The Centre for International Governance Innovation

WORKING PAPER

State Fragility

# Zimbabwe in Crisis: Mugabe's Policies and Failures

Hany Besada
Nicky Moyo

Working Paper No. 38
October 2008

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Thank you for your interest,

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## Abstract

Exemplifying the negative consequences of a variety of inappropriate fiscal and social policies, Zimbabwe has failed to realize its potential to become a strong, independent state, going from the admiration and envy of its neighbours to near-complete collapse and abject poverty. Economic turmoil, caused by failed land reforms and inflation, combined with increased malnutrition, and evaporating access to education, health care, and employment have only exacerbated unrest, particularly for constituencies who receive few benefits from President Robert Mugabe's regime. This paper assesses Zimbabwe's social, political and economic crisis and its impact on Zimbabweans, indicating the steps needed for national recovery and sustainable development.

## 1. Introduction

In 1980, Zimbabwe emerged from British colonial rule under the leadership of Robert Mugabe and his independence movement. With its strong colonial infrastructure, a high level of social cohesion, and an abundance of government promises for reform, equality, and African autonomy, Zimbabwe arguably had enormous potential to become a strong independent African state.

Within the first decade of independence, however, President Mugabe had reneged on his promises to provide Zimbabweans with basic government services, adequate living standards, and a democratic and representative government that embraced the rule of law and fundamental human freedom, and the country began to spiral out of control.

Economic decline was quick to follow, and Zimbabwe saw a re-emergence of ethnic tensions along both regional and political lines. One lingering issue that haunted the newly independent state was the slow progress of land redistribution. Before independence, the country had undergone a series of land resettlement programs, many of which were guided by the United Kingdom in favour of white settlers. Yet, successful changes have yet to materialize: land continues to be used primarily as a means of bolstering political support, despite government claims of unbiased redistribution in the interest of the landless peasants who have tilled the land for decades. Mugabe and his ruling party, the Zimbabwean African National Union – Popular Front (ZANU-PF), have met threats of chaos with increasingly authoritarian policies, which inevitably have sparked further discontent across the country.

The country's land crisis and its aggravating effect on economic stability and growth reveal a country that has gone from the admiration and envy of its neighbours to near-complete collapse and abject poverty. The key to economic recovery will be the resolution of the long drawn-out struggle for a successor to President Robert Mugabe. The final outcome is likely to be determined not so much by open processes in the ruling party as by the dominant constituencies, such as the armed forces, whose leadership is increasingly represented in both government and business.

## 2. The National Crisis

In the decade following independence in 1980, Zimbabwe recorded solid economic growth of approximately 2.9 percent, well above the southern African regional average of 1.7 percent (UNCTAD, 2007b). Meanwhile, living standards improved significantly, with life expectancy reaching 59 years in 1990, before collapsing to 37 years in 2005 (World Bank, 2007). By 1999, Zimbabwe had begun to experience a deepening economic collapse of unprecedented proportions. The crisis was attributed to a number of political, economic, and environmental factors, and largely blamed on the Mugabe government's ill-fated policies. These policies can be placed categorically within the context of poor governance, economic mismanagement, and loss of support of the international community, following repeated human rights violations and manipulated electoral processes and failed elections, all compounded by periods of drought. The collapse was triggered by the government's decision in 1997 to ignore fiscal constraints by making large payments to veterans of the independence struggle, as a way of buying their loyalty and political support in the upcoming elections.

The strain of years of deficit spending on the so-called war veterans and social welfare programs and growing corruption in government began to show. Increasing numbers of well-educated high school and university graduates left school to face an unemployment rate of 40 percent and slim prospects for decent jobs. Veterans of Zimbabwe's liberation war also began to feel the pinch of a declining economy and to agitate government for greater monetary assistance for their efforts in the liberation struggle. The government also failed to resolve the land reform question[1] – a matter of social injustice in Zimbabwe – and the commercial farmers became a pressing issue.

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[1] The Anglo-Ndebele War (1893-1894) between white settlers in Masholand and blacks in Matabeland resulted in Matabeland's being brought under the rule of the British South African Company (BSAC). Indigenous populations were forced off their land or to pay heavy taxes to the BSAC. *The Land Apportionment Act* (1930) allocated fixed reserves to inhabitants, with blacks given land that had been rejected by the European settlers. The rest of Rhodesia was deemed "European Areas," which witnessed development and further white settlement in the form of large-scale commercial farms. White settlers increased from 80,000 in 1945 to 220,000 in 1960, and blacks continued to be forced onto communal land to make room for incoming white farmers. With independence in 1980, large-scale commercial farms occupied 15 million hectares (of a total 33.2 million hectares), while small-scale black commercial farmers occupied only 1.6 million hectares, each farm constituting an average size of 2,000 hectares.

