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When the Music Stops

Learning from the Mugabe Years for Zimbabwe's Economic Future

John Robertson

Strengthening Africa's economic performance

THE BRENTHURST FOUNDATION

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About the Author

John Robertson was born in Bulawayo in 1937. He first trained as a radio and television technician with the Royal Rhodesian Air Force, and then with a Bulawayo company, Fenner Brothers. After 10 years in industry, John enrolled as a student at the University College of Rhodesia and Nyasaland to read for an economics degree.

On completion of the degree, John moved to Salisbury as financial correspondent on The Rhodesia Herald, becoming Financial Editor a few years later. After nine years in journalism, he joined First Merchant Bank as their chief economist, where he spent the next sixteen years. In 1994 he formed his own economic consultancy, since when his clients have included many large Zimbabwean and multinational companies and several embassies.

He is a Past President of the Zimbabwe Economics Society and of his Rotary Club, and served for many years as Chairman of the Economic Affairs Committee of the Zimbabwe National Chamber of Commerce. He is a director of several companies and a frequent contributor to radio and television news programmes.

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E Oppenheimer & Son (Pty) Ltd
PO Box 61631, Johannesburg 2000, South Africa
Tel +27–(0)11 274–2096
Fax +27–(0)11 274–2097
www.thebrenthurstfoundation.org

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Executive summary

Zimbabwe was once a leading economy of Southern Africa with a thriving agricultural sector, an investment haven with a burgeoning and educated youth. The country has since experienced disastrous economic decline. Controversial economic policies, such as the accelerated land reform programme and the *Indigenisation and Economic Empowerment Act*, aimed to isolate market forces and place the economy into the hands of the ruling party, have undermined the market basis of the economy.

Recent political change provides hope of a new policy direction. Moreover, Zimbabwe still possesses vast mineral and agricultural potential, as well as a skilled and innovative population which the Zimbabwean government – if receptive to reform – can capitalise on.

Considering the country's ongoing leadership changes, this Discussion Paper charts key developments that led to Zimbabwe's economic decline. It further identifies the lessons learned, and presents three main challenges for economic recovery that the incoming President will face: 1) reaffirming respect for investors, 2) passing constitutional amendments in favour of property rights, and 3) deferring to market forces.

Introduction

During the week of 13 November 2017, the Zimbabwe Defence Force led a 'disguised coup' described as an operation against 'criminal elements' within the ruling Zimbabwe African National Union-Patriotic Front's (ZANU-PF) so-called G40, the faction supporting the presidential leadership ambitions of the then First Lady, Grace Mugabe. On Sunday 19 November, President Robert Mugabe was fired as leader of ZANU-PF and replaced by Emmerson Mnangagwa, his former deputy, whose sacking two weeks earlier had sparked the military's action. Mugabe subsequently stated on national television that he wished to stay on until the party congress in December, but eventually resigned on Tuesday 21 November. The 93-year old's 37 years of leadership were over.

Emmerson Mnangagwa was inaugurated as president on Friday 24 November 2017.

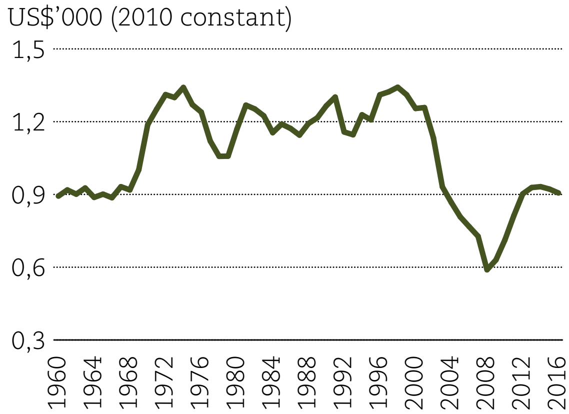
ZANU-PF remains firmly in control, the same party that has presided over the calamitous destruction of economic value for most Zimbabweans, save the elite. Zimbabwe is currently at 154 of 188 countries on the United Nations Human Development Index.[1] Income per capita was US$1 255 in 1981 shortly after independence, peaked at US$1 266 in 1996, and thereafter dipped to a low of US$541 in 2008. It now hovers around US$870, ranking in the bottom 30 worldwide.[2]

One-third of Zimbabweans now require food aid. When Mugabe took over in March 1980, the life expectancy of Zimbabweans was nearly 60 years. It increased to 63 years within a decade, though by 2002 the compounding effects of failing health care, poor nutrition, weak and careless governance, and the general spread of disease (including the HIV/AIDS epidemic) saw it collapse to 40.7 years – among the lowest in the world. Current life expectancy is still lower than at independence.

Other chronic indicators also highlight poor policy and management.

At independence in 1980, Zimbabwe had a civil service of 68 000, consuming an estimated one-third of government revenue; today government employs 300 000 (not including the employees in the 105 parastatals), with a further 200 000 drawing state pensions and benefits. This absorbs nearly 100% of tax revenue, hence the need for large ongoing borrowings by the government. The current fiscal deficit of around 20% of gross domestic product (GDP) against a budget of US$3.9 billion is primarily funded through Treasury Bills which the State cannot afford to repay in cash. Hence, there are contemporary discounts of around 50% on all local forms of electronic transactions and promissory notes.

Figure 1: Zimbabwe GDP per capita[3]



Nevertheless, political change offers the prospect of economic reform.

This Discussion Paper examines the economic history of the Mugabe years, charting the dramatic shift in power towards government, especially since 2000. Zimbabwe's economic decline is by and large attributable to the erosion of investor confidence that resulted from policies to place investors and their investments under government control. The core of these policies concerns agricultural reform, but it has also had an adverse effect on wider economic activity such as manufacturing and mining.

The Paper identifies key lessons from which the next leader of Zimbabwe can draw an economic plan for recovery. It adopts the premise that Zimbabwe's economy is unlikely to return to its former self. The government can, however, significantly, positively and rapidly change the country's overall economic trajectory, it argues, by creating an enabling environment for both private and state sector investment.

Zimbabwe's recent history: key indicators and developments

Zimbabwe's economy has not only been damaged by poor policy choices, but also by the failure to adapt to changing circumstances. Even when it was in a leading position in Africa, Zimbabwe's productive capacity demanded the same consistent upgrading required of all competitive economies to keep abreast of changing demand and technologies. After independence in 1980, however, many of Zimbabwe's readily identifiable policy choices caused a severe loss of investment momentum.

> Zimbabwe's productive capacity demanded the same consistent upgrading required of all competitive economies to keep abreast of changing demand and technologies

Long-standing import controls protected Zimbabwean manufacturers, who were obliged to continue using increasingly outdated production techniques. When controls were removed by the imposition of conditionalities through the International Monetary Fund's (IMF) Structural Adjustment Programme, Zimbabwe's markets were flooded with imports. Most local manufacturers could not compete and manufacturing output values more than halved from 29.5% of GDP in 1992 to 14% by 2000.[4] After 2000, the loss of raw materials and customers due to the land reform programme saw an even greater reduction in output.

The 1997 land reform programme introduced additional investor uncertainty and economic instability when the declarations of intent to confiscate and redistribute farmland led to the first Acquisition Orders being issued to more than a thousand farmers.[5] Political pronouncements declared the government's intention to confiscate 6 million of the 11 million hectares then owned by commercial farmers.

On seeking legal advice, farmers were informed that the Acquisition Orders were *ultra vires* the Constitution, which clearly outlined the protection of private property rights. To encourage formal judicial judgements, decisions were made to proceed with test cases. Delays and heated debates absorbed numerous months during which investor confidence was further eroded, and during this period a revised Constitution was drafted that would have empowered the government to confiscate land without paying compensation to the landowners. Its rejection in a referendum in February 2000 sparked an even more radical approach by the ruling ZANU-PF. The party reacted on four fronts:

1. with a majority in Parliament, it proposed and passed amendments to the existing Constitution and thus gave itself authority to confiscate land;
2. the judges that had found in favour of farmers were put under pressure to accept early retirement from the bench;
3. the government authorised the forceful occupation of farms by declaring these invasions to be 'spontaneous political demonstrations'[6] as opposed to criminal activities, and ordered the police not to intervene; and
4. the President also declared that the land acquisitions would not be limited to 6 million hectares and that farmers would be evicted from all 11 million hectares.

The consequences of these events put Zimbabwe's economy on a steep decline. With the need to prepare for elections in mid-2000 and the emergence of the new Movement for Democratic Change (MDC) party, ZANU-PF increasingly relied on its campaign promises of free land. It claimed victory in the elections despite allegations of serious electoral fraud. Several ensuing sequences of cause and effect quickly generated new sets of problems, including a further erosion of investor confidence.

