Sustainability and Alternatives to Neoliberalism in Zimbabwe

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Introduction

Zimbabwe attained independence much later than most African countries in 1980. The hope was that the country would take advantage of the benefit of hindsight history had bestowed upon it and learn from the experiences of other African countries and elsewhere. It is reported that on the eve of Zimbabwe’s independence, the late President of Mozambique (Samora Machel) advised his ally and colleague Robert Mugabe to avoid being driven by radical revolutionary zeal and learn from Mozambique’s experiences when it chased the Portuguese from the country and nationalized the economy.

1. The Legacy of Enclavity and Dualism

At independence in 1980, Zimbabwe inherited a relatively developed and diversified economy by African standards. An often used measure of development is the share of agriculture and industry in the economy. With increasing levels of development, the industrial sector’s role rises relative to that of agriculture and vice versa. The contribution of agriculture to GDP at only 12.2 percent for Zimbabwe was much lower than the average level for Sub-Saharan Africa (SSA) of 31.6 percent between 1980 and 1989. On the other hand, by 1980, the manufacturing sector was already the largest contributing sector to GDP at 25 percent in Zimbabwe, compared to an average of only 10.4 percent for SSA over the period 1980-1989 and 23.3 percent for Zimbabwe (World Bank, World Development Reports, various issues).

Apart from its relative size, the manufacturing sector was diversified such that at the advent of independence, industry already consisted of some 1,260 separate units producing 7,000 different products. This relatively high level of economic diversification is also reflected in the relatively broad export base, with agriculture accounting for 41 percent of export earnings in 1984, followed by manufacturing at 32 percent and mining (27 percent). Thus, the economy that the new independent state inherited was far from the typical monocultural economy that most SSA economies are. Out of the 37 African countries whose trade statistics are reported in the 1997 World Development Indicators, 31 derive in excess of 70 percent of their export earnings from primary commodities (1993 statistics). Of these, Algeria, Angola, Chad, Congo, Ethiopia, Gabon, Libya, Malawi, Mali, Mauritania, Niger, Nigeria, Rwanda, Sudan and Uganda are the extreme cases, deriving at least 90 percent of their export earnings from primary commodities.

However, if Zimbabwe was a ‘jewel’ at independence, it was certainly a flawed one. The inherited economy was based on a philosophy of white supremacy that resulted in the evolution of a relatively well-developed and modern formal sector, employing about 1 million people (a fifth of the labour force) existing alongside an underdeveloped and
backward rural economy, the home of 70 percent of the black population. Thus, the ‘jewel’ was the enclave part of the economy, which was developed on the basis of the ruthless dispossession of the source of livelihood of the majority of the people, and in particular access to land, forcing the black majority into wage employment. Movement across these sectors was strictly controlled such that the prevailing relationship between the two sectors was an exploitative one.

Moreover, the relatively diversified manufacturing sector, which was part of the formal sector, had its own contradictions. Firstly, the import substitution industrialisation strategy, which had performed well during the sanctions period, (particularly during the fastest growth period of 1966-74), was already showing signs of severe stress by 1980. All easy and moderately hard industrialisation had been exhausted by 1975 (Green and Kadhani, 1986). Secondly, the deliberate policy of compressing imports to contain the balance of payments situation left capital stock in an obsolete and depleted state.

The manufacturing sector itself became a net user of foreign exchange. For instance, although it contributed 32.1 percent of export earnings in 1984, it accounted for 90.6 percent of imports during the same year. Thirdly, the high level of protection created a monopoly structure such that 50.4 percent of manufacturing products were produced by single firms, 20.6 percent in sub-sectors with 2 firms and 9.7 percent where there were 3 firms, implying that 80 percent of goods produced in Zimbabwe were monopoly or oligopoly products (Ndlela, 1984; UNIDO, 1986). This market structure is further exacerbated by the concentration of production in the two major towns, Harare (accounting for 50 percent) and Bulawayo (accounting for 25 percent) of all manufactured products.

The dualism that characterized the economy, and continues to do so, explains the perennial problem of underutilization of resources, implying underdevelopment. Underdevelopment is therefore a reflection of the embedded economic dualism that is associated with the grafted type of capitalism that was carved out under colonialism. Thus, the low labour absorptive capacity of the economy is related to the enclave growth emanating from the structural legacy of economic dualism which explains the vicious circle of perpetual underemployment that afflicts the majority of the labour force, and especially women. The evolving social formations reflect the co-existence of the dominant capitalist and pre-capitalist modes of production that have been fused together in a rather uneasy and tenuous manner (grafted capitalism). Figure 2 illustrates the dual and enclave economy structure of the Zimbabwean economy.

From the capitalist perspective, pre-capitalist forms of work constitute non-productive labour in that the activities for which it is engaged are not profit-oriented, being of a survivalist nature. From a market, and therefore capitalist point of view, under-employment manifests itself as non-productive labour in that it is not harnessed by capital for accumulation. The capitalist part of the economy is the formal sector, while the pre-

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1 While the notion of dualism is implied in the concept of enclavity, it requires its own identification in that the formal sector is predicated on the behavioural and organisational rules and imperatives of the market, the non-formal economy relies on a combination of market and traditional modes of economic behaviour and resource utilisation (see Mhone, 2000).
The non-formal sector therefore accommodates the remnant of pre-capitalist forms of production (non-productive labour). An important requirement for development under capitalism is the need to capture non-productive labour into its realm of operation. This way, a dynamic impulse is imparted to social relations based on the imperative to accumulate. Thus, the disruption of pre-capitalist relations imparts to a country the potential of internally driven growth.

The question is whether the post-independence Government transformed the inherited structural deformities that reflected and reinforced gender inequalities. While both developed and developing countries have both elements of productive and non-productive labour, in the predominance of non-productive labour in developing countries is the major problem. In other words, the tragedy is that the majority of the labour force, mainly women, is trapped in pre-capitalist forms of production, which are not driven by the need to employ labour to generate profit and the further expansion of capital.