With the Lancaster House Agreement in 1979, then prime minister of Zimbabwe Abel Muzorewa and the Patriotic Front, led by Robert Mugabe, agreed to join in negotiations with the British to determine land distribution policies for independence. The agreement provided for all white farmers to retain their lands for at least ten years. The UK government declared that compensation would be paid to Mugabe's government when white owners were willing to sell their farms and that it should be based on the "willing-seller/willing-buyer" principle. Moreover, only underutilized land would qualify for compulsory purchases and had to be purchased at market prices. In exchange, the United Kingdom would fund half the cost of a resettlement scheme for black farmers and encourage other foreign donors to do the same. The UK government informally promised £75 million for land reform, while the United States would provide US$200 million. The United States actually never gave money for land purchase or distribution; rather, it provided funds for the purchase of agricultural inputs (such as tractors and food), which, it argued, could replace the need for redistribution.

During the 1980s, the UK government provided £44 million, although £3.5 million was suspended in 1989 due to accusations that Zimbabwean government officials had received sums of money to buy more than 15 percent of the land allocated for redistribution. In 1991, the Lancaster House Agreement expired, but the country remained tied to the "willing-seller/willing-buyer" principle, and no drastic action was taken until 1997.

In January 1998, the Zimbabwean government announced a substantial price increase in basic foodstuffs, with cornmeal, cooking oil, bread, and sugar all doubling in price. The economic crisis, brought about by high interest rates and inflation, a weak currency, and rising unemployment, provoked riots, civil disobedience, and massive support for the Zimbabwean Congress of Trade Unions. Residents of the cities of Mutare, Harare, and Bulawayo witnessed days of looting and destruction of property. In response to these developments, and to ease unemployment and a food shortage, Mugabe sought to re-energize the economy by redistributing white-owned land to landless black peasants and war veterans. In the process, riot police killed dozens of people, and many Zimbabweans were shocked at the lawlessness of their once ordered, prosperous, and peaceful country.

Seeing the train coming, international money markets began devaluing the Zimbabwean dollar. Between April and October 1998, the currency lost half its value, plummeting from 17 to the US dollar to 38. In January 1999, an agreement between Zimbabwe's central bank and the commercial banks pegged the Zimbabwean dollar at 38 to the US dollar. That exchange rate could not be justified for very long, however, and inflation began to grow, peaking at about 70 percent in 1999 (McDonald, 2000).

In 1998, Zimbabwe took part in a donor conference to establish the ground rules for the redistribution of land in a legal, transparent, orderly, and just manner. Many agreed that there was inequity in the ownership of land in Zimbabwe and that land reform was a matter of social justice. Mugabe stressed that Zimbabwe would be able to realize economic development for its people only if land were redistributed fairly. The international community felt, however, that land reform should be conducted on the basis of the willing-seller/willing-buyer principle. It stressed, moreover, that the provision of land to

Zimbabwe's rural poor was only the initial step in a process that had to include access to capital, training, and support with regard to infrastructure, such as roads and markets, needed for economic development – an issue on which both the commercial white farmers and the government had dragged their feet since independence in 1980.

In April 2000, when it became clear that the land reform process agreed to in 1998 had broken down because of illegal land occupation and continued lawlessness on farms, the donor nations first suspended, then, in September terminated their support for the process. Two months later, the Mugabe government provided the political framework for the land ministry to confiscate 70 percent of the best farming land owned by whites, who represented approximately 0.7 percent of the population, and redistribute it to landless blacks without compensation. In October 2000, as a new report described,

> the veterans marched onto some 2,000 farms, threatening white farmers and assaulting their black workers. Local courts twice ruled that farm occupation was illegal and ordered government to drive off veterans and their supporters. As a result, Mugabe's land grabbing effectively crippled Zimbabwe's commercial industry, which was once dominated by 4,500 mainly white farmers and which, in the past, had constituted some 20 percent of the country's GDP and 40 percent of its export earnings. (Hawthorne 2000, 98)

As a result, many Western donor nations and organizations halted economic aid to and investment in Zimbabwe. In October 2000, for example, the World Bank announced that it would extend no more loans to Zimbabwe.

The violence and economic disruption that have accompanied land reform have left a scar on the face of Zimbabwe. In the ongoing anarchic and frequently violent redistribution of land, the winners, often so-called war veterans, have had little or no farming experience, while up to two million farmhands and their dependents, constituting 15 percent of the population, have faced internal displacement and unemployment, worsening still further the country's political and economic turmoil. Moreover, the displacement has come amidst an increasingly critical situation in the agricultural sector. There is little fuel to transport grain to mills, and, intimidated by the armed land invasions, many commercial growers have not planted for the next season, raising fears of prolonged food shortages for years to come. The economic turmoil has succeeded, in turn, in worsening social unrest, as the people have seen Mugabe's land reforms and promises of higher standards of living bear little fruit. Zimbabwe, virtually bankrupt – with little tax revenue coming in from former major taxpayers like the commercial farmers – and its foreign exchange reserves reduced to nothing, saw long queues for gasoline, cooking oil, and bread.