The following list shows key indicators that signpost some of Zimbabwe's many false twists and turns since 2000:

- Land reform precipitated the closure of 90% of commercial agriculture.
- As farm output declined, the country became dependent on food imports.
- Constitutional amendments legalised the cancellation of title to farmland.
- The State retained ownership of all land allocated to resettlement farmers.
- Lack of title denied resettlement farmers access to bank loans.
- Manufacturing output fell 70%, mainly because of falling crop production.
- Annual exports of manufactured goods fell by 87%, from US$800m to US$100m.
- Formal employment fell from 1 244 000 in 2000 to around 850 000 in 2017.
- The loss of export revenues prevented the repayment of foreign debts.
- As arrears rose, Zimbabwe was disqualified from accessing new loans.
- Unpaid debts forced international banks to withdraw credit lines.
- Essential imports, such as fuel, required payments in advance.
- Scarce foreign currency generated black-market exchange rates.
- Higher import costs and scarce consumer goods caused rising inflation.
- Falling tax revenues forced the government to print money to fund budgets.
- Higher reserve ratios and deeply negative interest rates destroyed savings.
- Attempts to stop inflation with price controls led to more company failures.
- Infrastructure maintenance became impossible to fund.
- Electricity supply and railway services became extremely inefficient.
- Skilled workers were encouraged to emigrate as career prospects faded.
- Municipal revenues fell, causing road and water supply services to fail.
- Inflation became hyperinflation, touching 89.7 sextillion percent in November 2008, making Zimbabwe's currency worthless.
- ZANU-PF was defeated in the 2008 elections, but refused to concede.
- The political impasse led to a ZANU-PF/MDC coalition government.

At this point, in 2009, Zimbabwe's population enjoyed a brief respite.

The new Minister of Finance, Tendai Biti, an MDC Member of Parliament, declared the Zimbabwean dollar dead. Prices stabilised with dollarisation in February 2009 and signs appeared of foreign investors eager to help retool and modernise companies. The coalition was relabelled the Government of National Unity, or GNU, and it supported policies that promoted the formation of partnerships with external businesses to help the recovery of manufacturing and other sectors. Significant improvements that attracted attention from other investors included:

- The Reserve Bank abandoning price and exchange controls.
- The imposition of fiscal discipline that quickly achieved balanced budgets.
- Investment funds flowing in, boosting prospects and share prices.

However, progress was halted, and then reversed. The *Indigenisation and Economic Empowerment Act* had been passed in the pre-election phase of 2008 with the purpose of gaining popular support. In consideration of the positive popular reaction to the MDC's performance in the GNU, ZANU-PF again sought to recover lost ground. Two years later, ZANU-PF Ministries, under the control of the President's Office in the GNU, issued Statutory Instruments to bring the *Indigenisation and Economic Empowerment Act* into force on 1 March 2010. These new regulations demanded that 51% of shares in companies owned by non-indigenous Zimbabweans, or by foreigners, be ceded to indigenous Zimbabweans within five years. The regulations also stated that each company would have six months to submit a plan showing how this share transfer would be accomplished, yet implied that payment for the shares could not be made a precondition for the transfer of ownership. If the plan won the approval of the Indigenisation Ministry, the company would be issued with an Indigenisation Compliance Certificate. The owners and directors of companies that failed to comply would be dealt with harshly. The publication of these regulations ended almost all manufacturing investment negotiations.

> From the date of the publication of the indigenisation demands, Zimbabwe resumed its former downward trajectory

Mining companies were treated differently in that the 51% shareholdings could only be ceded to government. It would also automatically assume a similar, majority ownership of all new mines. As the government claimed that minerals being mined should be valued at 'not less than 51% of the balance sheet', the mining companies were expected to accept that the government's shareholding had been paid for in full. All development and operating costs, plus all the risks, were to be borne by the new mining investors, who could thus earn returns from only 49% of the capital they had invested. From these returns, the mining investors would pay royalties and taxes, having already borne the operating costs and fees for numerous levels of government levies, permits and licences. With its focus on the elections planned for 2013, ZANU-PF argued that the popularity it would gain from its promises to turn ordinary Zimbabweans into shareholders would more than offset any cancellations of investment plans. Still, from the date of the publication of the indigenisation demands, Zimbabwe resumed its former downward trajectory. ZANU-PF accelerated this decline as it sought new ways of undermining the success of MDC Ministries in the GNU.

The MDC had won most of the urban votes and therefore most of the seats in local authority elections. This turned urban voters and city council employees into a special target for ZANU-PF manoeuvring. In a campaign aimed at gaining electoral support, the ZANU-PF Ministry of Local Government authorised sharp increases in municipal wages and cancelled all unpaid municipal ratepayers' debts. Together these caused sudden financial crises for the city councils and allowed ZANU-PF to malign the MDC for poor municipal service delivery. Events continued with a downward track:

- Public sector salary increases forced cuts in capital expenditures.
- Trade union activity forced acceptance of high industrial wage demands.
- Rising local production costs made the prices of imports more competitive.
- Falling confidence led to liquidation of some investments and capital flight.
- Confiscations of registered mining claims further damaged confidence.
- ZANU-PF's victory in the 2013 elections caused the disbandment of the ruling coalition.

The effects have remained a problem. As recently as 25 November 2017, the Gweru town clerk stated, for example, that the local authority's monthly revenue collection of US$1.2 million was falling short of the US$1.3 million monthly wage bill.[7]

After the 2013 national elections, with results again disputed, mounting financial pressures started to become more obvious. Residents took advantage of the near-absence of exchange controls and moved money into foreign bank accounts.[8] Non-performing loans reached 20% of the total loans outstanding.[9] The more disciplined and near-balanced budgets during the GNU gave way to significant budget deficits, the financing of which turned the growing liquidity crisis into a fiscal crisis:

- Introduction of bond notes leading to the evaporation of US dollar notes.
- Budget deficits from 2014 to 2017, adding to the government's debt burden.
- Compulsory support for Treasury Bills and Bonds draining bank deposits.

- Reserve Bank purchased non-performing debts to rescue state banks.
- State usage of borrowed funds on imports worsening liquidity shortages.
- Government settling debts with Treasury Bills, affecting supplier viability.
- Treasury Bills disposed of at 40% discounts, removing yet more liquidity.
- The government's deficit funding needed crowding-out lending to private sector.
- Import bans imposed to limit foreign payments violated trade agreements.
- Cash shortages forcing banks to impose limits on cash withdrawals.
- Import replacement arrested by controls to conserve foreign currency.
- Expansion plans in mining nullified by forced surrender of export revenues.
- Failures to carry out promised reforms sustaining isolation from lenders.
- The IMF confirmed Zimbabwe's ineligibility for new facilities in 2017 reports.[10]

The common theme to Zimbabwe's economic decline has been the government's central planning ideology and the concentration of power that has underpinned the ruling party's political philosophy. Even the land reform programme, which initiated the sharp decline, was an attempt to overturn signs that support for ZANU-PF was weakening, particularly in the rural areas that previously delivered the safest seats in every election. Additionally, the land reform programme helped ZANU-PF to change the voting patterns in their favour by displacing hundreds of thousands of workers on commercial farms, along with their families, to constituencies where they were not registered to vote.

Due to the political origins of virtually all the damage to Zimbabwe's productive and service sectors, the measures needed to place the economy back into recovery will firstly have to deal with party political issues most often rooted in entrenched corruption. The fear of real or imagined consequences for not complying with party objectives dominates much of Zimbabwe's socio-economic activities. Political indoctrination courses, for which compulsory examinations are set, are included in military and police training programmes. To reach the civilian population, students applying for university places must have their applications endorsed by a ZANU-PF member. The authority of chiefs remains best secured by party membership and even the vendors on the patches of pavement must buy protection to prevent harassment by ZANU-PF youth. Most tellingly, party nepotism within the military has allowed the most influential retired defence personnel to infuse ZANU-PF's doctrine across wider social institutions, especially the Government's parastatals. This should be recognised as one of the major challenges now blocking the country's route to recovery.

The listed signposts invite explanation, yet it is worth considering that most of the government responses only served to strengthen already problematic courses of action. As a result, untangling the regulatory threads will expose a web of interconnected problems. Further detail on the performance of five main sectors of the economy is offered below.

What we have learnt: assessing key areas of economic activity

Agriculture

Zimbabwe can easily be described as a remarkably good agricultural country with diverse climatic zones at different altitudes, sufficient rainfall, good soils and a performance record that shows how considerable success can be achieved with a range of crops, livestock and wildlife. That description, however, would be appropriate for only the past century or so. During earlier centuries, agricultural conditions were so hostile that even a modest rate of population growth was never sustained. The rainfall was, and still is, highly erratic, cultivated soils soon lost their fertility and the natural hazards of crop and cattle diseases, locust and quelea bird invasions, together with a long list of tropical insect pests, all contributed to bouts of malnutrition and starvation. Historically reported rates of infant mortality were extremely high, and a short life expectancy faced most of those who made it through childhood.