Apart from the under-utilization of resources, and especially labour, another legacy of colonialism is the absence of an internal (endogenous) dynamism for growth and transformation since the economies are dependent on, and constrained by external factors. In the absence of an internally motivated and conscious process of transformation, the growth process would not only marginalize the majority of the labour force, but would also marginalize the developing country itself in the international arena.
An enclave economy will also be limited by the very nature of the system itself: the fact that a large segment of labour force is engaged in low productivity activities implies that effective demand is low, limiting the market for formal activities to expand. This deficiency in effective demand also makes the formal economy more reliant on external demand, thereby reinforcing dependency. Furthermore, the fact that a large segment of the labour force cannot engage in productive activities implies they are not available for accumulation by the capitalist sector. In addition, the fact that a majority of the labour force lives close to subsistence levels implies that they cannot save and if they do their savings are not captured through financial intermediation due to missing linkages and market gaps in the financial market.

Thus, an enclave economy tends to lack the capacity to generate internal savings hence the reliance on foreign investment and foreign aid which pre-empts the need for self-generated savings. The implication of this structural deformity is that the trickle-down effects from the formal sector are too weak to transform and absorb these sectors into formal activities. Thus, market forces on their own would simply perpetuate this dualism, even in the presence of some growth.

The Zimbabwean experience amply demonstrates this inability of market forces to address this dualism. As illustrated in all the chapters, not only has this dualism been preserved, it has also been exacerbated to the extent that the formal sector is much smaller than it was in 1980. A related issue is the systematic decimation of the middle class, the ‘missing middle.’ This is contrary to the expectation that with sustained (inclusive) growth, the non-formal segment would be formalized; instead it is the formal sector that has been informalized, with the resultant extension of decent work deficits.

In this regard, a proactive role of the state is needed to integrate the non-formal economy and endogenise the growth process in a manner that allows the majority of the labour force to be in productive activities. The strategy recommended involves targeted supply-side measures to resolve market failures through redistribution of productive assets and building the capabilities of those in the non-formal sector.

2. Rethinking Development: The International Context

In the aftermath of the Second World War, the development discourse has gone through fads, starting with state intervention (dirigisme) during the 1950s and 1960s. Following the oil price hikes of the mid and late 1970s, state interventionism became increasingly discredited in the wake of stagflation (a combination of stagnation and inflation). In addition, a body of literature emerged in the early 1970s, questioning the efficacy of state interventions. The most critical analysis invoked rent-seeking behaviour to discredit the notion of the welfare state, arguing that politicians were inherently self-serving.

Accordingly, a market-oriented approach that emphasized the role of the price system and outward-orientation was the preferred option. This line of thinking found political

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2 The issue of the informalization of the economy and the ‘missing middle’ are extensively discussed in Simpson and Ndlela (2010). See also UNDP (2008).
expression with the emergence of Margaret Thatcher as the British Prime Minister in 1979 and Ronald Reagan as the President of the USA in 1981. This market-orientation permeated the work of the International Financial Institutions (IFIs – the World Bank and IMF) with the adoption of Structural Adjustment Programmes (SAPs) as the premier lending programme.

The policy advice given to developing countries under SAPs can be reduced to the mantra ‘stabilize, privatize, and liberalize.’ This became the central tenet of what John Williamson referred to as ‘The Washington Consensus’ in 1990 (see Rodrik, 2006; 2007 and Chapter 2). After close to two decades of implementing such reforms, the World Bank sought to understand the underlying factors behind the disappointing results. Its detailed assessment of the lessons from reforms are distilled into two seminal reports ‘Economic Growth in the 1990s: Learning from a Decade of Reform’ of 2005 (hereinafter World Bank, 2005); and ‘The Growth Report: Strategies for Sustained Growth and Inclusive Development’ of 2008 (hereinafter World Bank, 2008).

World Bank (2005) observes that more than a decade into the transition, many countries of Eastern Europe that embraced these market-driven reforms had still not achieved their 1990 levels of output. Despite having implemented significant policy reforms, economies of SSA failed to take off, with the success stories few, and even these were considered fragile more than a decade later. Paradoxically, the region that tried the most to remodel itself along the advice of the Washington Consensus, Latin America, where countries such as Mexico, Argentina, Brazil, Colombia, Bolivia, and Peru liberalized, deregulated, and privatized more in a few years than the East Asian countries did in four decades, achieved little growth (see Rodrik, 2007).

Contrasting the Washington Consensus growth model with that of South East Asia suggests that countries such as South Korea and Taiwan adopted growth policies at odds with those prescribed by the mainstream consensus. None of these significantly deregulated or liberalized their trade and financial systems well into the 1980s. They in fact relied heavily on public enterprises and utilized industrial policies that included directed credit, trade protection, export subsidization, tax incentives, among others. The same applies to the recent experiences of China and India where even though they increased their reliance on market forces, their policies were highly unconventional. They applied high levels of trade protection, did not privatize, resorted to extensive industrial policies, and lax fiscal and financial policies throughout the 1990s. In the case of India, the policy regime was only deregulated slowly, with very little privatization. Way into the 1990s, India’s trade regime remained restricted.

China did not change its private property rights regime, simply appending a market system onto its planned economy. Since the late 1980s, Vietnam also experienced rapid growth owing in the main to heterodox (unconventional) policies; only gradually moving towards markets and greater reliance on private entrepreneurship. Thus, the extensive role of the state and the property rights regime adopted are not in line with the tenets of the

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3 The often cited success stories include Ghana, Uganda, Tanzania, and Mozambique.
Washington Consensus. As Rodrik (2007) argues, if they had failed, they would have been presented as stronger evidence in support of mainstream policies.

