<b>Controlled growth</b>	<b>ESAP</b>	<b>Structural change</b>
Average Annual GDP growth	4.30%	0.90%	-5.70%
Employment growth	1.90%	0.40%	-7.50%
End of Year Population (million)	9.744	11.35	11.951
Formal employment % of pop	12.20%	10.90%	7.00%
Manufacturing as % of GDP	20.35%	17.70%	15.00%
Agriculture as % of GDP	16.20%	14.85%	17.00%
Mining as % of GDP	4.30%	4.20%	4.00%
Savings / GDP*	16.50%	17.90%	-0.15%
Investment / GDP)*	16.00%	19.40%	6.25%
Budget Deficit (% of GDP)*	-2.10%	-6.25%	-5.80%
Final Year annual av inflation	12%	56%	238%
Final year Exports GDP ratio	23%	43%	24%



## How did the state do business

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- Use of discretionary executive power, & selective application of the law
- Presidential Powers (Temporary Measures) Act became the norm rather than an exception
- Preference of discretionary powers over rule-based systems



## Results in terms of human security

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- i. Entrenchment of politically connected elite who flagrantly engage in rent-seeking activities and arbitrage
- ii. Consistently misaligned Exchange rate of Z\$
- iii. Persistent price distortions
- iv. Proliferation of massive asset stripping and corruption in PEs



## Deepening poverty

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- By 2003 -72% of the population below Poverty Line compared to 55% in 1995 (30 % increase in the incidence of poverty).
- The challenge of meeting MDG target of halving the proportion of the population below TCPL to 36 % by 2015 has significantly increased.
- Gini coefficient of inequality which increased from 0.53 in 1995 to 0.61 in 2003.



# Deepening poverty

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- By 2004, real average earnings were far lower than during the last years of the colonial period (1975-79), having collapsed to 10 on the real earnings index.
- The Zimbabwean economic crisis has seen demand become entrenched at very low levels due to both falling real incomes and shrinking producer and consumer markets.



## State capture: an incredible foreign exchange rate distortion

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- An official exchange rate of Z\$30,000/US\$1, against a an official interbank rate of over Z\$1million/US\$1 (0.003%).
- Simply to sustain & line up pockets of those in the patronage system, who can access money at this rate for their travel, shopping and medical expenses in foreign countries, etc.
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# Hyperinflation is the hallmark of a failed state

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Lenin was right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.

*J M Keynes The Economic Consequences of the Peace (1919)*



# Securitarisation the economy – Joint Operations Command

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**JOC** - comprising all security agents, some senior Cabinet Ministers and the central bank Governor, it came into public view when it launched “Operation Murambatsvina” (Operation Restore Order) and more recently “Operation Reduce Prices” and other interventions in the economy.



# Recovery must be premised on Governance being put right

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- state capture of the public & private sector through - price, forex and labour controls
- domination of state by predatory interest groups / crony capitalism – a “command economy creating a patronage system”
- co-option of business – farmers, industrialists, miners, overthrow of autonomy of the technocracy & rule-based systems, i.e. treasury rules governing budgets, checks and balances, parliamentary oversight by portfolio committees
- Trampling of the Executive on the judiciary and legislature



# Conclusions -

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- Zimbabwe's present crisis has its roots in the early 1980s, with a slow but steady economic decline throughout the remainder of the 1980s and the brief experiment with markets during ESAP in the 1990s.
- Continuous recourse to unsustainable, fiscally redistributive and short-lived labour expansionary policies – higher agricultural incomes and industrial minimum wages – without enough attention paid to issues of productivity and growth.
- Persistent revenue and expenditure mismatches turned budget deficits into a key contributor to macroeconomic instability (low growth rates, high budget deficits, high inflation, low foreign exchange reserves, weak balance of payments positions), in sum weak macroeconomic fundamentals.