With the continuing deterioration of Zimbabwe's economic conditions (see Table 1), inflation has skyrocketed. In May 2008, the official annual inflation rate reached 1 million percent, the highest in the world. Zimbabwe's high inflation rate could be blamed on an extremely large public sector and subsidized loans to priority sectors – agriculture, in particular. Despite relatively strong revenue collection, the fiscal deficit – including quasi-fiscal activities by the Reserve Bank of Zimbabwe to support parastatals and other strategic sectors that were showing a loss[2] – was equivalent to more than 80 percent of the country's

[2] A quasi-fiscal operation is an operation or measure carried out by a central bank or other public financial institution, with an effect that, in principle, can be duplicated by a budgetary measure in the form of an explicit tax, subsidy, or direct expenditure, and that can have an impact on the financial operations of the central bank and other public financial institutions (see Mackenzie and Stella, 1996).

Table 1: Macroeconomic Data, Zimbabwe, 2000 and 2006

| Indicator | 2000 | 2006 |
|---|---|---|
| Gross national income (GNI) (current US$ billions) | 5.7 | 4.5 |
| GNI per capita (US$) | 450 | 350 |
| Gross domestic product (GDP) (current US$ billions) | 7.4 | 3.4 |
| GDP growth (annual %) | -7.9 | -5.3 |
| Current account balance (% of GDP) | | -17.2 |
| Total external debt (% of GDP) | | 124.5 |
| Total external debt (US$ billions) | 3.8 | 4.7 |
| Foreign direct investment (current US$ millions) | 23.2 | 40.0 |
| Official development assistance and official aid (US$ millions) | 175.8 | 279.8 |

Source: United Nations Development Programme, 2007

gross domestic product (GDP) in 2006.[3] With limited scope for external financing, a large part of the public sector's financing needs were met via money creation, which further fuelled the rapid monetary expansion and a sharp rise in inflation. The Zimbabwean dollar continued to lose value, trading for about Z$6 million to the US dollar in January 2008 and falling to Z$70 million to the US dollar by March 2008, even though the official rate was Z$30,000 to the US dollar (Robertson Economic Information Services, 2008).

Looking at the broad structure of the economy, most sectors have been severely affected since the launch of the land reform program.[4] Agriculture's share of GDP declined from 20 percent in 2001 to 15 percent in 2006, while manufacturing's share

[3] The World Bank placed Zimbabwe on nonaccrual status in October 2000, making the country ineligible for International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) loans granted on a concessionary basis and requiring clearance of arrears before new loans can be made. As of September 2007, the Work Bank had approved 19 IBRD loans and 14 IDA credits for a total of approximately US$1.6 billion, although inactive due to the arrears situation.

[4] The figures in this paragraph were provided by John Robertson, a leading independent Zimbabwean economist.

declined from 19 percent in 2001 to 15 percent in 2006. The services sector's contribution to Zimbabwe's GDP decreased slightly from 58.9 percent in 2001 to 57.2 percent in 2006, although this figure should be seen in the context of a drop in the share of value-added products in the social services sector from 10.8 percent in 2001 to 7 percent in 2006. Mining was, to a certain extent, spared the sharp declines elsewhere in the economy, with its share of GDP increasing from 3.8 percent in 2001 to 6.4 percent in 2006, thanks to continuing Chinese investment in platinum mines. In 2006, an estimated 65.8 percent of the labour force was engaged in industry and the services sectors combined, while another 32.4 percent worked in agriculture (CSO and Macro International Inc., 2007).

## 3. Human Development

In 2007, according to the UN Development Report, Zimbabwe ranked one hundred and fifty-first out of 177 countries surveyed (UNDP, 2007), and the portion of the Zimbabwean population living below US$1 a day stood at more than 80 percent in 2006, up from 36 percent in 1990 (United States, 2007). Life expectancy collapsed from 59 years in 1990 to 37 years in 2005, and is now among the lowest in the world, apparently the combined result of declining nutrition and the spread of the HIV/AIDS epidemic (see Table 2). According to estimates of the World Food Program, at least 44 percent of the Zimbabwean population is malnourished (United Kingdom, 2008). Moreover, in 2006, Zimbabwe reported one of the highest ratios of orphans to population in the world, with an estimated 1.6 million orphans out of a population of 12 million. Much of this is due to the prevalence of HIV/AIDS.