A refreshing approach that characterizes the ground-breaking World Bank reports (2005 and 2008) is the absence of confident assertions on what works and what does not as they desist from recommending ‘blueprints’ for policy makers. They contend that what they have learned ‘is the folly of assuming that we know too much,” emphasizing the need to downplay grandiose claims, move cautiously, and concentrate efforts where the payoffs seem the greatest. Humility is therefore an overriding attribute of these two documents, arguing instead for policy diversity, for selective and modest reforms, and for experimentation. They offer no unique universal set of rules and move away from formulae and the promotion of elusive ‘best practices.’ The key lessons from experience highlighted in the reports include the following.

**Promote (inclusive, shared) Growth, not just Efficiency**

The 2005 report criticizes the obsession of conventional packages with achieving efficiency gains, mistakenly equating policy reforms with growth strategies. It argues thus: “In retrospect, it is clear that in the 1990s we often mistook efficiency gains for growth … Expectations that gains in growth would be won entirely through policy improvements were unrealistic. Means were often mistaken for goals – that is, improvements in policies were mistaken for growth strategies, as if improvements in policies were an end in themselves. Going forward, the pursuit of policy reforms’ sake should be replaced by a more comprehensive understanding of the forces underlying growth. Removing obstacles that make growth impossible may not be enough: growth-oriented action, for example on technological catch up, or encouragement of risk taking for faster accumulation, may be needed,” (World Bank, 2005: 11).

In its view, the policy focus of reforms in the 1990s enabled better use of existing capacity, but did not provide sufficient incentives for expanding that capacity. Thus, emphasis on efficiency explains the frequent instances of stabilization or liberalization without growth. While better policies can bring efficiency gains, and may increase incentives for investment, this does not amount to a growth strategy. What matters for growth is not the extent to which policies approximate the ideal, but “…the extent to which a given development strategy is able to mobilize the creative forces of society and achieve higher levels of productivity,” (World Bank, 2005: 11).

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4 As Rodrik correctly points out: “The economics that the graduate student picks up in the seminar room-abstract as it is and riddled with a wide variety of market failures-admits an almost unlimited range of policy recommendations, depending on the specific assumptions the analyst is prepared to make,” (2007: 3). Hence the conventional advice “…is a derogation rather than a proper application of neoclassical economic principles,” (ibid: 3). “Neoclassical economics is a lot more flexible than its practitioners in the policy domain have generally given it credit for,” (ibid: 15).

5 The Commission on Growth and Development admits that growing evidence suggests that the economic and social forces underlying rapid and sustained growth are not as well understood as thought, lamenting that economic advice to developing countries has been given with more confidence than justified by the state of knowledge, (see World Bank, 2008).

6 Rodrik (2007) is appropriately titled ‘One Economics, Many Recipes.’
The UNDP has over the years questioned the presumed automatic link between expanding income and expanding human choices and hence the tendency to see growth as an end in itself (see also World Bank, 2008). They have popularized the alternative concept of human development. Since the publication of the first global Human Development Report in 1990, the UNDP has refined the concept of human development to imply ‘a process of enlarging people’s choices’ so that they live ‘long, healthy and creative lives’. To which the aspect of ‘sustainability’ was added, borrowing from the Brundtland Commission report of 1987 (see UN, 1987). Sustainable human development (SHD) meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

The essence of SHD is that it places people at the centre of the development process, while its central tenet involves the creation of an enabling environment where people can enjoy long, healthy and creative lives. The global Human Development Report, 1994 broadened the concept as follows: “Sustainable human development is pro-people, pro-jobs, and pro-nature. It gives the highest priority to poverty reduction, productive employment, social integration, and environmental regeneration. It brings human numbers into balance with the coping capacities of societies and the carrying capacities of nature … It also recognizes that not much can be achieved without a dramatic improvement in the status of women and the opening of all opportunities to women,” (UNDP, 1995: 4).

The link between growth and SHD is strengthened by the following:

- **Equity**: the more equitable the distribution of resources, the greater the likelihood of growth benefiting the majority of the people.
- **Job opportunities**: Economic growth is easily translated into people’s lives when all people have access to productive and well paid jobs.
- **Access to productive assets**: Access to productive resources by everyone, and especially land, physical infrastructure and financial credit empower people to participate in and benefit from growth.
- **Social spending**: By channeling resources into social expenditures (health, education, shelter, water and sanitation, transportation etc.), governments and communities can influence SHD.
- **Gender equality**: Better opportunities for women and better access to education, child care, credit and employment facilitates women’s SHD. Other family members also benefit.
- **Good governance**: The link between growth & SHD is stronger and durable where governments prioritize the needs of the whole population & when people participate in decision-making.
- **An active civil society**: An active civil society supplements government services, plays a vital advocacy role, mobilizing public opinion and community action.

In the context of SHD, economic growth is seen as a means rather than an end in itself. Such an approach acknowledges that a country may achieve high levels of growth, but that

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does not mean it has a high level of human development. UNDP (1996) articulated the conditions under which growth does not result in SHD as follows:

- Jobless growth (growth that does not expand employment opportunities);
- Ruthless growth (growth associated with increasing inequality and poverty);
- Voiceless growth (growth in the absence of democracy or empowerment);
- Rootless growth (growth that withers cultural identity);
- Futureless growth (growth that squanders resources needed by future generations).

In this regard, economic growth is a necessary, but insufficient condition for SHD. What is essential for human well-being, therefore, is the quality and distribution of growth, not just its quantity; hence the notion of pro-poor, shared, broad-based or inclusive growth (see Chapters 2 and 8). The link may not exist in the marketplace which can further marginalize the poor. This link between growth and human well-being has to be created consciously through deliberate public policies such as public spending on social services and infrastructure, enhancing individual (human capabilities (to redress capability deprivation) and fiscal policy to redistribute income and assets (see Chapter 8).

