Do Economic Structural Adjustment Programmes Really Create A Sustainable Climate For A Market Economy And International Trade? The Case Of Zimbabwe

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Introduction

For many years distinguished Marketing authors have been bemoaning the lack of Marketing in many underdeveloped countries.

Drucker (1958) wrote :

> First, in every underdeveloped country I know of, marketing is the most under developed or the least developed part of the economy

Writing later, Kotler (1976) :

> Developing nations are examining marketing principles to see how their domestic distribution system can be improved and how they can compete more effectively in world markets

In the early 1980s Really (1983) wrote:

> Asia, Africa and Latin America have two thirds of the worldэσ population. The immediate goal has been to improve living standards through increased economic growth. But many experience severe growth pains or even find it difficult to achieve development plan targets... It is suggested that the major difficulty is that little attention has been given to marketing... The general attitude of development economists and policy makers has been that they give most of their attention to problems of production, investment and finance, rather than problems of distribution and marketing...Marketing is given a passive role...this can lead to goods being produced which do not match the market needs quantitatively or qualitatively.... Leads to social waste .

This lack of emphasis on Marketing is not surprising given that many developing countries initial ideology has typically tended towards a command and centrally planned economic system. This emphasis on central planning led to a number of economic distortions and a review of selected development agency literature reflect a number of reasons why Economic Structural Adjustment Programmes (ESAP) were introduced into developing countries lending practices in the 1970's. According to Berman (1983) the various views on the need for Economic Structural Adjustment are:

1) The Balance the Budget view. Sarris (1987). Severe income and balance of payments difficulties occurred which necessitated heavy external borrowing.

2) The Indebtedness, Poor Export Markets and Wrong Policies view. Norton (1987). Characterised by an inability to service external debt, changes in prices of exportable commodities, inappropriate domestic policies (for example, subsidies), closed markets, controlled prices and a large public sector which swallowed an inordinate amount of public money.

3) The Once Rich Now Poor view. World Bank and UNDP (1981). A view fuelled by a 1970's export boom, leading to increased public expenditure, exacerbated by poor public sector management, a bias against agriculture and trade and exchange rate biases against exports.

4) The Doom and Gloom view. World Bank (1984). Characterised by food imports increasing as agricultural output decreased, idle industrial and decaying capacity, fall in domestic incomes, poor investment choices, failure to develop export markets, inadequate foreign exchange for materials and spare parts, weather catastrophes and an overvalued currency.

The facts seem to give credence to these underlying reasons. Africaэσ economic and social conditions began to deteriorate in the 1970's and have appeared to continue to do so. In many cases gross Domestic Product grew at an average of 3.6% a year between 1970 and 1980 but appears to have been achieved in a small number of countries every year since then. However it is not altogether a gloomy picture (Jaeger 1992) commented that:

> Since the mid eighties there have been improvements in both food and export agriculture, a reversal which has coincided with the implementation of policy reform programmes by a substantial number of African countries .

In the early days there was a general feeling that the World Bank and IMF were trying to trample over countries in Africa with their own notion of economic management, structural adjustment and force fed IMF facilities and IDF credit. In addition, there was a feeling that the World Bank was trying to administer the same medicine to countries with widely differing urban to country population ratios and there was particular hostility towards the conditionalities which the World Bank and IMF used to impose on countries. However, in the last ten years, country initiated ESAP has developed, South Africa for example. Reluctance to accept certain adjustment policies were based on the politically unacceptable policy which led to increases in basic food prices, especially in vote catching urban areas and wage restraints (especially in the Civil Service). Recently the World Bank has identified a number of key elements of the Governmentэσ ownership which will, it hopes, ensure that the ESAP will be carried through, including dramatic up front action.

Objectives of ESAP

The primary objective of ESAP can be simply stated:

> Economic Recovery and Sustained Growth .

Within this primary objective lies a wide range of sub objectives.

1) Balancing financial resources, eg balance of payments.

2) Economic efficiency, eg price/market responsiveness, and transaction cost reduction (efficiency).

3) Growth, eg entrepreneurship and employment creation.

4) Social, eg distributive objectives (food security).