Although literacy rates among the adult population continue to remain close to 90 percent, the country's educational system has declined with regard to both quality and resources. Rising

Table 2: Human Development Indicators, Zimbabwe, 1990-2006

| Indicator | 1990 | 1994 | 1997 | 2000 | 2003 | 2006 |
|---|---|---|---|---|---|---|
| Population | 10.6 | 11.6 | 12.2 | 12.6 | 12.9 | 13.2 |
| Population growth (% per year) | | | | 1.1 | | 0.8 |
| Life expectancy at birth (years) | 58.6 | 40 | 43.8 | 39.8 | 37.2 | 37.3 |
| Infant mortality rate (per 1,000 live births) | 52 | 64 | | 68 | | 81 |
| Under-five mortality rate (per 1,000) | 76 | 99 | | 117 | | 132 |
| Prevalence of HIV (% of ages 15-49) | | | | | 22 | 20.1 |
| Incidence of tuberculosis (cases per 100,000 population) | 135.1 | 333.6 | 537.7 | 646.6 | 678.6 | 601.0 |
| Aid per capita (current US$) | 32 | 41 | 27.5 | 14 | 14.5 | 21 |
| Population undernourished (% of total population) | 45 | | | | | 47 |
| Human Development Index | 0.654 | 0.613 | | 0.541 | | 0.513 |
| Adolescent fertility rates (births per 1,000 women ages 15-19) | | | | 85.5 | 64.2 | 61.8 |
| Population living below US$1 a day (%) | 25.8 | 34.9 | | | | 56 |
| Population living below US$2 a day (%) | | | | | | 83 |
| Adult literacy rate (% ages 15 and older) | 80.7 | | | | | 89.4 |
| Internet users (per 100 people) | 0 | | | 0.4 | 7.6 | 9.2 |

Source: UNCTAD 2007b; World Bank 2007

poverty and hunger, particularly in rural areas and disadvantaged communities, have contributed to declining school enrollment, erratic attendance, and a high dropout rate. In 1990, gross secondary school enrollment stood at 48 percent, but by 2005 it had fallen to 36 percent, complicating Zimbabwe's future human capital development efforts. Despite a general improvement in the provision of primary education, quality has been decreasing due to high teacher-to-pupil ratios, high book-to-pupil ratios, and increasing economic hardship (Zimbabwe, 2004). Government attempts to soften the effects of poverty and HIV/AIDS through a program called the Basic Education Assistance Module, which supports children from disadvantaged communities, has yielded little success due to a failure to provide adequate budget financing, the absence of budget support from external donors, and mis-appropriation of funds.

Zimbabwe's progress towards achieving universal education levels also appears to be under threat from population movements into newly resettled areas under the fast-track land reform program, high attrition levels among teachers – between January and April 2007, at least 4,500 resigned due to poor wages – the further depletion of human resources from the effects of HIV/AIDS, and an ongoing brain drain, particularly to South Africa. For its part, South Africa is turning to Zimbabweans to fill its own severe shortage of mathematics and physical science teachers at both the primary and secondary levels (Honey, 2007). With a relatively stable economy and salaries above the poverty line, South Africa has become a natural destination for many Zimbabwean teachers who are eager to leave the country – some have reportedly taken up menial jobs in the construction and agriculture sectors in South Africa during Zimbabwean school holidays in order to supplement their meagre wages.

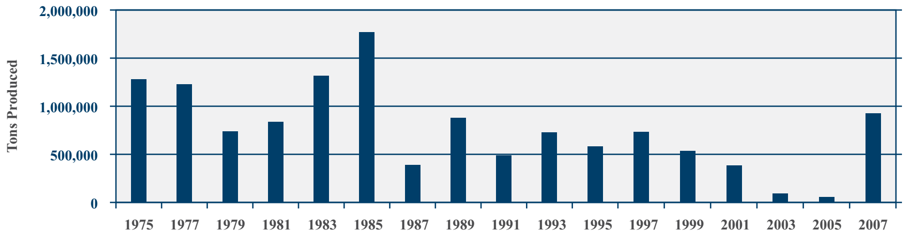
In 2005, the government launched a national policy to promote the use of information and communication tools in certain sectors of the economy. As part of that program, schools were targeted for new computer hardware and software, but chronic electricity shortages and a lack of rural electrification, the migration of teachers to neighbouring states, and high mortality among teachers due to the HIV/AIDS pandemic have thwarted attempts to yield satisfactory results. Indeed, the country lags in the development of information and communications technology generally: in 2006, it ranked one hundred and thirty-fifth out of 195 economies in terms of mobile phone penetration, and one hundred and tenth in terms of Internet penetration (UNCTAD, 2007a). As the government itself concedes (Zimbabwe, 2004), challenges remain in taking education beyond the digital divide, a key to achieving the country's Millennium Development Goals.