An economic strategy that empowers the poor through redistribution of the means of production enhances the integrability of hitherto marginalized groups and sectors into the mainstream of the economy by redressing the capability deprivation factor, thereby facilitating broad-based and inclusive growth. In this regard, human development is not only an input, but is also an output of growth. Thus, SHD is the sustained elevation of an entire society towards a better and more humane life.

Looking at development from such a holistic framework has implications for the role of the state. Under SHD, the state plays a leading and strategic role in expanding capabilities and opportunities and ensuring that growth is broad-based and inclusive. Thus, governments must go beyond merely creating an enabling environment to improve empowerment, cooperation, equity, sustainability and security of livelihoods through strategic interventions to correct market failures and to ignite economic growth by leading the market.

**Common Principles, Diverse Ways of Implementing Them**

A related issue is that the broad objectives of economic reform (market-oriented incentives, macroeconomic stability, and outward orientation) do not translate into a unique set of policy actions. As stated in the Report, “The principles of … ‘macroeconomic stability, domestic liberalization, and openness’ have been interpreted narrowly to mean ‘minimize fiscal deficits, minimize inflation, minimize tariffs, maximize privatization, maximize liberalization of finance,’ with the assumption that the more of these changes the better, at all times and in all places—overlooking the fact that these expedients are just *some* of the ways in which these principles can be implemented” (World Bank, 2005: 11).
There are many ways of achieving macroeconomic stability, openness, and domestic liberalization. For example, the goal of achieving macroeconomic stability does not necessarily imply a need to minimise fiscal deficits at all times. A lower fiscal deficit achieved today through off-budget contingent liabilities or through cutting back public investments and thus reducing long-run growth and the future tax base, may mean a higher fiscal deficit in the future. Moreover, ‘getting the policies right’ mistakes means for ends. “Clearly, not everything can be right at once, and not everything needs to be ‘right’ for growth to take place- as witnessed in examples from Bangladesh, China, India, Indonesia, and many other countries,” (page 12). This therefore implies that solutions are to be found in specific country contexts than applied from blueprints, hence the need for more openness on the range of solutions possible.

Common Functions and Diverse Ways to Achieve Them

While to achieve growth key functions must be achieved, however, there is no unique combination of policies and institutions for doing so as exemplified by the fact that the successful growth experiences in eight East Asian economies derived from diverse policy and institutional settings suggesting a non-formulaic approach. Significantly, common to all successes is that four functions were fulfilled: rapid accumulation of capital, efficient resource allocation, technological progress, and sharing of the benefits of growth. “Sharing the benefits of growth has been important in all sustained growth experiences, particularly in countries with authoritarian forms of government, where it has helped to legitimize regimes that often were neither fully representative nor democratic,” (page 14). Various ways have been used to share the benefits of growth: land reform and redistribution of other assets; public expenditures on infrastructure; social spending; policies to increase the opportunities to economically underprivileged groups; and poverty-targeted programmes.

Government Discretion Needs to be Managed and Checked, Not Replaced by Rules

The failure by developing countries to resolve agency, predation, and collective decision-making problems effectively has been used to limit the discretion of national authorities in growth strategies and minimise demands on institutions. This is the reason for the focus on privatization, financial liberalization, and the removal of quantitative restrictions on imports to improve incentives for more efficient allocation and to reduce the need for government discretion. This is based on the belief that the costs of failures outweigh the benefits of discretion on the part of an activist, developmental state.

However, government discretion cannot be dispensed with altogether, so it is important to find ways in which it can be exerted effectively. “Above all, the experience showed that government discretion cannot be bypassed. It is needed for a wide range of activities that are essential for sustaining growth, ranging from regulating utilities and supervising banks to providing infrastructure and social services. Improving institutions that support the implementation of policies, and strengthening checks on the use of discretion, are more promising guiding principles than seeking to eliminate government discretion,” (page 14). It adds, “Much of the growth success of East Asian countries can be attributed to these
countries’ ability to allow discretion by different government agencies, alongside checks on this discretion that made them accountable,” (page 14).

**Move Away from Formulaic Policy Making and Focus on the Binding Constraint(s)**

World Bank (2005 and 2008) eschews the universal application of comprehensive, top-down blue-prints, arguing that to be successful, reforms should be selective and focus on the *binding constraints* on economic growth rather than take a laundry-list approach. Experimentation and learning about the nature of the binding constraints is seen as a critical starting point for reform efforts. Situations in which a country faces many constraints that have to be addressed simultaneously are considered rare; “In most cases, countries can deal with constraints sequentially, a few at a time” (World Bank, 2005:16).

Rodrik (2007) reinforces the need for a practical agenda for formulating growth strategies as involving a pragmatic, cautious, experimentalist approach with three sequential elements. The first involves undertaking a diagnostic analysis to flag out the most significant constraints on economic growth are in a given setting. The second stage concerns creative and imaginative policy design to target the identified constraints, followed by the institutionalization of the process of diagnosis and policy response to ensure that growth does not fizzle out and the economy remains dynamic.

Undertaking growth diagnostics helps uncover the major constraints on growth, thereby addressing the ineffectiveness associated with policy reforms of the Post-Washington Consensus which do not closely target the key factors hindering growth. The focus should be on those reform areas that will yield the greatest return as opposed to the ‘spray-gun’ approach of conventional strategy. Institutional reforms in these areas are difficult to implement and do take time, hence the need to begin with a less ambitious, more selective, and more carefully targeted policy approach that can ignite growth in the short run.

Thus, top-down, comprehensive, universal solutions should be replaced by a case-by-case approach. This therefore calls for modesty and humility, and an emphasis on pragmatism, experimentation, and local knowledge. China is cited as an example of a country that during the 1980s and 1990s adopted the approach defined by its leader Deng Xiaoping’s often-quoted dictum to ‘cross the stream by groping for stones.’ A participatory political system is considered the most effective mechanism for processing local knowledge (see Rodrik, 2006, 2007).