Objectives and means should not be confused. An objective of ESAP is not to reduce food subsidies or privatise food markets. These are means only to achieve the primary objective. Objectives can, and do, conflict and trade offs can occur especially as they apply to agriculture, for example in trade and price policies. Trade liberalisation removes protection of the countryэσ agriculture and may place it in competition with the international commodity market, thereby opening it up to unfair competition from protected agriculture in other major producer countries. Reduced input subsidies may be counter productive without a change in the terms of trade for agriculture (ie complementary pricing, exchange rate and marketing policies). In social trade-offs, price policies may favour tradeable agricultural commodities and not traditional non traded crops, eg millet, yams and cassava and therefore, favour the larger more commercial farmers and not the small subsistence producers. As well as conflicting views on the objectives there are conflicting views on the most pressing and vexing condition related to structural adjustment policies and that is of the social price paid.

The Food and Agriculture Organisation (FAO) (1988) reported:

> Adjustment programmes often have adverse effects in the short term on food security, especially of the poor and vulnerable sections of the population. Questions have also been raised of the efficiency of these programmes to raise incomes and improve food security, particularly of the poorest groups .

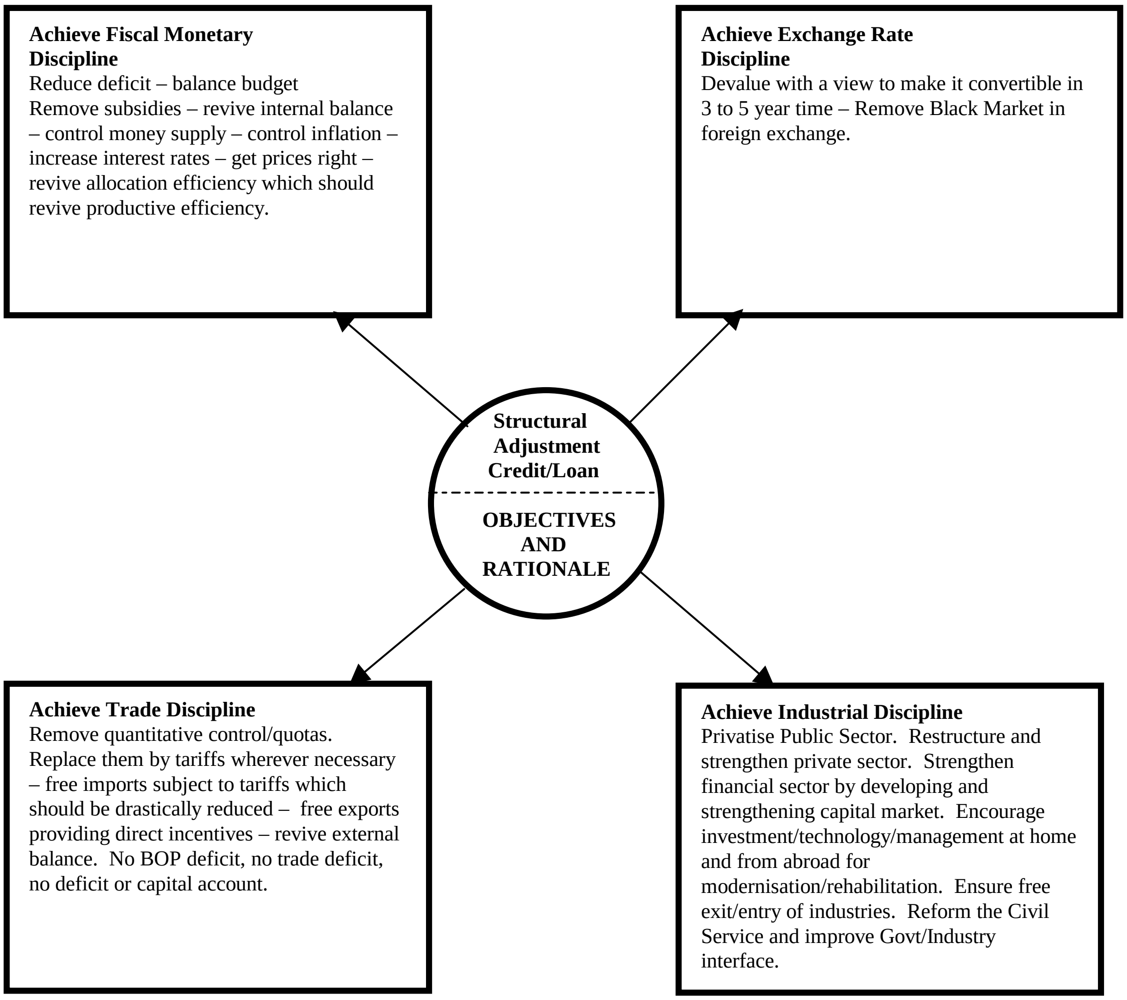
Impact of ESAP