## 4. Food Security

Zimbabwe is an agriculture-based economy: about 70 percent of its population resides in rural areas and earns a living largely from subsistence farming, and agriculture contributes 17.6 percent of Zimbabwe's GDP, followed by manufacturing, with 11.5 percent. Yet, the most recent UN Development Report (UNDP 2008) found that around 5.8 million Zimbabweans, or 44 percent of the population, were undernourished. In December 2007, the UN World Food Programme (WFP) – which has been distributing food aid since 2002 to millions of Zimbabweans who are entirely dependent on outside intervention – warned that Zimbabwe was one of seven famine “hotspots” and that more than 4.1 million people would need food assistance by summer 2008. Human rights organizations within the country believe, however, that the WFP's estimate is far too low, since it does not take into account that a sizable segment of the population is nominally employed at best. The food security problem is exacerbated by the Mugabe government's refusal for several years to acknowledge its seriousness, even as human rights organizations, multilateral institutions, Western governments, civil society, and the opposition have accused the ruling party of controlling the supply of food and food aid and of using food as a political weapon to weaken the opposition and strengthen its support among rural, impoverished Zimbabweans. During the recent elections, for example, the government was found to have coerced desperate people in the rural areas into voting for it.

In May 2007, the Famine Early Warning System Network (FEWS NET) reported that prolonged dry spells during the 2006-2007 harvest season in most southern districts had contributed to low yields of cereals – maize (corn), in particular. Northern districts received comparatively ample rainfall, but yields in

Figure 1: Maize (Corn) Production, Zimbabwe, 1975-2007




Source: Robertson Economic Information Services, 2007

these areas were affected by frequent fertilizer shortages. In August 2007, FEWS NET stated:

> Protracted economic decline, exacerbated by a poor 2006-2007 harvest, as well as current and potential future disruptions of food supply, due to recent price controls and eminent restrictions on basic commodity imports, have caused a significant decrease in Zimbabwe's food security, especially in the south-west and in urban areas. (FEWS, 2007)

Although Zimbabwe once reaped large harvests of cereals such as maize (see Figure 1), cereal production in the 2007-2008 crop year is expected to meet only 55 percent of Zimbabwe's requirements, and an additional 1.03 million metric tons of cereal imports will be needed. Of this amount, some 839,000 metric tons, or about 81 percent, have reportedly been imported. But chronic shortages of foreign currency – needed to pay for such basics as fossil fuels, electricity, medicine, and fertilizer[5] – and the vanishing purchasing power of the Zimbabwean dollar

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[5] Price controls have greatly reduced the output of Zimbabwe's main domestic fertilizer companies, and the country has gone from a net exporter to a net importer of fertilizer, putting further strain on foreign exchange reserves.

will pose a serious challenge for the government in its attempt to make up the cereal shortfall.[6] The country thus will need substantial assistance in 2008. The WFP and the Consortium for Southern African Food Security Emergency tentatively plan to import about 352,000 metric tons of supplementary food aid, mostly in the form of maize. While it is conceivable that these import requirements can be met, there are concerns about the ability of the Grain Marketing Board to distribute the food – in the past, the board's efforts have been erratic and local shortages are common (FEWS, 2007). The poor 2006-2007 harvest and the continued shortage of foreign currency are expected to fuel further inflation, with the ever-increasing cost of living weighing heavily on poor households. Maize prices increased by more than 50 percent from January to March 2007, and those few farmers with stock remaining from the 2005-2006 harvest held onto their grain for their own consumption, causing further shortages in the local market.

In an attempt to improve food security, the government is encouraging a shift from mainly rain-fed agriculture to irrigated crop production in the smallholder sector. The target is to increase maize productivity to 3,000 metric tons per hectare by 2015 (Zimbabwe, 2004). Currently, land tenure issues, including property rights, have prevented commercial banks from engaging in lending in the agrarian sector. All land for agricultural use is held by the state, and 99-year leases are held by all individuals who have been allocated farms. Moreover, lack of mechanization, fuel shortages, and persistent power shortages have reduced the land available for tillage.

[6] "Zimbabwe: Food security forecast to worsen," *IRIN: Humanitarian News and Analysis,* August 2, 2008. Available at: http://www.irinnews.org/Report.aspx?ReportId=77703.