**Key Learning Points from the Success Stories**

The Commission on Growth and Development identified some characteristics of high growth economies, which included i) serving the global economy, ii) macroeconomic stability, iii) future-orientation (high levels of savings and investment), iv) market allocation, and v) leadership and governance, including credible commitment to growth and inclusion, and capable administration.

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8 In World Bank (2008:4 and 23) the dictum is stated as to “cross the river by feeling for the stones.”
All the sustained, high-growth economies prospered by serving global markets, which provided them with an elastic market for their goods and services. It was also a source of ideas, technology and know-how. Most adopted a variety of policies to encourage investment in the export sectors in the early stages of their development which included tax breaks, direct subsidies, import tariff exemptions, cheap credit, dedicated infrastructure, or the bundling of all of these in export zones.

While macroeconomic stability was pursued in all the success stories, moderately high inflation was tolerated from time to time. For instance, Korea had double-digit inflation levels during much of the 1970s and China’s inflation reached about 24 percent in 1994. Many of these cases had budget deficits over extended periods, while some had high ratios of debt to GDP; but these did not get out of hand as the economies grew faster than the stock of public liabilities.

The critical issue is that these countries did not sacrifice long-term objectives for short-term ones, hence the tendency to have moderate deficits while securing long-term development goals (e.g. raising the levels of investment). Recurrent expenditures were not allowed to crowd out capital investments so critical for accumulation. Thailand, China and Vietnam are often cited as examples of countries that sustained spending on critical aspects such as infrastructure and social services without undermining prudential management requirements (see Roy and Heuty, 2009).

Critically, therefore, none of the economies that sustained rapid growth achieved this without recording high rates of investment (public and private - in infrastructure, education, and health). This investment drew from available savings. Such economies accrued national savings rates of 20–25 percent or higher. While countries could finance investment needs from foreign capital, the record is not impressive. Furthermore, foreign saving is an imperfect substitute for domestic saving (see World Bank, 2008).

The advantage with public investment is that it does not crowd out private investment, but rather crowds it in. Public spending on infrastructure expands investment opportunities and helps raise the net return to private investment through reducing the cost of production. It paves the way for new industries and facilitates structural transformation and export diversification. Yet investment in infrastructure is widely neglected (see World Bank, 2008). As the deputy chairman of the Planning Commission of India, Montek Singh Ahluwalia, expressed it thus, “International financial institutions, the IMF in particular, have tended to see public investment as a short-term stabilization issue, and failed to grasp its long-term growth consequences. If low-income countries are stuck in a low-level equilibrium, then putting constraints on their infrastructure spending may ensure they never take off,” (see World Bank, 2008: 36).9

Equity and equality of opportunity are critical to sustainable growth. Equity refers to outcomes or results while equality of opportunity refers to the starting points; access to nutrition, education, and job opportunities. As Robert Solow, one of the two economists

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9 See also Roy and Heuty (2009) for a detailed discussion.
that participated in the Commission on Growth and Development aptly stated, “In many ways, the more equitable the growth, the more sustainable it’s likely to be, because there will be less controversy, less disagreement, less resistance, and also there’s an enormous amount of talent in populations that needs to be tapped. Excluding some parts of the population, whether by gender, age, or ethnicity, from the benefits of growth loses the talents that they have. So in my view, it is not only desirable that they go together, it’s useful that they go together,” (World Bank, 2008: 62). In this regard, promoting gender equality and equity in education and productive employment will positively impact long-term growth and poverty reduction.

Another characteristic shared by the successful cases is the importance of a capable, credible, and committed government (strong political leadership) in order to ignite and sustain high growth over a long period. It is incumbent upon policy makers to identify a growth strategy (through a consultative and participatory approach), communicate their vision and convince the public that the future rewards are worth the sacrifice. The extent to which they succeed depends on the credibility and inclusiveness of the agenda. To do so requires patience, a long planning horizon, as well conviction about the merits of inclusive (shared) growth.

While in some instances such success cases were driven by a single-party government that had a long planning horizon, in others it was done through multi-party democracies with or without a bipartisan growth strategy. Since fast, sustained growth is not spontaneous, it requires long-term commitment by political leadership. Thus, the role of government was a strategic and coordinating one which went beyond enabling markets to function well, ensuring property rights, contract enforcement, and macroeconomic stability (see Rodrik, 2007, World Bank, 2008).

This strategic role of the state is supported by the responses by developed countries to the global financial crisis that emerged since August 2007. Contrary to the advice given to developing countries, these countries implemented large fiscal and monetary stimuli measures to kick-start recovery, a far-cry from the austerity measures developing countries would have been required to implement under similar circumstances.\(^\text{10}\) Analyzing the historical experiences of developed economies, Chang (2002) contends that the set of ‘good policies’ and ‘good institutions being foisted onto developing countries by the International Financial Institutions (IFIs) are not the policies used by the developed nations during the early phases of their development. They applied the so-called ‘bad policies’ such as protection of infant industries and export subsidies, which measures they now discourage. The chief proponents of open markets and free trade, the USA and the UK employed such ‘bad policies’ in the earlier stages of their development (see also Stiglitz, 2002), a development Chang (2002) argues is tantamount to ‘kicking away the ladder’ they used to develop.

In addition to strong political leadership, strong, technocratic teams seized with promoting long-term growth provided the necessary institutional memory and policy continuity. Good ethics and a culture of honest public service is the hallmark of credible policy formulation

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\(^{10}\) See the G20 communiqué of April 2009: [http://www/g20.org/Documents/final-communique.pdf](http://www/g20.org/Documents/final-communique.pdf)
and implementation. To achieve this requires the attraction and retention of talented people. In the context of the East Asian success stories, the challenge of ‘feeling for the stones’ rested with the highly qualified technocrats who worked in small, dedicated ‘reform teams’ (see World Bank, 2008).