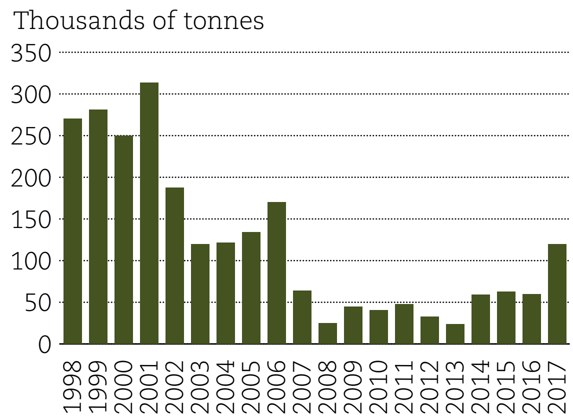
Timing and technology influenced the character of Zimbabwe during the late 19th Century. The start of the colonial era in 1890 coincided with rapid, global improvements to farming practices that enhanced agricultural production world-wide. Newly established international trading linkages to Rhodesia enabled far-reaching industrialisation, facilitated by the advent of railways and mechanised farming. The comparably faster rates of change in Zimbabwe had many effects that were not encountered elsewhere in Africa. While other colonised territories took over a century to develop, Rhodesian telegraphy, power stations and railways were operating within the first few years of colonisation. As the introduction of internal combustion engines, ammonium nitrate fertiliser, electric motors and improved transport infrastructures transformed the nature of farming, Rhodesia was quick to adopt and adapt these new technologies. Its growing farming population was also quick to introduce new crops, livestock strains and farming practices from other parts of the world. Huge strides were made in bringing sleeping sickness, malaria and bilharzia under control.

The comparably faster rates of change in Zimbabwe had many effects that were not encountered elsewhere in Africa

While good farming practices and technology is expensive, the evolution of the sector was supported by the rise of an efficient banking sector. Highly productive farming became readily achievable on land that was accorded a market value, in turn validated by banks that could offer debt facilities to purchasers. To successfully manage debt, the acquisition of essential farming skills was required. This again required access to capital, with the money economy dependent upon the ability of banks to provide loans against fixed and readily marketable assets as collateral. Access to finance, in other words, placed improved cultivation techniques, farm machinery and infrastructure developments within reach of the farmers. As title deeds could be pledged to banks in support of loan applications, commercial farmers could borrow the money to develop their properties and increase their output.

By taking advantage of the value and marketability of land and other fixed assets, Zimbabwe's formal sector businesses not only had access to considerable volumes of credit, working capital and funding for long-term investments, but the borrowers became powerfully motivated to succeed to avoid losing the assets they had pledged as security. Property rights, therefore, were not only prerequisites for the release of the funding that supported every business activity; they were also the motivational stimulant to business operators' determination to succeed.

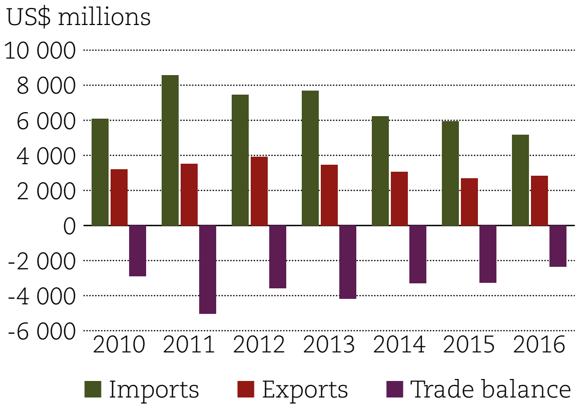
Figure 2: Wheat production



Success was achieved by investing in dams and irrigation, enhanced mechanisation, and in the necessary skills. Knowledge transfer in farming mostly involved on-the-job training, but over time many farmers could study for academic qualifications that improved their output. Many of the farmers and managers received their initial training in agricultural colleges. The University of Zimbabwe opened its Faculty of Agriculture in 1958.[11] The work of this faculty was backed by the Faculties of Botany and Zoology, and in 1982, further support came from a new Faculty of Veterinary Science. The government's Research and Specialist Services were also responsible for considerable advances, such as hybrid seed production. The aggressive dispossession of experienced farmers in 2000 forced knowledge out of the sector. The wheat production graph above illustrates the scale of decline in output experienced by growers.[12]

After independence, events affecting commercial farmers took an unfortunate turn. Commercial farmers became increasingly powerful economically, with the sector gaining significant political influence. The increased tension between the government and farmers led to farmers' skills and high incomes being presented as evidence that the work they did was easy, that their wealth was undeserved, and that their success could be attributed to them owning the best land. This provides context to the land redistribution process. Although the stated purpose was to correct historical imbalances, one of the unstated objectives was to erase the considerable economic and, by effect, political influence of the country's largest employers. With the Zimbabwean government's first Land Acquisition Orders, it displayed a profound lack of understanding of the complexity of the agricultural sector and nearly destroyed commercial agricultural production.[13]

Figure 3: Zimbabwe's imports, exports and balance of trade



The fall in production had significant second-order effects: export revenues immediately started to fall, which prompted international banks to withdraw lines of credit. Fuel deliveries were affected almost immediately, and fuel shortages quickly impacted on businesses.

Import flows were affected too, causing a drop in the production of goods for home consumption and generating an increase in demand for imports of finished products. Nevertheless, as the need for imports was increasing, export revenues were cut further by Reserve Bank efforts to capture and closely regulate the disbursement of all available foreign exchange. Figure 3 shows the balance of trade between 2010 and 2016.[14]

With the vanishing profitability of local firms, outside investment stopped, employment declined, shortages worsened, consumption decreased, unpaid debts mounted, and inflation soared. Rapidly rising prices generated even more confusion as the inflating numbers of tax revenue dollars were overtaken by even more rapid increases in government spending. The government's responses compounded the economic folly of its original actions. Official exchange rates were held at unrealistic levels that were respected only with official business or when important political figures were involved. The government raided pension funds, bank accounts and foreign currency accounts, and took steps to impose price controls.

> With the eviction of most commercial farmers, perhaps half-a-million farm workers, along with their families, were made virtually destitute

By forcing farmers to pay retrenchment packages to displaced workers, the already low financial reserves in agriculture continued to reduce. With the eviction of most commercial farmers, perhaps half-a-million farm workers, along with their families, were made virtually destitute. Most settled in makeshift shanty towns and squatter camps, with regular loss of life due to hardship. The self-preservation measures and informal economic activities adopted by the displaced were declared illegal, leading to entire settlements being bulldozed. From 2005, during *Operation Murambatsvina (Move the Rubbish)*, also known as *Operation Restore Order*, the government forcibly cleared slum areas across the country. The United Nations estimated that this affected at least 700 000 people directly. With the corresponding loss of homes

Table 1: Total annual production of major agricultural products in Zimbabwe ('000 tonnes)

TONNES '000	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Grain and Cereals																				
Maize	1 191,0	1 544,0	2 043,2	1 476,2	498,5	754,0	950,0	750,0	945,0	697,0	417,1	781,3	819,3	895,0	833,0	798,0	1 200,0	742,2	511,8	1 500
Wheat	270,0	281,3	250,0	314,0	186,5	120,0	121,7	134,0	170,2	64,6	25,6	45,0	41,0	48,0	33,7	24,0	58,7	62,3	60,0	120
Sorghum	37,0	83,0	61,9	60,7	23,8	59,6	124,0	111,0	126,8	130,8	103,0	113,5	73,6	50,5	64,7	76,0	105,0	39,7	36,3	182
Barley	57,1	17,5	32,0	32,0	58,0	50,0	36,4	43,0	53,5	32,0	24,5	33,2	40,5	30,0	37,0	46,2	18,7	18,0	18,0	
Small grains (millets)	–	–	31,0	43,2	14,2	41,5	71,7	30,6	72,3	49,9	55,0	43,3	50,9	36,1	43,7	43,0	45,0	45,0	40,0	
Traditional Export Crops																				
Tobacco – flue-cured	213,1	191,5	236,1	202,5	165,8	81,8	69,0	73,4	54,3	73,4	48,7	57,0	123,0	132,0	148,0	166,0	216,4	199,0	201,2	185
Cotton	274,0	303,0	353,0	280,5	195,7	159,5	364,2	196,3	207,9	255,0	223,0	210,1	149,9	195,0	342,0	140,0	114,0	105,0	32,0	127
Oilseed Crops																				
Soya beans	108,0	122,2	149,9	175,1	72,4	70,3	71,0	54,0	54,8	67,6	51,2	43,3	57,3	59,0	70,5	76,9	80,0	57,9	47,7	35,7
Groundnuts	43,0	113,0	190,9	171,8	58,6	141,2	85,3	57,8	51,3	130,6	116,6	44,5	136,7	97,5	108,2	130,0	132,0	88,9	47,2	139,5
Sunflower	–	–	15,8	31,5	4,4	4,8	18,6	20,0	42,6	42,6	33,4	16,3	11,8	8,2	6,9	10,0	12,0	21,0	25,0	10,4
Industrial & Export Crops																				
Tea	18,2	18,5	21,8	21,7	22,9	22,5	20,7	16,9	15,4	15,1	13,0	10,0	10,0	11,0	10,5	24,5	24,5	14,0	14,0	7,8
Coffee	10,0	10,0	6,5	7,3	6,6	5,5	7,2	4,0	2,7	1,9	1,3	0,5	0,4	0,4	0,3	0,4	0,5	0,6	0,6	0,5
Paprika	12,0	9,8	13,9	12,8	13,4	10,8	7,2	4,6	3,1	1,6	0,7	0,3	0,3	0,7	0,8	4,5	5,0	5,5	5,5	
Flowers	–	–	17,9	17,9	21,9	22,8	20,2	16,3	14,3	10,2	8,0	5,0	7,5	7,5	11,0	11,0	12,0	15,0	14,1	
Citrus	–	–	39,3	39,3	33,6	43,2	47,8	34,2	26,3	26,4	19,0	15,0	29,8	30,0	35,0	37,0	39,0	43,0	41,0	
Fresh produce	–	–	10,2	10,2	7,5	9,6	10,2	7,3	5,0	5,3	4,0	3,0	3,2	4,5	6,5	7,0	8,0	11,0	10,0	
Sugar	570,0	585,0	538,0	515,0	581,0	502,7	422,3	400,0	446,7	400,0	380,0	280,0	300,0	333,0	372,0	420,0	415,0	412,0	400,0	
Livestock																				
Dairy – million litres	184,3	181,3	187,1	176,8	153,1	114,1	97,6	94,6	92,5	87,4	47,7	36,7	47,0	56,0	55,9	54,6	56,0	57,0	65,0	
Beef slaughters 1 000s)	–	–	605,0	630,0	720,0	450,0	450,0	450,0	300,0	250,0	200,0	180,0	200,0	261,0	256,6	242,0	245,0	261,0	288,7	