The impact of ESAP has to be seen at two levels - the macro level which is intended to bring about structural adjustment and at the micro level which included privatisation . As stated earlier the net result is to bring about a marketisation of the economy. At the macro economic level, the structural adjustment of economies dependent upon the crutch of the state now find the crutch being gradually removed with programme assistance provided by the multi lateral agencies and involves reviving the extremely difficult four-fold rigours of:

i) fiscal - monetary discipline
2) trade discipline
ii) exchange rate discipline
iii) industrial discipline

These are amplified in Figure 1.

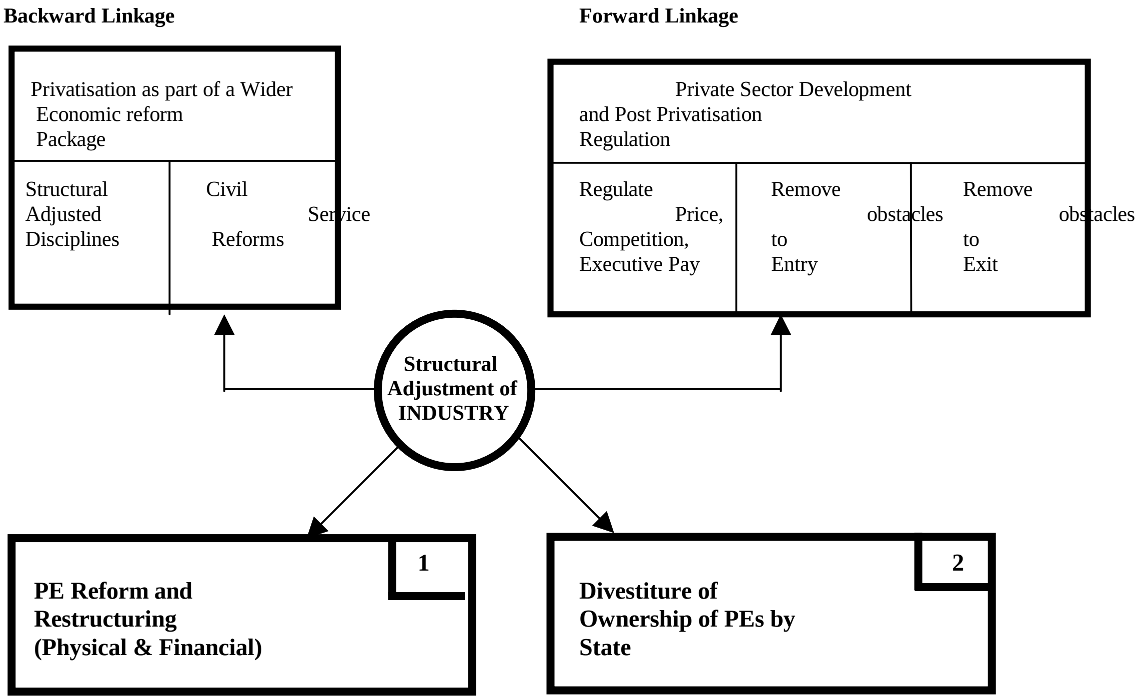
Figure 1: The Macro-Economic "Menu" for Adjustment



Source : Basu (1995)

This rigour is particularly difficult for those developing countries trapped in the strapped for resources and externally trapped in low income - high unemployment - high debt syndrome . At the micro level the set menu involves wide ranging initiatives (see Figure 2).

Figure 2: The Micro Level "Menu" for Reform and Re-structuring



Source : Basu (1995)

Applied properly the benefits of ESAP should be:

1) Balancing of the foreign account (balance of payments improvements)

2) Balancing of the Government budget (deficit reduction)

3) An efficient economy (lowering of transaction costs)

4) Economic stability with growth (reduced inflation, reduction of price fluctuation)

5) A more shock resistant economy

6) A more diversified economy

7) More investor and consumer confidence

8) Increased welfare, improved standard of living

9) Improved social services (health and education)

In micro economic terms, the ideal economic cycle should begin to work (see Figure 3).