The issue of the environment is also critical. Unfortunately, most developing countries are too seized with growth and consider the environment as an afterthought, indeed a costly mistake. They should instead plan the evolution of the economy bearing in mind the environmental costs and implications.

**Beyond the Rhetoric**

The stylized facts from lessons of experience with reforms are reduced to the following:

i. In practice, growth spurts are associated with a narrow range of policy reforms;

ii. The policy reforms that are associated with these growth transitions typically combine elements of orthodoxy with unorthodox institutional policies;

iii. Institutional innovations do not travel well;

iv. Sustaining growth is more difficult than igniting it, and requires more extensive institutional reform (see Rodrik, 2007: 35-43).

Considered at face value, these nuggets distilled from lessons from experience entail a radical rethink of development policy. However, the reality on the ground remains different from what is espoused in these two influential documents (World Bank 2005; 2008) as the operational activities of the Bank are yet to reflect these lessons. The IMF has tended to remain behind in its thinking and policy action as reflected in its 2005 report that sought to explain the disappointing growth experience, arguing that: “reforms were uneven and remained incomplete” (p. xiv). Its former Deputy Managing Director, Anne Krueger still maintained the failures were as a result of advisees undertaking too little reform as requested. The point being made here is that the standard policy reforms did not produce the expected results because of weak institutions (and poor implementation, i.e. meant well, tried little and failed much).

The addition of institutional reforms to the standard package of the Washington Consensus entails that the original list has been augmented by a long list of ‘second-generation’ reforms of an institutional nature. A comparison of this list with the original list is outlined in Chapter 2 (see also Rodrik, 2006 and 2007). While the original list amounted to ‘market fundamentalism,’ this augmented one is tantamount to ‘institutions fundamentalism’ that can be reduced to the mantra of ‘getting the institutions right.’ The focus on institutions in the Augmented (Post) Washington Consensus requires institutional transformation in the areas of rule of law, property rights protection, and governance, among others.

As Rodrik (2006 and 2007) points out, the problem with this approach is that cross-national literature has not found a strong link between any particular design feature of institutions

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12 See her speech aptly entitled “Meant well, tried little, failed much” (Quoted in Rodrik, 2006: 977).
and economic growth. For instance, a comparison of the experiences of Russia and China in the mid-1990s is instructive. While China attracted inordinate amounts of private investment within the framework of state ownership (township and village enterprises - TVEs), Russia could not do so under Western-style private ownership. This suggests that common goals – in this case protection of property rights - can be achieved under a different set of rules, as indicated in World Bank (2005). The rapid growth China experienced in the late 1970s was achieved with marginal changes in its system of incentives and no ownership or significant change in its trade regime at the onset. Likewise, no identifiable institutional changes preceded India’s transition to high growth in the early 1980s (see Rodrik, 2006; 2007).

The danger is that “In the limit, the obsession with comprehensive institutional reform leads to a policy agenda that is hopelessly ambitious and virtually impossible to fulfil. Telling poor countries in Africa or Latin America that they have to set their sights on the best-practice institutions of the U.S. or Sweden is like telling them that the only way to develop is to become developed—hardly useful policy advice! … So open-ended is the agenda that even the most ambitious institutional reform efforts can be faulted ex post for having left something out,” (Rodrik, 2006: 980). Scarcie political and administrative capacity could be better saved by targeting the most binding constraints on economic growth.

3. The International Aid Architecture

As the current crisis in Zimbabwe began in 1997, the international aid architecture was undergoing reform around the same time. This therefore implies that as Zimbabwe seeks to re-engage the international community as partners, it will have to catch up on the latest developments for the partnership to be effective and meet the country’s needs. While the international community has moved on without Zimbabwe’s meaningful participation, the country will have to invest in understanding these developments, in order to be a strategic player at the global level.

One of these developments is the shift in aid delivery from project-based approaches towards programme-based strategies where support is provided to the various sectors through Sector-Wide Approaches (SWAPs) and the national budget of partner countries. The Paris Declaration of 2005 provides the international framework guiding donor-partner relations. It sets out five principles to improve the efficiency of aid and its overall impact. The first principle relates to ‘ownership’, where it is the primary responsibility of the partner country to exercise leadership over its development policies and strategies and to coordinate development actions. Under the second principle of ‘alignment’, donors undertake to base their support on partner countries’ national development strategies and to be guided by their priorities and to use the systems and procedures of their partners.

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13 Rodrik (2006)’s article is sarcastically titled “Goodbye Washington Consensus, Hello Washington Confusion.”
14 While the discussion here will outline the key aspects of the evolving aid architecture, a detailed presentation is in Simpson and Doré (2009) among others.
The third principle on ‘harmonization’ requires donors to set up common arrangements within countries in the areas of planning, funding, disbursement, monitoring and reporting so that they are transparent and collectively effective. The fourth principle on ‘managing for results’ focuses on implementing aid in a way that improves decision-making to achieve development objectives. The fifth principle on ‘mutual accountability’ underscores the joint responsibility of donor and partner countries for development outcomes.

Partner countries should strengthen the role of their legislative bodies in the design of national strategies and budgetary processes and ensure the participation of the general public in the formulation, implementation, monitoring and evaluation of these strategies. Donors are required to provide timely information on their aid flows to allow partner countries to present comprehensive budget reports to their parliaments and citizens. Both donors and partner countries should undertake mutual assessment reviews (e.g. annual consultations) to monitor progress. Since 1999, countries requesting the assistance of the IFIs have to craft a comprehensive and technically sound national development strategy, a Poverty Reduction Strategy Paper (PRSP).