and livelihoods, the number affected indirectly is estimated to be closer to 2.4 million people.

Many of the displaced were forced to become vagrants and scavengers.[15] The rate of emigration to South Africa increased to the point where in 2017 the country hosted perhaps as many as 3 million Zimbabweans who were mostly employed in vulnerable, menial jobs. These factors amount to a social calamity as serious as the economic crisis, echoing into subsequent generations.

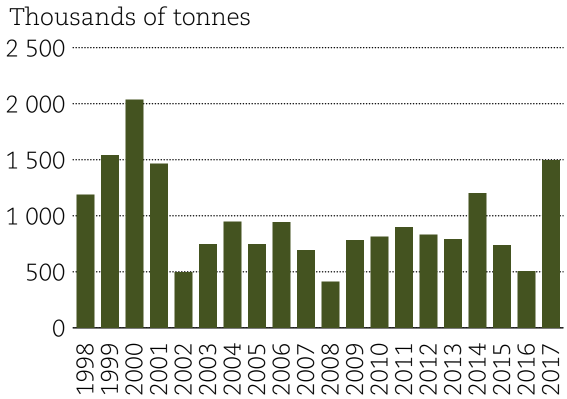
The loss of locally produced inputs forced local suppliers, distributors and retailers out of business. Scarce foreign currency left the country as unregistered cross-border traders made a living by importing foods and consumer goods. Due to high demand these products were sold at steep black-market prices, with transactions facilitated by corrupt customs officials. The government's response was to tighten exchange controls, which caused a more serious shortage. The result was an increase in black-market prices and even higher inflation.

> Zimbabwe has had to import maize every year since the land reform programme started

In its efforts to make land reform pay the promised political dividends, the government provided resettlement farmers with subsidies, seed-packs and imported farm equipment.[16] As farming plots were allocated free of charge, yet without security of tenure, resettlement farmers could not borrow from the banks; the land had been stripped of its market value and was declared non-transferable, so it had no collateral value as a result.

Government policy responses, including its confiscations of export earnings and the printing of as much money needed to close funding gaps, led directly to hyperinflation and the total collapse of the Zimbabwean dollar. Preferential exchange rates permitted people in privileged positions to acquire large sums of foreign currency for personal use in exchange for negligible amounts of Zimbabwean dollars. By the time the Zimbabwean dollar crashed, many of the elite's Hollywood-style mansions had only been partially constructed – stark reminders today of a spending frenzy that could not last.

Figure 5: Maize production

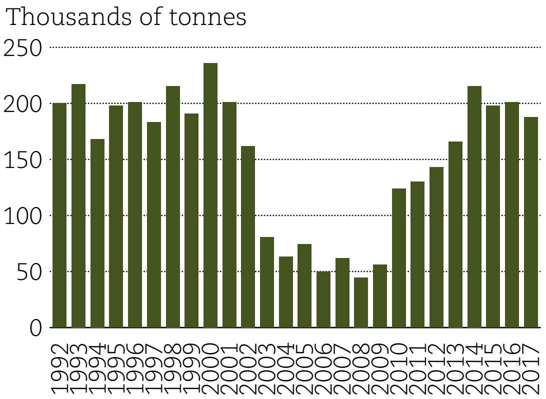


Zimbabwe's pre-land reform communal farmers consistently grew a high proportion of the country's maize, though most of it was retained for personal consumption. Larger producers grew most of the maize for the urban market along with almost all wheat and soya beans. The unexpected casualties of land reform were the network of suppliers, distributors, agents and retailers, workshops and warehouses whose services were readily available in every town and village throughout the farming areas. With the disappearance of the commercial farmers as major customers, most of these service providers could no longer remain profitable. Communal farmers experienced difficulties trying to grow as much maize as before and, with poor results from the resettlement farmers, Zimbabwe has had to import maize every year since the land reform programme started. Figure 5 above shows the decline in production.[17] Despite government efforts to compensate for the reduced levels of retail and service sector support, their efforts never closed the gap. Reliance was placed on very large allocations of funding for physical assets such as farm machinery, and subsidised inputs like seed, fertiliser, fuel and crop chemicals. Regardless of the allocation of free land, very few of the land reform beneficiaries turned into successful farmers.

The government frequently highlighted the few successful exceptions to argue that land reform was a success. Nevertheless, the hundreds of thousands of failed farms led to the increased isolation of the communal areas. For nearly all the resettled farmers, the missing elements were skills and experience, access to credit, and the ability to persuade suppliers that they would be able to settle debts. Of those who tried, a small number managed, only to become small subsistence farmers on bigger pieces of land. Most of the confiscated 11 million hectares have remained uncultivated ever since the commercial farmers were evicted.

Tobacco growers are most often referred to as an outstanding success story of land reform. It is true that tobacco production volumes have recovered to their pre-land reform levels.[18] In round figures, about 100 000 growers are producing about 200 000 tonnes of tobacco. As two tonnes can be grown on a single hectare, that means that only 100 000 hectares of the 11 million hectares are being productively cultivated. Unfortunately, such small-scale operations call for another 100 000 hectares of trees to be cut down annually to fuel the tobacco curing barns. With roughly 150 years needed for Zimbabwe's natural timberlands to recover, the tobacco success story has been achieved at an enormous ecological cost. Every year, the removal of yet another 100 000 hectares of trees is causing desertification.

Figure 6: Flue-cured tobacco: mass sold

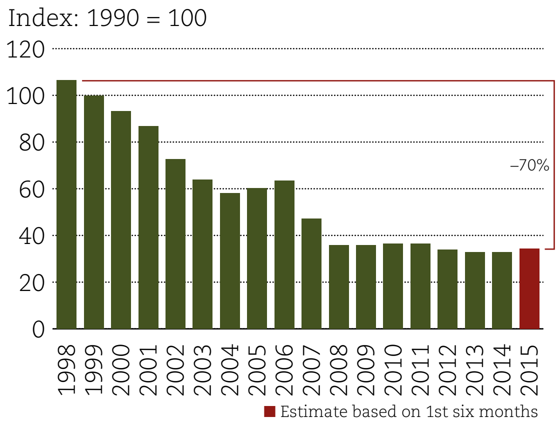


In the past, farmers could pledge the title deeds as collateral for bank loans, yet faced the additional risk of losing their property if they failed. This motivated farmers to be successful. Today, all farmland is the property of the State. Those to whom the farmland is allocated only need to reaffirm their loyalty to the party to retain their rights of occupancy. This factor has severely weakened a once strong agricultural sector.

Manufacturing: intrinsically linked to agriculture

Zimbabwe formerly produced an enviable range of consumer goods, including a wide range of processed foods that were linked to agriculture. This ranged from biscuits to dairy products, from confectionary to tea, coffee, sugar, canned meats, fruits and vegetables, and from beer, wines and spirits to stock-feeds. The farming links also fed into manufacturing in many non-food areas, from textiles to tobacco, sawn timber, cardboard and tissue paper.

Figure 7: Manufacturing: all groups annual indices



As shown in Figure 7, by 2015 total output volumes were 70% lower than in 1998 and employment had fallen by 65%, representing the loss of 125 000 jobs.[19]

A key reason for the crash that destroyed Zimbabwe's manufacturing sector was the government's failure to recognise that commercial farming was an industry with complex links into every other industrial sector. Successful modern-day farms necessarily use industrialised methods to increase the prospect of quality crops and dependable volumes. Much of Zimbabwe's farming equipment was produced locally. Specialist manufacturers were making equipment for dam construction, irrigation, as well as plough disks, harrows and planters. A large proportion of fertiliser was produced in Zimbabwe, as were reinforcing steel rods needed for dams and bridges, tobacco curing barns and abattoirs.