Figure 3: The Economic Cycle

Whilst easy to describe, simply adjusting macro and micro policies is not the magic wand that produces growth and prosperity. Many major questions remain which need to be answered including:

1) What should be the role of the various Ministries, in particular the role of the Ministry of Agriculture, as many of these countries are very agriculturally orientated? Should they merely play a facilitating role and leave the actuality to marketing institutions and perhaps in agriculture, to other farmer constituencies?

2) How can conflicts arising out of the implementation ESAP's objectives be minimised or avoided?

3) What can be done to ensure that the rules governing participation and the transactional costs associated with participation are such that anyone wishing to take part or exit from the marketing system can do so?

4) What should be done to ensure that GDP (particularly in the agricultural sector) can be increased year on year by at least (3.9% the deemed necessary benchmark figure for success). No definitive answers to these questions have yet been found anywhere.

Countries undertaking economic adjustment programmes can be classified (according to the World Bank and IMF) as strong reforming eg Tanzania or weak reforming eg Zimbabwe.

The ESAP Effect Debate

A relatively recent debate on the role of the World Bank and IMF held in Johannesburg, October/November 1995, put the whole issue of adjustment in developing countries into focus again. The Bank is used to being criticised in Africa. For many years Africans have been moaning about the pains of adjustment - low public spending, higher interest rates, devaluation and stamping down inflation - in summary, what the bank sees as the re-discovery of economic reality. A standard response has been what are the alternatives?' and 'be patient or castigation of the slow pace of reform. The price of patience has been high, although the Bank tries to hide this with its non proven response – the price would have been higher if the adjustment policies had not been in place . The Conference showed that after loans of some US$ 40 billion plus and, after 29 countries had undergone at least 8 years of adjustment, GDP per capita actually declined in more than half the countries - overall it fell by 1% per year. Only Ghana, Mauritius, The Gambia, Morocco, Tunisia and recently Uganda can have claimed to have made real progress. The drought of 1992 ravished many countries in Africa, eg in Zimbabwe, GDP fell to minus 6.2% in 1992 from 3.0% in 1990/91.

Malawiэσ GDP growth has fluctuated widely, eg between minus 0.2% in 1986 to 5.0% in 1989. Tanzania, with 20 years of ESAP experience, has made little progress in agriculture primarily because the reforms have yet to produce substantial improvement since the incentives facing producers and exchange rate distortions lingered (now stabilised). Social effects of adjustment raise long shadows. Mozambique, the world's poorest country suffered 30,000 job losses under ESAP leaving only 95,000 out of 7,000,000 adults employed. The fact that all the Bi-lateral donor Governments supported the Mozambique Governmentэσ recent decision to increase the minimum wage from US$14 to US$18 a month, (ignoring the IMF's threat to declare the country off track', shows there are concerns about ESAP's effects. Stewart and Basu (1995) found that in all countries in Sub-Saharan and Africa poverty increased steadily throughout the 80s. It is significant that whilst the rest of Africa has been prepared to be patient and take the medicine , South Africa informed the World in November 1995 that it was not yet ready to accept the offer of lending in programme assistance. The jury is still out on the long term effects, but hopefully, the operation was a tremendous success, pity the patient died in the process , does not become a reality. In fact, by 1999, 15 African countries eg The Gambia, reported improved economic performance on nearly all economic indicators since the early 1990's, supported by the IMF Structural Adjustment Fund.

Having covered the background of ESAP in developing countries, the following is a case study of Zimbabwe, which, not only shows the implementation of the ESAP programme, but also poses the question Do Economic Structural Adjustment programmes really create a sustainable climate for a Market Economy and International trade?'

Methodology

Data was collected from secondary and primary sources using both quantitative and qualitative techniques. Secondary data on basic statistics was collected from Government sources and triangulated for verification purposes, against similar data from International Banks and a number of individual large organizations (eg Dunlop, Zimbabwe). Primary data was collected by the author during 1990-1995 when employed as a Food and Agriculture Organization Project Director. The project had, as one of its objectives, the development of policy and strategy for Agricultural Marketing during the first phase of Zimbabwe's Structural Adjustment programme. Some sixty pieces of commissioned research were used to cover aspects of Marketing under ESAP and the data assembled into composite publications. Since 1995, the author has continued to visit Zimbabwe and collect data from a number of agricultural, donor, non-commercial and commercial organizations on the affects of Structural Adjustment. The data was thus collected over a period of time using a mixture of personal interviews, questionnaires and commissioned research.