One of the criticisms that has been levelled against project-based lending, where discrete interventions are externally funded is that there has been little coordination amongst the donors and also between them and the partner country government resulting in duplication and waste. It has also been argued that this form of aid delivery is often accompanied by a brain drain from the public sector to the donor sector. In addition, due to the ad hoc manner in which projects are often implemented, this often results in the emergence of contingent liabilities that governments later find difficult to meet. For instance, after the hand-over of the project to the host government, recurrent expenditures such as maintenance and personnel costs often become onerous to sustain (see Simpson and Doré, 2009).

As a result of these challenges, the past decade has witnessed a shift towards programme-based approaches. However, the situation on the ground shows that this shift is still low, suggesting that fiduciary risks still loom large in the considerations by donors to transfer funds through the systems of partner countries. In addition, the pull factors associated with project-aid such as the availability of parallel funding and the material and non-material incentives associated with projects (salary top-ups, vehicles, consumables, training, and travel opportunities), continue to exert pressure in favour of its sustenance. Furthermore, the high visibility of stand-alone projects holds sway, as well as the ease of attribution and evaluation of impact of stand-alone projects compared to programmatic aid flows (see Simpson and Doré, 2009).

**Poverty Reduction Strategy Papers (PRSPs) and International Debt Relief**

Developments in the late 1990s played a critical role in re-shaping the aid architecture. The adoption of PRSPs by the Boards of the IMF and World Bank in September 1999 had a major influence. All concessional lending by the IFIs and debt relief became conditional on the development of PRSPs. According to the IMF, these PRSPs had the following characteristics:
• Country-driven, developed by governments with the broad participation of civil society, elected institutions and relevant IFIs;
• Developed from an understanding of the nature and determinants of poverty and the links between public actions and poverty outcomes;
• Recognised that sustained poverty reduction will not be possible without rapid growth;
• Oriented toward achieving outcome-related goals for poverty reduction, (IMF, 2000:2).

The PRSP also acts as a framework for co-ordinating development assistance. It is prepared through a consultative process every three years, with annual updates based on annual update reports. All countries seeking assistance (debt-relief) under the Highly-Indebted Poor Country initiative (HIPC) are required to have a PRSP in place by the decision-point or an Interim one (I-PRSP).\(^{15}\) Where a country is unable to prepare a PRSP by the HIPC decision point, an interim PRSP should be endorsed by the Boards of the IMF and World Bank. To access debt relief, an eligible country must have adopted a PRSP and made some progress in implementing it (for at least 1 year) by the completion point. The I-PRSP covers the following:

• Broad elements of the poverty reduction strategy and outline of the timeframe and consultative process to develop a full PRSP;
• Jointly agreed three-year macroeconomic framework;
• Policy matrix on poverty reduction.

According to Simpson and Doré (2009), the fact that PRSPs now lie at the heart of the international development discourse is reflected in that by March 2008, there were over 70 full PRSPs that had been submitted to the Boards of the IMF and World Bank for ‘sign off.’

While PRSPs have resulted in increased focus on poverty by governments, civil society and international partners, a noticeable improvement in national poverty analysis, enhanced databases and statistical skills, trade unions and other civil society groups have raised concern about the macroeconomic framework, which reflects that of the discredited SAPs (see ANSA, 2006).\(^{16}\)

At the 2005 summit of the G8 countries, it was proposed that the IMF, World Bank and AfDB cancel 100 percent of the debt of countries that had or would reach completion point under the HIPC initiative. Debt accumulated prior to end of 2004 was covered under this initiative. By the end of January 2009, 23 countries that had reached HIPC completion point had benefited from this Multilateral Debt Relief Initiative (MDRI). Ten HIPC currently at decision-point (the Interim Countries) were also eligible for MDRI once they reached HIPC completion point. As at end of 2006, 22 post-completion point HIPC (18

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\(^{15}\) A detailed discussion of the processes involved is in Simpson and Doré (2009).

\(^{16}\) The World Bank and IMF assumed that the SAPs and PRSP policies can be integrated into ‘a consistent macroeconomic framework’ with the two working in the same direction – reducing poverty. In this regard, PRSP policies have not integrated the need to move away from universal policy blueprints.
from SSA) benefited from the HIPC initiative, and these also benefited from the MDRI, 10 post-decision-point HIPCs (8 from SSA) and 9 pre-decision-point countries (7 from SSA) (see Simpson and Doré, 2009).

Evidence suggests that the reduction in debt servicing requirements increased poverty-reducing spending through enhanced fiscal space arising from debt relief, reflecting the link between HIPC, MDRI debt relief and PRSPs. However, these countries have not made significant improvements in domestic resource mobilization and export performance remained stagnant. Worse still given that international debt relief efforts were meant to ensure a permanent exit from rescheduling, some slippage is evident. Of the 13 post-completion countries for which data was available in 2005, external debt sustainability deteriorated in 11 cases, with 8 above HIPC thresholds.

As Simpson and Doré (2009) point out, “One possible lesson to be drawn is that international debt relief efforts, in and of themselves, are not sufficient to improve export diversification, national debt management capacity or the ability of developing economies to cope with external shocks through either a deterioration of terms of trade or fluctuations in exchange rates,” (2009: 13). Apart from the dangers of slippage, another worrying issue is the ‘moral hazard’ associated with continual extensions of international debt relief which might constitute an incentive for debtor countries to increase their borrowings to unsustainable levels and avail themselves once again of debt relief.

These issues are of particular importance to Zimbabwe given her debt burden, which is unsustainable (see Chapter 2). If Zimbabwe were to follow the international debt relief approach, it would have to first be reclassified as a Low Income Country, an issue that has created heated exchanges within the Inclusive Government. One approach favoured by some civil society groups involves developing a negotiating strategy based on the need for a resource audit in order to evaluate the extent of the ‘odiousness’ of the debt (see Chapter 2).