While consumer goods account for the majority of the 6 000 different items that used to be available from domestic factories, many producer goods were also locally manufactured. These included railway wagons and passenger coaches, shunting locomotives, ball mills, steel section, autoclaves and pressure vessels. A wide range of electric motors were designed to cope with locally manufactured applications. The extensive selection of consumer goods that catered to the country's needs ranged from clothing and footwear to building materials, from radios to cookers, cosmetics to school textbooks and from pharmaceuticals to petrochemicals. The textiles industry was one of the biggest sectors and depended upon locally grown and ginned cotton. Much of these products found favour on export markets.

> Investors' success or failure was determined by how well they satisfied the market

The range of goods grew within an investment environment that offered a framework of acceptable regulations guaranteed by respect for the rights of investors. Those with imagination, technical ability and an understanding of market dynamics did not require special connections or political favours, and no central plan was followed or needed. Investors' success or failure was determined by how well they satisfied the market. For the most successful, the final proof was rooted in their ability to win customers in export markets. Most countries have included some form of import substitution and protection during their industrial development. Rhodesia was no different, and imposed import restrictions to help promote local production. Although most colonial territories were treated as sources of raw material and as markets for products made in the countries that colonised them, Rhodesia was an exception. The policies of the 1930s and onwards promoted secondary industry to add value to raw materials being produced. Rhodesia had built factories to make basic consumer goods years ahead of any of the other colonies in Africa. South Africa, with dominion status, was treated differently, but the pre-independence countries like Ghana, Nigeria, Kenya and Tanzania could not match the factories built in Rhodesia after the 1930s.

> Rhodesia had built factories to make basic consumer goods years ahead of any of the other colonies in Africa

With the Unilateral Declaration of Independence (UDI), another effort to overcome shortages led to new factories being established. Several import licences for foreign products were retracted because the products were also made in Rhodesia. This would continue until export markets were established for locally produced goods. The fact that items were good enough to compete on foreign markets suggests that the need for protection fell away, but UDI eventually caused foreign currency shortages that made import restrictions much more severe.

After 1980, local producers continued to enjoy protection as the government aimed to impose as many controls as possible. Yet during an increasingly hostile investment environment after 1980 very little new investment went into manufacturing. Changing technologies were not incorporated, and when the IMF finally forced the removal of import licences, retailers and consumers quickly switched to foreign suppliers.

The pre-2000 manufacturing sector contrasts sharply with the industry today. A high percentage of the companies have closed. Most of the few surviving operations have downsized to cope with reduced demand, reduced access to inputs from commercial farmers or foreign suppliers, reduced access to loan capital, inefficient production methods that cannot be updated due to lack of foreign exchange, the lack of skills following the emigration of artisans, and the demoralising effects of continuing indigenisation. Industrial wage levels, under strong trade union influence, had been subjected to extravagant demands when dollarisation took place. Falling employment caused a decrease in trade union membership contributions, which affected the incomes of trade union officials and prompted them to agitate aggressively for members' wage increases that would restore their own earnings. Staff retrenchments required the permission of the Ministry of Labour and were authorised only after an employer had committed to pay generous retrenchment packages. The result of these rising costs was yet more company liquidations as products were priced off the market.

The expected shortages of banned goods have not been accurately reflected in the markets due to corrupt customs practices that allow imported supplies to enter

Many companies hoped to improve efficiencies by attracting investment inflows through external partners with access to the latest production methods. This was in turn again undermined by indigenisation demands. Companies have since been further discouraged by new operating licences that add to costs. For many, existing costs were already making their products uncompetitive against imported equivalents. Foreign exchange shortages were worsened by capital flight and increasing dependence on food imports, alongside a shrinking list of exports and mounting debt.

Today, official policy decisions have banned the importation of consumer goods that were once made in Zimbabwean factories, to persuade industrialists to restart local production. The import ban has had limited success because very few factories could restart operations without spending considerable sums of foreign exchange for updates and refurbishments. The expected shortages of banned goods have not been accurately reflected in the markets due to corrupt customs practices that allow imported supplies to enter. Now, a rising premium must be paid to obtain the foreign exchange needed by the import agents, so prices continually move higher. Eventually, that trend might make the goods from local producers cost-competitive again, but everyday Zimbabweans continue to experience rising inflation.

Mining

Despite difficulties within the sector, Zimbabwe's mining industry can lay claim to many distinctions. With economically-viable deposits of more than 40 different minerals, Zimbabwe has an unusually diverse range of geological assets. Two other issues have nevertheless come to the fore in recent years: the first is that mining currently delivers the largest proportion of Zimbabwe's foreign earnings; the second is that viable mining now faces the most direct threat from government intentions to capture more of the industry's income through changes to mining legislation.

The development of serious problems in the mining sector coincided with the land reform programme, and both are linked to money. The steep fall in agricultural export revenues and the sharp increase in food imports coincided with the removal of credit lines that had provided Zimbabwe with six months' credit on fuel deliveries and other imports. These constraints elevated the importance of mineral export revenues. The government's strongest controls were imposed on gold, all of which had to be sold to the Reserve Bank and paid for in Zimbabwean dollars at a price set by the Reserve Bank. After Zimbabwe's independence in 1980, a strong surge in gold output followed increasing levels of exploration and improved investment inflows. Outputs of more than 25 tonnes were reached in 1998 and 1999. Land reform, enforced in 2000, led to the Reserve Bank holding the controlled price constant for lengthy periods during which, despite rapidly rising inflation, no relief was made for rapidly rising mining costs.

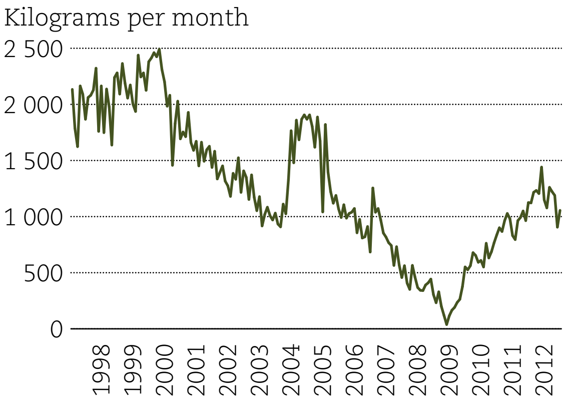
To maintain operations, most of the companies had to draw down their financial reserves, increase borrowings or suspend exploration and development plans, while hopeful that the authorities

Table 2: Mining volume output (2001–2015)[20]