The Reserve Bank of Zimbabwe, through its much criticized quasi-fiscal activities to induce agricultural output, introduced a range of price-support structures, including subsidies on fuel, fertilizers, and farm equipment. Most of this funding was channelled through the state-controlled Agriculture Bank. Reports indicate that most of the loans were nonperforming, with the majority of funds being used for activities other than farming, such as trading fuel and commodities on the parallel market. In his 2007 budget speech, the minister of finance announced that all quasi-fiscal activities would be transferred to the national budget, but there is no evidence so far to indicate that the Reserve Bank has refrained from undertaking quasi-fiscal activities – in fact, the Reserve Bank, in its April 2007 monetary policy statement, announced a new range of price-support structures for tobacco. Zimbabwe's failure to address continuing central bank quasi-fiscal losses – estimated to have been the equivalent of about 75 percent of GDP in 2006 – has interfered with both monetary management and the independence and credibility of the Reserve Bank. Since such losses are financed through money creation or the issuing of Reserve Bank securities, they are the chief contributor to Zimbabwe's hyperinflation. In Zimbabwe, however, inflation has been blamed on the Reserve Bank's substantial quasi-fiscal activities, rather than on conventional government deficits: the average central government deficit between 2003 and 2005 was below 3 percent of GDP and, since 2001, the primary balance has been in surplus every year except 2004.[7] In fact, quasi-fiscal activities, massive price distortions, and poor governance in the public sector have placed

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[7] For evidence on the close relationship in Zimbabwe between money and inflation until 2004, see Munoz (2006). The empirical results indicate that, except for 2004, a stable demand for money as a function of the parallel market exchange rate, inflation, and real output can be found in Zimbabwe.

an unbearable burden on public finances. Fiscal expenditure will need to be prioritized within a tight regime, with increases targeted at safety nets and food security.

## 5. Regional Spillover

The evolving, interrelated, and deteriorating social, economic, and social crisis in Zimbabwe has contributed to an unprecedented exodus of Zimbabweans, with more than 3.5 million people, approximately 25 percent of the population, having emigrated over the past few years to countries such as Zambia, Botswana, the United Kingdom, Australia, and United States, and particularly South Africa, which, by conservative estimates, more than a million Zimbabweans have entered, the majority illegally (Pendleton, 2006).[8] Large numbers of Zimbabweans are believed to make it to the streets of Gauteng province, South Africa's industrial and commercial hub, as traders and migrant workers.[9] The problem is exacerbated by South African visa

[8] According to South African immigration officials, at least 180,000 Zimbabweans were deported between June 2006 and December 2006 (Honey, 2007), while the International Organization for Migration (IOM) reports that, from January to June 2007, more than 100,000 Zimbabweans were deported from South Africa. In 2007, IOM opened a repatriation facility on the Zimbabwean side of the Beit Bridge border post to provide food, transport, and assistance to deportees.

[9] Explanations for the motives and drivers of external migration from Zimbabwe are varied, according to the Zimbabwe Torture Victims Project (2005), which conducted a “snap” survey of 236 Zimbabweans living in Gauteng in 2005. While the findings were not representative of all Zimbabweans living in Gauteng, the majority of those surveyed identified deteriorating economic conditions as having caused them to leave in the hope of finding better opportunities in their more prosperous southern neighbour. A large number of respondents indicated that political repression by the state had strengthened their determination not to return to Zimbabwe until political and economic conditions improve with the departure of Mugabe from office. Merely 20 percent of the respondents held valid permits to be in South Africa, while another 16.5 percent had either asylum applications or refugee permits. The majority (62 percent) had held a skilled or semi-skilled position at one time or another in Zimbabwe.

requirements for would-be Zimbabwe travellers and by a corrupt South African Home Affairs Department, which makes it increasingly easy to obtain illegal identity cards and work permits.

These developments are raising growing concerns in South Africa, where studies indicate a direct link between crime and illegal migration, not only from Zimbabwe but also from another impoverished neighbour, Mozambique. Growing xenophobia towards foreign black workers is evident in the South African public and media – the newspaper *Daily Sun* has called for the erection of a "Great Wall of China" along the border to keep out Zimbabweans. In recent months, violence targeted at foreign migrants from southern Africa has flared in townships and cities across South Africa, claiming more than 62 lives, displacing more than 100,000 people, and leading to 400 arrests. In an unprecedented move, South African president Thabo Mbeki ordered the deployment of troops to assist police in quelling the violence. Zimbabwe and Mozambique have subsequently begun "voluntary repatriation" of their citizens.

Today, approximately 50 percent of households in Zimbabwe are being sustained by remittances from abroad, mostly from family members and friends working in unskilled positions or in South Africa's informal economy (Zimbabwe, 2007). These remittances provide a social safety net for many desperate households. Remittances move mostly through informal channels, due to foreign-exchange controls, inconsistent monetary and exchange rate policies, and the prohibition of operations by money transfer agencies in Zimbabwe. A growing number of traders now cross the border to buy in South Africa commodities such as soap, cooking oil, and foodstuffs, which are destined for resale in Zimbabwe. These traders have become the lifeline for many local retailers in Zimbabwe, who are increasingly dependent on these supplies of basic commodities following the collapse of local manufacturing. Remittances are also an important source of scarce foreign exchange, injecting approximately US$490 million into the national economy every year (Zimbabwe, 2007). In an effort to harness funds from Zimbabweans in the diaspora, the Reserve Bank of Zimbabwe launched a foreign-currency-denominated bond in December 2006, linked to the London Interbank Rate plus a 10 percent premium and guaranteed by the state. With low external foreign currency reserves and a record of defaults on sovereign debt, however, it remains to be seen whether this strategy will prove successful.