Zimbabwe - THE ESAP Experience

Despite its size (nearly twice the size of England) Zimbabwe has only a population of just under 12 million, 80% of who live in the rural area. In 1997, its GDP stood at ZIM$188 billion. Whilst audited figures are not available 1998's GDP was expected to increase by 3.0%. Zimbabwe embarked on ESAP in 1991 and has so far completed Phase 1 (1991 - 1995) known as The

Economic Structural Adjustment Programme (ESAP) and is almost at the end of Phase II (1996 - 2000) known as Zimbabwe Programme for Economic and Social Transformation (ZIMPREST).

The Government set out its policy for adjustment in a Government paper in 1990 and was to proceed in a series of steps (the first phase costing an estimated US$5 billion). Basically the steps included the following :

A. Phase I (ESAP)

1. Devaluation. The Zimbabwe dollar has gradually declined in value from ZIM$0.4 to the US$ to its current level of ZIM$40 to one US$, pegged by a ‘Gentleman’s agreement between the banks. This has caused considerable input cost hardship .

2. A steady increase in the number of products put on open general import licence to the extent that now nearly all but prohibited goods under anyone's definition are able to be imported into Zimbabwe, provided purchasers have foreign currency. However, the flood of better quality products into Zimbabwe has hit local producers very hard, so long protected from the outside world.

3. Trade liberalization, particularly the abandonment of state price fixing and movement restrictions by Government, in the agricultural sector. This specifically applied to maize, the staple diet product. Large millers are currently seeking an 88.5% price hike.

4. Exchange Reform. An increase in the amount of foreign currency able to be purchased by individuals as well as organizations and a freeing up of strict exchange control bureaucracy.

5. Parastatal Reform. The commercialisation of Government parastatals (state owned industries) where huge subsidies had been paid particularly in the agricultural sector for storage and transport facilities. The Government initially refused to write off the enormous debts (ZIM$6.5 billion) owed by the agricultural parastatals to the Government but subsequently decided to so do.

6. Social Dimensions. In order to protect consumers from the social ills associated with economic reform the Government has implemented a Social Dimension fund.(Being abused).

7. Deregulation of Commodity Trading. Hitherto the Government, through its parastatals, held a tight rein on the way in which commodities were traded and the restriction has been lifted allowing the starting up of the Zimbabwe Commodity Exchange (ZIMACE) for agricultural products.

8. Inward Investment. The Government has been trying to woo investors into the country through talk (and subsequent operationalisation) of Export Processing Zones and a favourable investment climate.

9. Commercialisation or Privatisation. The Government has been reluctant to privatise many of the State industries and still indeed there is a very strong State sector (60%). The Government has been divesting itself of some of its shares in large commercial organisations, but still many are to be privatised.

10. Import and Export Trade Barrier Reform. Hitherto many commodities were only able to be

exported or imported through Marketing Boards, but there has now been a gradual lifting of this restriction.

11. Civil Service Reform. The World Bank is particularly anxious that Zimbabwe reduces its expenditure on the Civil Service and introduce much needed reforms. Unfortunately this is an area where dramatic progress has not been made.

B Phase II (ZIMPREST)

12. Revamp the economy by promoting high productivity for the Export International Market using Export Processing Zones (EPZs) as the catalyst. Investors in the zone have to sign an agreement to export 80% of the manufactured products for the International market and 20% for the local market. Zones were planned for Harare, Bulawayo, Gweru and border towns but are not operational except by a few stand alone enterprises.