VOLUMES PRODUCED		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Asbestos	ton	136 327	167 954	147 209	104 457	122 041	96 956	84 520	11 489	4 971	2 031	–	30	614	–	–
Black granite	ton	385 532	415 394	190 372	58 662	–	–	–	–	–	–	–	–	–	–	–
Chrome	ton	780 150	749 339	637 099	668 391	667 199	700 001	614 559	442 584	193 674	516 776	599 079	408 476	355 142	408 422	208 328
Coal	ton	4 064 497	3 721 112	2 871 962	3 323 356	3 370 826	2 107 115	2 080 221	1 509 080	1 667 346	2 668 183	2 562 054	1 784 763	4 980 228	6 353 802	4 336 193
Cobalt	ton	95	87	79	59	304	26	29	28	39	58	174	195	319	358	355
Copper	ton	2 057	2 502	2 767	2 383	2 570	2 581	2 681	2 827	3 572	4 629	6 555	6 665	8 275	8 261	8 218
Feldspar	ton	1 055	728	816	79	–	–	–	–	–	–	–	–	–	–	–
Ferrosilicon	ton	16 848	–	–	987	4 882	1 024	3 097	1 612	603	–	–	–	–	–	–
Fireclay	ton	3 404	3 789	–	–	–	–	–	–	–	–	–	–	–	–	–
Flourspar	ton	–	500	–	–	–	–	–	–	–	–	–	–	–	–	–
Gold	kg	18 050	15 469	12 564	21 330	14 023	11 354	7 018	3 579	4 966	9 620	12 993	14 743	14 065	15 386	20 023
Graphite	ton	11 837	9 912	7 675	10 267	6 177	6 588	5 418	5 134	2 463	741	7 252	7 022	6 934	6 853	6 362
High carbon ferrochrome	ton	243 534	258 164	245 200	193 077	238 507	200 673	187 327	145 430	72 223	154 336	161 839	138 004	129 554	166 909	115 586
Iridium	kg		84	152	135	141	147	149	151	209	254	398	412	524	544	505
Iron ore	ton	360 862	271 812	366 737	228 731	363 048	104 459	79 109	2 919	–	28	–	–	–	–	–
Iron pyrite	ton	88 156	87 592	93 010	100 940	59 683	39 777	19 812	30 308	–	–	8 970	6 176	–	–	–
Kyanite	ton	9 682	6 140	5 707	1 467	–	–	–	–	–	–	–	–	–	–	–
Limestone	ton	3 798 956	5 057 573	10 150 806	4 918 102	35 575	–	–	–	–	–	–	–	–	–	–
Lithium minerals	ton	36 103	33 172	12 131	18 866	37 499	–	–	–	–	–	–	–	–	–	–
Low carbon ferrochrome	ton	6 307	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Magnesite	ton	2 439	2 366	1 333	842	893	939	1 814	2 549	449	–	169	–	–	–	–
Nickel	ton	8 145	8 092	9 516	10 217	9 220	8 825	8 582	6 354	4 858	6 133	7 992	7 899	14 058	16 633	16 109
Osmium	kg	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Palladium	kg	371	1 943	3 449	3 564	3 879	4 022	3 999	4 274	5 354	6 916	8 422	8 136	10 153	10 137	10 055
Phosphate	ton	87 880	107 854	95 496	105 271	71 505	65 838	46 106	21 051	–	56 656	46 047	33 774	6 100	–	–
Platinum	kg	519	2 306	4 270	4 438	4 833	4 998	5 086	5 495	6 849	8 639	10 827	10 524	13 066	12 483	12 564
Quartz rough	ton	28 162	8 654	8 382		4 300	–	–	–	–	–	–	–	–	–	–
Rhodium	ton	42	218	377	374	404	410	414	444	568	727	940	891	1 146	1 140	1 128
Ruthenium	kg		178	322	300	317	317	318	333	413	555	823	787	1 012	983	977
Silica	ton	14 544	16 411	14 857	48 999	18 871	–	–	–	–	–	–	–	–	–	–
Silver	kg	3 344	2 600	2 483			–	–	–	–	–	–	–	–	–	–
Slate	ton	435	13 213	5 652	1 588	–	–	–	–	–	–	–	–	–	–	–
Talc	ton	1 272	1 024	196	838	18	–	–	–	–	–	–	–	–	–	–
Tantalite	ton	30	481	231	46	–	–	–	–	–	–	–	–	–	–	–
Vermiculite	ton	11 632	23 803	20 016	27 150	24 826	13 421	17 395	16 123	3 211	–	–	–	–	–	–
Tonnes of Base Minerals		**10 099 982**	**10 967 887**	**14 887 626**	**9 825 149**	**5 038 348**	**3 348 634**	**3 151 083**	**2 197 932**	**1 953 976**	**3 410 298**	**3 401 071**	**2 393 894**	**5 502 370**	**6 962 378**	**4 692 278**
Kilogrames of Precious Minerals		**22 284**	**22 581**	**23 240**	**29 768**	**23 194**	**20 838**	**16 569**	**13 833**	**17 791**	**25 984**	**33 462**	**34 602**	**38 819**	**39 533**	**44 124**

would soon affirm the need to improve mining returns and the allocation of foreign exchange to pay for imported spares, explosives and other essentials. In having to provide for overwhelming foreign exchange demands from other sectors, especially fuel, the government had to set priorities that consistently side-lined the mining industry. This caused mining companies' access to foreign exchange to become so limited that few could upgrade machinery or carry out basic maintenance.

Figure 8: Gold production



Falling production efficiencies led to falling volumes, and these placed hopes of profitability further beyond reach. With profitability disappearing, the prospects of borrowing external funds or obtaining credit from suppliers also disappeared, and many mines ceased operations. At the height of problems, which culminated in hyperinflation and increasingly difficult business conditions, fuel shortages, power cuts and the loss of many skilled personnel worsened conditions and caused many companies to suffer crippling financial losses.

When controls were eased, unacceptable exchange rates were imposed, and gold mines and other exporters that were permitted to open Foreign Currency Accounts with their commercial banks had their account balances confiscated by the Reserve Bank. These actions forced the removal of working capital and funds for essential imports, further damaged mine viability and caused production to fall to 3,6 tonnes in 2008. More gold mines were forced to close. Compensation for the confiscated bank balances was promised in 2008, but by 2012, many mines were still waiting for the payments. Figure 8 illustrates how the official fixed gold buying price affected production volumes.[21] A price revision in 2003 boosted output, but this was a temporary improvement.

By 2009, the list of minerals covered by the Chamber of Mines had fallen from 30 in 2001 to 17. The producers of minerals such as iron ore, tantalite, feldspar, ferrosilicon, magnesite, phosphate rock, chrysotile asbestos, among others, had been forced out of production by financial shortages, rising costs, power cuts, and the failures of services such as railway transport.

Falling production efficiencies led to falling volumes, and these placed hopes of profitability further beyond reach

The closure of the Zisco Steel plant, a State-Owned Enterprise (SOE), seriously impacted export revenues. It caused considerable sums to be spent on steel imports and lead to long-running labour problems as the money to retrench the thousands of employees from the SOE could not be found. However, the fall in gold production was the most serious. Over the years, it had yielded between 25% and 40% of total mining revenue. Gold production volumes had fallen by about 80% by the time stability was restored with the adoption of the US dollar in February 2009. Then, in response to the removal of restrictions and exchange controls, a hesitant output recovery started for the mines still in business.

Progress in the sector was again arrested by the imposition of indigenisation laws. These coincided with new requirements for mining claim registration and re-registration. These included large fees for every hectare occupied by the claim, plus higher royalties, as well as the removal of a provision that had permitted royalty payments to be tax deductible. These decisions added considerably to mining costs and led to some properties being abandoned, as they contained relatively low-grade deposits that could no longer be profitably recovered.

Popular claims that mining companies leave nothing behind in compensation for the valuable minerals they extract are incorrect. Such claims can be assembled into passionate arguments, but deliberately omit that the wages and the costs of mining absorb nearly all the revenue earned. Politically, government finds it easy to claim that yet-to-be mined minerals are worth a fortune. On the other hand, basic economics demonstrate that minerals are of no value to anyone until found, mined and processed into something useful. Every step of development and production requires enormous investment amounts that necessarily call for supportive investment environments.

Another economic fact is that countries where minerals are mined and processed into useful products earn a far greater share of the revenue chain than the shareholders. The wage expense alone almost inevitably exceeds the dividends, so the more important questions for future policy-makers should be: how many Zimbabweans will be employed, how well will they be trained and how effectively will their employers turn them into economically stable and productive taxpayers? If the real value of these achievements to the whole country could be measured – for the several generations of mine employees over the working life of a mine – they would greatly exceed the value of minerals extracted.

Basic economics demonstrate that minerals are of no value to anyone until found, mined and processed into something useful

In economic terms, the huge diversity of spin-offs from investments in mining and processing operations can be described as the multiplier effect, calculated by measuring the ratio of changes in income compared to changes in expenditure. It goes even further to bring in the downstream consequences of the first transaction. The country's yet-to-be mined mineral deposits will all cost considerable sums to develop, and as such the sums are beyond the means of local investors. Developing new mines will depend absolutely on inflows of foreign capital. Zimbabwe's policies need to demonstrate that the authorities understand the needs of foreign investors and appreciate the multiplier effect of mining investment. At present, they do not.

How many Zimbabweans will be employed, how well will they be trained and how effectively will their employers turn them into economically stable and productive taxpayers?

Emotionally-charged rhetoric has slowed or prevented the inflows of necessary capital, and much to the government's annoyance, complex challenges regulate many facets of the mining industry well beyond the reach of government authority. Market forces determine not only the prices of the mineral exports, they also have a powerful bearing on the availability, sources, costs and quantities of local and foreign capital. Engineering challenges and professional skills requirements add to the list. On top of this, every mine needs to be able to depend upon the delivery of a wide range of specialist services, many of which must now be imported. Previously, many skilled people were trained locally, but the business environment has deteriorated to such an extent that most people with specialist skills have emigrated. This trend has also affected the availability of artisans and mine labourers, administrators and white-collar specialists; from laboratory technicians to metallurgists, control gear specialists to electronics technicians. These losses have generated formidable challenges even to investors with considerable experience.

Mining presents, however, a significant if inevitably slower turnaround opportunity, given the lengthy periods of exploration, development and capitalisation. Confidence has been hammered by a lack of transparency and indigenisation legislation, as it has in other sectors of the economy.

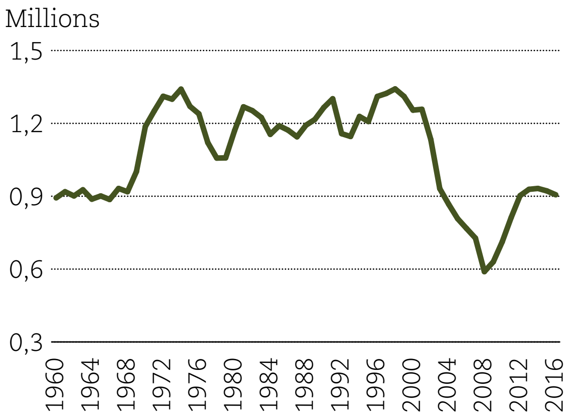
A first step will be to write a new mining act with the long-term in mind. The sector will also prove a test of President Mnangagwa's commitment to a 'no nonsense approach' towards corruption. But a great deal of potential exists in the sector with the right set of policies, in the fields of lithium and platinum in particular.