The current drain of skilled labour will be a major obstacle to any recovery efforts in Zimbabwe. The Scientific and Industrial Research and Development Center (SIRDC) concluded that, by 2003, more than 490,000 skilled Zimbabweans had emigrated due to limited employment opportunities and a weakening economy (Chetsanga and Muchenje, 2003); this figure has since doubled. Particularly hard-hit is the country's health care sector: it is thought that up to 80 percent of the pharmacists, therapists, doctors, nurses, and radiologists who were trained in the country after independence have already emigrated – mainly to the United Kingdom, Australia, South Africa, Namibia, and Botswana – including approximately 1,950 certified nurses and more than 2,100 medical doctors (Bloch, 2005). According to the South African weekly, *Mail & Guardian,* approximately 90 percent of junior doctors trained by the University of Zimbabwe's Medical School leave the country within four years of graduating.

The acute shortage of health professionals has further weakened the country's fragile health sector, even as it struggles to contain the HIV/AIDS pandemic, and starvation and malnutrition due to food shortages. While Zimbabwe reported a three-year decline in new HIV cases, these gains may be reversed as the economic crisis compels many Zimbabwean males to go abroad in search of work, with some returning unknowingly HIV-positive as the result of extramarital relationships. Further, the potential for increased rates of infection is compounded as growing numbers of women resort to prostitution to support their families. The increased smuggling of young Zimbabwean girls to work in the South African sex trade also has long-term implications for efforts to halt or reverse the HIV/AIDS pandemic.

## 6. Internal Migration

Within Zimbabwe, mass movements of population have been occurring in both urban and rural areas. In May 2005, the Mugabe government launched an "urban clean-up program," Operation Murambatsvina (Drive Out Rubbish) aimed at the urban poor, who are seen by the regime as a source of political opposition and economic noncompliance. The government's actions destroyed the livelihoods and homes of some 700,000 people and drew widespread international criticism. In total, approximately 2.4 million people were affected to some degree by the government's efforts to eradicate the urban informal sector, ostensibly under the pretence of restoring law and order. Following a five-week fact-finding visit, UN Special Envoy on Human Settlement Issues Anna Tibaijuka issued a damning report (United Nations, 2005). Stating that the government had precipitated an immense humanitarian crisis, she called on the government to build adequate housing for the displaced. Little has been done, however, to house the thousands of displaced in Harare and other major cities across the country. In response to international criticism, the government launched Operation Garikayi to provide housing to the internally displaced, but many of the houses that have been built were allocated to ZANU-PF supporters and government cronies; the few that were actually built for the victims of the government's forced removal program were of poor quality and perceived to be so dangerous to live in that recipients refused to move into them. Many of those who experience forced removal, like the others who have been compelled to flee their home areas, have faced some form of organized violence or torture at the hands of security forces. Many have been found to be in need of psycho-social and medical assistance (Zimbabwe Torture Victims Project, 2005).

## 7. Steps Needed for Recovery in Zimbabwe

*Rebuild trust in government*

Government needs to be returned to the centre of development and economic management processes in Zimbabwe. For that, trust needs to be rebuilt in government. Poor governance, corruption, politicization, and the militarization of institutions of governance have eroded the confidence of citizens, investors, and existing and potential donors. Improving governance would build the confidence required to catalyze foreign investment, official development assistance, and civic participation. Restructuring and reform of the security sector, the judiciary, and the public service would ensure a platform for the re-engagement of the Zimbabwean government in the short term. In the long term, a review of the Constitution, reform of undemocratic laws, and reform of the business environment would create conditions for sustainable economic recovery.

*Harness remittance and financial flows for sustainable development*

While skilled migrants might want to invest in new business initiatives in the country if economic conditions warrant, they are unlikely to return home until they are assured that their livelihoods will be secure. Since remittances are more stable than official development assistance and foreign direct investment, they will remain an important source of foreign exchange for the government and critical to the economic survival of the poorer segments of society. The government, therefore, should encourage transfers via formal channels by relaxing foreign exchange and capital controls, lowering taxes on incoming remittances. It should also allow domestic banks to operate overseas, providing matching grants, and offering loan and pension schemes and mortgage bonds aimed at Zimbabweans abroad. Educating Zimbabweans about the benefits and processes of formal financial institutions could also reduce the attraction of the informal economy.