**The Millennium Development Goals (MDGs)**

In September 2000, 189 heads of States and Governments adopted an ambitious programme of poverty reduction at the UN. This programme set out 8 goals to be achieved by 2015; the Millennium Development Goals (MDGs). The first goal concerns halving poverty by 2015. As a signatory to the Millennium Declaration, Zimbabwe sort to address all eight MDGs, while prioritizing the following three: Goal 1: Eradicate Extreme Poverty and Hunger; Goal 6: Combat HIV and AIDS, Malaria and Other Diseases; Goal 3: Promote Gender Equality and Empower Women.

The U.N. Millennium Project sees the current levels of foreign aid as the significant constraint on global poverty reduction, calling for a significant increase in aid to finance public investments in infrastructure and human capital and enhance health care delivery and the productivity of agriculture. The understanding of the U.N. Millennium Project is that low-income countries are stuck in a low-level equilibrium, a “poverty trap” which requires a ‘big push’ by way of external aid. Its premise is that we know enough to mount ‘a bold,
ambitious, and costly effort' to eradicate world poverty (see UN Millennium Project, 2005). It computes the required growth rates (7 percent for Africa) in order to meet the first MDG. However, this viewpoint has been criticized for failing to be modest about what is known about the determinants of growth, which are country specific (see Rodrik, 2006). The fact that no SSA country is in a position to meet the first goal is illustrative of the ambitiousness of the project. This calls for a more cautious, pragmatic, experimental case by case approach (see Rodrik, 2006 and 2007). Furthermore, the issue of scaling up aid is coming at a time strident calls are being made to improve the effectiveness of aid (see Simpson and Doré, 2009).

4. The Underlying Values and Principles of the Alternative Framework

As stated above, there is a rare historic opportunity for implementing alternative policy frameworks based on the distillation of lessons from experience. Convictions on either extreme of the policy divide (statism versus markets) are showing signs of softening, creating space for creativity and innovation. Significantly, the responses to the current global crisis in the developed world, evinced in fiscal and monetary stimuli packages, provides a critical departure point from the erstwhile faith in unbridled market forces.

Furthermore, the state of aid architecture, with its emphasis on country ownership of development strategies, provides a unique historical opportunity for country-based strategies that are collectively formulated, implemented, monitored and evaluated. In addition, the emergence of China, India and Vietnam, countries that were the epitome of statism on the basis of ‘reaching for the stones’ in order to cross the river, is instructive. This demystifies the notion that those countries that have defied the odds and made it are ‘economic miracles.’ We agree with the Commission on Growth and Development (see World Bank, 2008) that looking at these cases this way is a misnomer; sustained and inclusive growth can be explained and is achievable.

The alternative development framework espoused here draws from, and builds on the policy frameworks outlined in the ‘Beyond ESAP’ book (see ZCTU, 1996) and the Alternatives to Neo-liberalism in Southern Africa book (see ANSA, 2006). It implies a human rights approach as a critical aspect of it. Three variants of human rights can be identified: i) the political or civil rights (or “blue rights”), ii) economic rights (or “red rights”), and iii) social and cultural rights (or “green rights”). These rights are universal, and mutually inclusive, implying one cannot be fully enjoyed without the other.

The right to an adequate standard of living encompasses several more specific rights: the right to food, the right to health, the right to water, the right to necessary social services, the right to clothing and the right to housing. The right to an adequate standard of living requires governments to consistently improve these rights. Because of their public good status, (non-rivalry in consumption and non-excludability), human rights should not be put on the market, which discriminates, especially against the poor; they should be in the public domain. Their enjoyment is facilitated by the adoption and implementation of people-centered and driven inclusive (humane) development strategies, implying a human rights approach to development is essential.
The ANSA study (2006) develops a comprehensive alternative strategy with key building blocks based on humane principles and values. It hinges on a “bottom-up” process that looks at the development process in a holistic manner as illustrated in Figure 3 below.

This means considering three basic factors:

a) The “social factor”, meaning how people’s basic human rights are safeguarded and how vulnerable people are protected against poverty and exploitation.

b) The “democratic factor”, meaning how the political system functions, how decisions are made and implemented, how resources and opportunities are distributed and how justice and fairness is achieved.

c) The “global factor”, meaning how the system works at global level, how decisions are taken and implemented, how global resources are controlled and distributed and how this global system affects Africa.

This entails a human rights approach to development which encompasses human rights, community rights and the right to national or regional self-determination. It also deals with issues of equity and fairness in the distribution of resources at local, national, regional and global levels. The provision of social services such as water, energy, health and education cannot be guaranteed for all if they are left to market forces. Social services and public utilities are not matters to be privatized as they are part of basic human rights and states have the responsibility to secure them for all their people. The state must therefore be developmental as well as ethical, responsible and accountable to the people.

Figure 3: A holistic bottom-up approach

Summary of the ANSA strategy
The main elements of the proposed ANSA strategy can be summarised into 10 points:

i) It is a people-led (as opposed to an IMF-World Bank-WTO donor-led) strategy. It proposes:

ii) An alternative production system primarily based on domestic demand and human needs and the use of local resources and domestic savings. It also proposes the “horizontal” integration of agriculture and industry;

iii) A grassroots-led regional integration as opposed to the current fragmentation by the powerful forces of globalisation;

iv) Strategic engagement with the international community in order to protect and advance national and regional interests;

v) An alternative policy on science and technology based on harnessing the collective knowledge and wisdom of the people;

vi) Forging of strategic alliances and networks with progressive forces at national, regional and global levels;

vii) A politically governed redistribution of wealth and opportunities from the formal to the non-formal sectors of the economy;

viii) Women’s rights as the basis for a healthy and productive society;

ix) An education system that addresses the needs for sustainable human development by improving technical, managerial, research and development skills;

x) The creation of a dynamic, participatory and radical democracy, which regards peoples’ mobilisation, demonstrations, open hearings as part of the struggle for an ethical and developmental state.
References


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