Tourism

Holiday makers to Zimbabwe used to approach 2 million people a year. Before 2000, tourism was becoming one of Zimbabwe's most promising growth industries, with the national parks and the privately-run wildlife conservancies contributing most to the sector. High-quality safari lodges offered both hunting and camera safaris, as well as adventure trail holidays.

Under the supervision of knowledgeable guides, game drives could be combined with fishing, birdwatching and mountaineering, while professional hunters led trophy hunting expeditions. At the time, Zimbabwe had one of the broadest selections of wildlife to be found on the continent, and some of these were to be found in or near the very large trans-national parks that today still link Zimbabwe to its neighbours in South Africa, Mozambique and Botswana.

Figure 9: Zimbabwe international tourism arrivals (1960–2016)[22]



Land redistribution under the Land Reform Programme included many of the conservancy areas. As resettlement farmers were offered portions of the many estates, tourist options were reduced. Wildlife experts and conservation societies reported that a significant proportion of the herds of antelope was subsequently slaughtered[23] for venison. Only due to strenuous efforts did some of the conservancies remain intact, yet although it has survived as an industry the numbers of tourists that can be accommodated have remained much lower.

> Only due to strenuous efforts did some of the conservancies remain intact

As the financial difficulties and rising inflation led to strict exchange control regulations, the effects on international credit card transactions made Zimbabwe a very expensive destination. Cross-border traders who took advantage of goods shortages made significant profits by passing themselves off as tourists. As a result, official tourist statistics from immigration records became extremely unreliable.

In terms of investment in new facilities, Victoria Falls has attracted most of the attention in recent years and several new hotels have been built. Part of the encouragement came from the completion of a substantially larger airport building and extensions to the airport runway to permit arrivals of larger aircraft. While occupancy at the Falls is around 60%, countrywide it averages perhaps 40%, reflecting the challenges of accessing the country, the negative image abroad, the relatively high costs given the dollar cost basis, and the lack of tourism offerings.

For Zimbabwe's prospects of recovery to be placed onto an acceptable path, many separate facets of the tourism sector will need attention, including improvements to the frequency and quality of air and road transport, further improvements of access roads to resorts and hotels, and a major overhaul of the policies that are currently making foreign investors unwilling to participate in development projects.

Investors, who will have to be commit their funds to unlock Zimbabwe's very considerable potential, will require the assurance that their property rights will be respected. This assurance would require the removal of indigenisation demands, which would also help ensure investment inflows large enough to restore Zimbabwe's regional competitiveness.

When Zimbabwe's land reform policy was launched, its impact soon caused particularly severe problems for wildlife management schemes. Overseas tourists had formed the backbone of the eco-tourism sector. As they had originally encouraged the commitment of the investment funding that brought the conservancies into existence, they can be expected to resume their commitment quickly if property ownership rights are restored.

For the conservancies to flourish, the starting point for official policy change would be little more than the reinstatement of property rights. This would permit the long-term planning needed to rebuild wildlife herds and would allow the development of better protection against poachers. At present the government argues that, as with other natural resources, all wildlife is the property of the State. Yet this position has generated a far less creative relationship between wildlife and humans.

For the best possible guarantee that wildlife preservation measures will be successful, investors in conservancies should be accorded ownership rights over any animals that live naturally on the property, or have been bought and relocated from other licensed operators. Animals that have commercial value will be in considerably less danger of being left vulnerable to poachers, while their owners will be able to fully justify the expenditures needed to ensure their safety and their ability to multiply. The granting of ownership rights will completely overcome the current reluctance of investors to become more deeply involved in wildlife management.

Aid prospects

Zimbabwe remains a recipient of significant humanitarian assistance. With approximately one-third of its 14 million citizens requiring food aid, the amount of this form of assistance from the World Food Program alone was US$269 million during 2017/18.[24] The United Kingdom earmarked £86 million in assistance in 2017/18, of which the bulk went to Supporting a Resilient Health System (£31.5m), Livelihoods and Food Security Programme (£13.4m) and Education Development Fund Phase II (£10m).[25]

Figure 10: Historical ODA to Zimbabwe[26]

The government's reluctance to deliver the repeatedly promised reforms has sometimes been explained as evidence that the promises alone were expected to satisfy financial institutions such as the World Bank and the IMF. This appears to be the case in the government's previous dealings with these organisations. By 2017, Harare appears to have worn out even donor patience. Despite the extreme position now adopted in the country, both Bretton Woods institutions have confirmed that regardless of arrears being settled, Zimbabwe will not qualify for new facilities before reforms are carried out.

Questions of whether development assistance from aid donors might help carry Zimbabwe through the reform process have attracted similar responses. Merely acknowledging the need to make appropriate policy changes has impressed none of the usual sources of financial assistance, not even the Chinese.[27] The latest thinking on the subject reflects a growing realisation that the country has only to carry out the reforms until its reliance on aid fall away.

In recent years, changing views on the effectiveness of aid have led to a more cautious and conditional use contrasting with the increase in the amounts available. Some donors have realised that when aid was offered to overcome the negative effects of policy choices, too often it permitted politicians to keep the damaging policies in place. Aid, therefore, allowed bad practices to continue.

This realisation strengthened the view that aid to Zimbabwe should at least be channelled primarily towards disaster relief. However, it is widely believed that Zimbabwe has suffered a disaster. Descriptions of the damage done to its productive sectors, its indebtedness, its struggling power and railway services, its destroyed savings and pensions, its lack of welfare services and its millions of refugees, could easily apply to a country that had suffered a defeat at war, requiring aid of Marshall Plan-proportions to put the country back on its feet.

Identifiable casualties include thousands of displaced farmers and hundreds of thousands of other Zimbabweans who lost their jobs. Pressures that scattered families worsened conditions for those who had lost their pensions. Ultimately, the destroyed income streams, lost savings, shattered careers, production shortages and lost food security affected everybody. The government's greatly reduced tax revenues led to the country now having badly damaged health and education services, a physically damaged infrastructure and no resources to fund welfare programmes.

If aid contributions were given to the government that caused all the listed problems, it would reflect nothing more than a reward for creating such havoc

If aid contributions were given to the government that caused all the listed problems, it would reflect nothing more than a reward for creating such havoc. Most often, the chaos was caused by the deliberate destruction of administrative structures. Without dealing with this pernicious policy and its political element, aid risks do more harm than good.

Imperatives for recovery

Zimbabwe could best restore manufacturing growth by placing an initial emphasis on farming. At present, many people are claiming that this is not necessary as Zimbabwe can import food for much the same price as it costs to grow it, but this argument would fall away if efficiency was restored and the producers were able to regain the economies of scale inherent in large commercial operations. To attract the necessary finance, the return of freehold title and security of tenure should head the list of imperatives.

Of far greater importance is the creation of jobs, which should be the primary aim of Zimbabwe's economic policy decisions

From that start, employment will be generated firstly by the farms and secondly by the factories that process agricultural products. At present, the authorities are concentrating on whether the country is getting its fair share of the value of commodities being exported. This concentration on the value of the output and the dividends to the shareholders is misplaced; of far greater importance is the creation of jobs, which should be the primary aim of Zimbabwe's economic policy decisions. Regarding manufacturing and mining companies, the government should consider that in nearly every business the wage bill is much higher than the company's profits. In other words, wages are bigger than the payment of dividends, especially when the taxes paid on wages and on company profits are considered. If import duties, licence fees and royalties, plus other government and municipal charges are added, the simple sums show that host countries receive far more from companies than do shareholders, whose risk capital was used to create them.

The contemporary business environment is challenging, even for experts in developed countries. To compete with attractive global markets, Zimbabwe must improve its offer to investors. Their profits are of secondary importance when considering the country's most urgent need for job creation. To employed workers, just about all that is needed is placed within reach because they enjoy steady, dependable incomes.

> To compete with attractive global markets, Zimbabwe must improve its offer to investors

The multiplier effects of making Zimbabwe an attractive investment destination would impact every other facet of the economy and would create tax revenues from a wide range of wider economic activities. The developers of a factory or a mine always contract specialist services and considerably increase the level of economic activity across multiple businesses. In the developed world, the relationship between governments and investors tends to be mutually supportive. If the values respected by wealthy countries account for the fact that they have funds to invest, Zimbabwe would do well to respect the same values. Zimbabwean companies will inevitably have to make significant concessions, not only to bring the county back onto a recovery path, but also to survive an unpredictable and sometimes volatile business climate with commodity price changes. The government needs to be conscious of the risks that investors face. In its heyday, Zimbabwe did better than every African country to its north by offering an investment sanctuary to innovative people who created businesses. That fact invites special attention: any country wanting to progress must be attractive to exceptional talent. Constrastingly, one of the country's main exports now is the trained workforce that used to run the factories. As many as 4 million Zimbabweans are today estimated to be working abroad. Their remittances to dependents, estimated to be as much as US$2 billion per annum, in Zimbabwe have become an important component of the balance of payments. Claiming responsibility for this capital inflow, ZANU-PF politicians have boastfully reported on the hundreds of millions of dollars arriving every year.