*Resume relations with multilateral institutions*

Key to Zimbabwe's return to the international community will be the resolution of sovereign debts to multilateral institutions such as the World Bank, the International Monetary Fund, and the African Development Bank. Only then will Zimbabwe qualify for greater assistance, grants, and debt relief.

*Develop a land tenure and agriculture system to ensure food security*

A return of white farmers to portions of the 4,000 expropriated farms is neither feasible nor politically practical. Zimbabwe will not return to its status as the breadbasket of southern Africa – at least in the medium term. To ensure food security, an internally-driven land reform process should be initiated, aimed at addressing the land title issue. Measures would include enabling farmers to access credit and develop collateral; establishing multiple farm ownerships to ensure equity; creating land institutions to facilitate the transparent transfer and management of land; establishing banks to provide finance; providing technical assistance; and developing transparent agriculture markets. In the absence of political change, measures that are urgently needed include the training of staff in land institutions, agricultural technical support centres, and in financial services. Future donor efforts should be targeted at developing the technical capacity of resettled farmers, at market reforms in the agricultural sector, and at a broad-based compensation system for land that was transferred.

*Reform economic policies and institutions*

Central to Zimbabwe's economic mess are the Mugabe government's disastrous backward-looking policies, which have brought with them increased poverty, unemployment, capital flight, low exports, and drained foreign exchange reserves. Misguided legislative actions and national policies – such as the *Indigenization and Economic Empowerment Act* of March 2008, frequent price and exchange controls, failure to target inflation, and, above all, the involvement of the Reserve Bank of Zimbabwe in quasi-fiscal activities – have further contributed to the economic malaise. An economic stabilization plan, including supportive legislation, is urgently needed. Particular emphasis should be placed on eliminating all forms of exchange and price control, creating investor-friendly policies, returning the Reserve Bank of Zimbabwe to a focus on monetary policies while carrying out forensic accounting investigations into its prior activities, developing strategies to pay off outstanding arrears on sovereign debts, and initiating broad-based governance reforms.

*Improve the UN's response to assist displaced Zimbabweans*

The United Nations should play a larger role in responding to the needs of Zimbabweans who have been forced out of their homes and displaced across the region. It should establish a mechanism to improve coordination among national and international organizations dealing with the crisis in the region. Local and international media tend to portray displaced Zimbabweans as essentially economic refugees. The international community, spearheaded by the UN, should publicly acknowledge that there are countless legitimate protection issues and growing humanitarian needs facing Zimbabweans in neighbouring countries, particularly in South Africa, and its contingency planning should reflect more accurately the true nature of the flight of Zimbabweans from their country

*Prepare an economic recovery program and provide adequate funding*

The international community, led by the EU and the United States, should establish a trust fund for the recovery of Zimbabwe's economy under a post-Mugabe government. Coordination of international aid should ensure that that money and technical assistance delivered through the trust fund best reflects the post-Mugabe government's economic recovery policies and the economy's absorption capacity. Moreover, it is of great importance that donor support for a trust fund should depend on the government's willingness to undertake often difficult macroeconomic reforms.

*Encourage and facilitate the return of the diaspora*

The international community and any post-Mugabe government will need to encourage and facilitate the return of millions of displaced Zimbabweans living outside of the country. Repatriation of many able Zimbabweans would help to ensure the revival of economic growth in the medium and long term by supplying desperately needed technical, entrepreneurial and managerial skills for private and public institutions. The international community will have an important role to play in facilitating the return of Zimbabweans abroad when the time comes.

## 8. Conclusion

As Zimbabwe marked 28 years of independence from white minority rule in April 2008, a feeling of despair and anxiety loomed over all corners of this impoverished and increasingly turbulent southern African state. Once regarded as the region's breadbasket, blessed with an abundance of mineral deposits and the most skilled and educated workforce on the continent, as well as a thriving agricultural sector, Zimbabwe over the past eight years has become a political liability to the rest of the region and an economic and social basket case. With the world's highest inflation rate, unserviceable debts, a current life expectancy of 36 years, poverty rates of more than 80 percent, an unemployment rate of 85 percent, and more than 1.8 million Zimbabweans receiving food aid last year, a crisis of severe proportions – even by regional standards – is unfolding.

Although the path forward will be difficult, Zimbabwe remains among the most hopeful places on the continent, given the inevitable exit of Robert Mugabe's government, through either the ballot box or an inevitable violent explosion against his rule – witness the recent mayhem that accompanied the 2008 presidential and legislative elections. As Roman scholar Pliny the Elder articulated more than 2,000 years ago, “there is always something new out of Africa.” It is time for something new to come out of Zimbabwe. The country has one of the best-educated populations on the continent. Its well-developed infrastructure is the envy of its neighbours. And, in the recent elections, Zimbabweans demonstrated their political courage and commitment to democracy, which promises to pave the way for a post-Mugabe transition towards a more accountable and responsive government.

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