These comments point to perhaps the most important area of change needed in official thinking. The establishment of a productive base takes time, and productive investors look for a stable and supportive base on which to grow their business. Accordingly, Zimbabwe's objective as a nation should be to create the most hospitable environment possible for investors.

For existing and future investors, all traditional food processing, textiles, household goods and building material industries have good prospects of revival when production efficiencies are restored. The companies that have survived in these sectors require capital injections to allow for the adoption of more modern techniques and the upgrading of infrastructure. Nonetheless, the restoration of political stability and the adoption of supportive economic policies will generate thousands of opportunities. Currently, electricity and water supply interruptions, poor roads in the industrial areas and almost non-existent rail transport services are discouraging investors. High interest rates and high maintenance costs, plus limited access to long-term finance are also affecting investment plans, as are operating costs and labour regulations that protect workers against penalties imposed for poor workmanship or indiscipline.

> Zimbabwe's objective as a nation should be to create the most hospitable environment possible for investors

The needed changes should be designed to help Zimbabwe become deserving of assistance, not in the form of aid, but in the form of commercial loans. By floating syndicated long-term loan stock issues on international capital markets, Zimbabwe could catch up to and overtake every other country in the region, but its first step on that path must be to successfully attract new capital injections from investors entering manufacturing, mining, agriculture and tourism. Recovery would quickly gather momentum once the first signs of success became evident, but the whole process would have to start with the adoption of the correct policy mix to empower investors and not the government.

For some of the challenges, the extreme inefficiency of most State-Owned Enterprises calls for the removal of poorly qualified executives, many of whom are retired military personnel holding political sinecure positions. Local or foreign investors who can participate in the privatisation of these organisations should be invited. Correctly drafted prospectuses could encourage the successful sales of these organisations, such as Air Zimbabwe, National Railways of Zimbabwe and the Grain Marketing Board, which would relieve the government of their very large annual debts. Others might require work to be put out to international tender to meet the requirements of funding organisations or donor countries, while for certain projects the main concern might be to re-attract the skilled personnel it has lost. A plan that covered this ground would no doubt leave further political problems in need of attention. Most SOEs have become militarised and furthermore serve as indoctrination centres for new government and parastatal recruits.

A focus on actions that deliver recovery and growth in the future is paramount. By first restoring dependable flows of income from the efforts of individuals with proven technical and managerial skills, Zimbabwe would become far better placed to deal with the challenges caused by past errors in judgement. Investors will need to feel confident that political issues outside their control will not derail them. They will also want assurances that officials will not make arbitrary decisions.

Fixing flawed institutions

Zimbabwe's once enviable judicial system was independent, and effective in adhering to the doctrine of 'separation of powers'. When the institution was seen to be diluting the powers of the executive, constitutional provisions were introduced to empower the President to appoint the most senior members of the judiciary, namely the Chief Justice, the Deputy Chief Justice and the Judge President. The other powers, the Executive and the Legislature, have also lost their independence, and the current reconstructed power structure would be better defined as an autocracy. Autocracy began after independence with the passage of a series of constitutional amendments that steadily increased the powers of the President and reduced the rights of the citizens.

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At the head of government is the President, who wields considerable powers that have increased over the years. Two key components in the basic structure of government fall directly under the President. They are not provided for in the constitution, but they determine and regulate every aspect of the administration. The first structure is the Politburo. The President appoints every member of the Politburo, and continuing membership depends upon unwavering loyalty to the President's office. Under the Politburo is the much larger Central Committee of which every member is also appointed by the President. The same condition for continued membership applies.

The Cabinet Ministers come next and can be usefully considered to rank in line with senior members of the judiciary. The President appoints all Cabinet Ministers and the Attorney General.

Below them come the Senate and Parliament. Although elections for the Senate and Parliament are coordinated by the Zimbabwe Electoral Commission, the frequent challenges to electoral results have almost never been permitted to reach the courts. The President appoints the chairperson of the Electoral Commission and its eight other members.

The government handling of property ownership rights is another structure that is badly damaged. Starting with registrations of title, the maintenance of records showing details of owners, transfers of ownership, subdivisions, mortgage bonds, transfer duties, sales prices and conditions or restrictions that apply to property localities are all essential to the sound management of urban and rural areas. In many areas of Zimbabwe, the system has come close to breaking down. This has led to fraudulent sales of properties, the flouting of town planning and building regulations, and the severe undermining of financial arrangements depended upon by thousands of people to provide funding for developments.

The judiciary and system of property ownership rights illustrate that the institutional structures of Zimbabwe are now deeply flawed. If aid funding is to be made available to a Zimbabwe-on-the-mend, it might best be used to establish commissions to reconstruct the fundamentally important institutional framework needed to run a modern state successfully.

Conclusion: challenges for President Mnangagwa

The estimated total Zimbabwean workforce today is down to the number employed in 1970, despite the population having more than doubled since then.

This alarming statistic clearly illustrates the increasingly hostile investment climate which has caused the shrinkage or closures of businesses. More pointedly, it reveals the disappearance of job prospects and the reason so many have had to leave the country to find employment. Current estimates suggest that formal sector employment is now providing steady incomes to only about 850 000 people, or one person out of every 17 in the population. The most serious objective for the next President is to create conditions that will lead the creation of employment.

Employment is a function of investment. Unfortunately, the relationship is less direct now that investment can derive from labour-saving and automated production methods. That adds to the challenge and increases the need for Zimbabwe's labour to be well educated, highly efficient and motivated enough to earn the privilege of a job. As the future unfolds, investors all over the world will have to invest increasing amounts to create those jobs.

The most serious objective for the next President is to create conditions that will lead the creation of employment

Investment is a function of confidence, which if undermined will prompt the investor to carry out the investment elsewhere. Zimbabwe's authorities should commit the entire country to the conduct and integrity needed to inspire confidence. Confidence is inspired by respect for the rights of others, including individuals and companies, the rule of law, and the comprehensiveness of procedures in place to ensure that the laws are just.

The application of the Declaration of Rights in Zimbabwe's Constitution has done serious damage to investor confidence, mainly in respect of the treatment of property rights.[28] Apart from the prejudice caused to the country by the loss of billions of dollars' worth of property that had the collateral value needed to release funding for many economic activities, the government has abrogated investors' rights to retain ownership of targeted companies by demanding the surrender of property in the form of shares. The government has also demanded the surrender of registered mineral claims. Demands are now being made on exporting companies to surrender foreign earnings of dependable value in exchange for electronic currency, the value of which is unstable. Damage done to confidence by these and other measures has hindered new investment. Having dispossessed many former investors, the government is threatening the viability of many of those still in business.

Accepting the imperative of employment creation as the main driving force for all decision-making, the first challenge for the next President is, therefore, to reaffirm respect for the needs of investors and to restore full respect for property rights by placing back onto the market the land that was removed.

A second challenge is to pass constitutional amendments needed to give respect for property rights the force of law.

The third challenge for the incoming President is to commit the country to defer to market forces. Many of the problems either caused or exacerbated in recent decades have reflected government beliefs that they are exempt from the rules of the market place and can grant themselves the power and authority to set prices, incomes, expenditures, values and privileges at their own discretion. The consequences include unmanageable levels of debt, wage levels that have priced Zimbabwean goods off the markets at home and abroad, and an ineffective Parliament that is twice the required size and has doubled the required number of ministers. Parliament has been undermined by the Politburo and Central Committee.

Finally, even if everything goes well with President Mnangagwa's time in office, the beginnings of an economic recovery will create new stresses. Change to the employment and supply-chain conditions could quickly over-stretch suppliers and cause strong cost increases, especially for companies that have been in survival mode until now. The moment the country changes direction, hidden weaknesses will come to the fore. Competition between suddenly-desperate employers will drive up salaries and might even destabilise formerly sound companies on which the market had become largely dependent. Careful planning is thus required.

Competition will be increasingly severe for other resources too. Electricity is a top priority on the utilities list as the gravity of Zimbabwe's power situation has been somewhat disguised by the economic downturn. If half the industrial activities had not stopped, the electricity supply constraints would have become apparent much sooner. It must be said that Zimbabwe would have coped better with sustained power demand if the SOEs running the collieries, rail transport services and power stations had been managed properly and had kept to their maintenance schedules.

Overall, a respect for market forces should impose on Zimbabwe an obligation to achieve the levels of efficiency, fiscal prudence and good governance necessary for the country's recovery. There is no other way for Zimbabwe to sustainably ensure recovery of its economic circumstances and delivery of development for its population.

Endnotes

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