13. Further encourage and forward plans for privatisation.

14. Continue with the liberalisation of the economy.

15. Produce guidelines for reducing the rate of inflation and providing a stable economic environment.

16. Provision of free education, health and land for war veterans (resettlement)

The Structural Adjustment and Liberalisation programme outcome

Zimbabwe has experienced many successes but also a large number of failures during 10 years of structural adjustment. Two events of recent years (one of Independence (1980) pedigree) have overshadowed Zimbabwe's economic scene. One is the long standing pressure to re-distribute (in many ways arguably rightly so) commercial farm land (land primarily owned by the white population) to Zimbabwe's indigenous population (who are primarily black). Arguments have waged over whether to pay compensation to farmers and levels of that compensation. The current mood is take without compensation except for improvements and has led to the IMF and other donors, either threatening or actually suspending financial aid. The former institution's facilitation will effect Zimbabwe's further implementation of the Structural Adjustment programme. The land settlement issue is causing much rancour amongst the white Zimbabwe population and could be interpreted as a move which may threaten the Zimbabwe food security situation.

The second event is the successful claim by Zimbabwe's war veterans for a gratuity payout. In 1998 ZIM$2.5 billion (USD830 million) as a one off payment was paid to war veterans with a ZIM$2000 pension per month indexed linked per veteran further awarded. What was thought to be a one off could take an ominous twist. The veterans could see the one off award as a 'down payment' only.

Coupled to these events is the ever increasing militant tendency by the Trade Unions, a continuing indigenisation movement and a growing unpopularity with the current Government policies. Land takeover, or the lack of it, has created a loss of business confidence and affected the proposed inward investment drive. The dollar continues to fall sharply, food price riots have rocked the Government and there is a growing possibility that any IMF/World Bank support will be limited to short term.

Balance of Payments assistance rather than the funding of Phase II (ZIMPREST) and an Enhanced Structural Adjustment Facility (ESAF) credit.

These events have not boded well for a sustained market economy and International Trade development. Whether Structual Adjustment has been the cause of these events, or whether it is the inability to manage the ESAP process, in harmony with Government aspirations, is a mute point. Taking each of the objectives of ESAP in turn, over the 10 years since 1990, the effects have been as follows :

a) Economic recovery and sustained growth. The planned GDP growth of 5% for Phase 1, scaled down to 3.0% for Phase II, has hardly been reached, partly due to the drought of the early 1990's. During Phase I the average growth rate was 1.6%, during Phase II performance was better with an average of 3% so far being achieved. There was a high of 7.3% in 1996. Agriculture, a traditional export earner, has had a fluctuating time (average 1 - 2% growth per annum). Zimbabwe is one of the world϶σ largest exporters of tobacco, and whilst 1998 export levels were similar to 1997 levels in US$ terms, local revenues were up a third reflecting currency devaluation (exports were ZIM$ 6.1 billion in 1997). Zimbabwe’s horticultural exports can be claimed a great success. In 1985 the Zimbabwean high value food exporting industry was valued at only ZIM$ 3 million, but it exceeded ZIM$1.2 billion in 1997, with very successful European exports and a boom in rose exports. However, the agriculture sector in 1999 faces the most uncertainties. The 1999 harvests will be affected by the excessive rains and substantial reductions in yields are being forecasted for summer crops. In addition it could be argued that too many producers were attracted by the boom in horticultural products, leading to the spectre now of oversupply, particularly with capacity development in fruit and vegetables worldwide.

   Mining has been particularly badly hit in latter years, a key sector in Zimbabwe’s export performance. Virtually all metal prices have been down recently. The huge Hartley Platinum project (a joint venture with BHL of Australia who invested US$ 264 million for their 67% stake, along with Delta Gold who own the other 33%), stake, was planned to produce 3% of the world’s supply in 1997. However, ZIM dollar devaluations have hit US$ export values. After a high of 6.5% growth in 1997 manufacturing lost momentum in 1998 to a growth rate of 3 - 4%. This slowdown was reflected in the general slowdown of activity especially in the investment goods sector. Whilst devaluation boosted exports, domestic demand fell sharply in vehicle, construction and investment goods sectors.

b) Financial resources. Devaluation has aided exports in ZIM$ terms, but not in US$ terms. In 1996 the balance of payments was healthy with a trade surplus of US$275 million, which along with net capital inflows of some US$250 million, ensured a modest overall balance of payments deficit of US$ 50 million. With healthy exports in tobacco, gold and tourism the BOP position has remained quite stable until recently affected by the deteriorating Zimbabwe dollar.

c) Economic efficiency. Inflation averaged more than 20% in Phase 1 with bank base rates reaching 40% plus. Whilst inflation dipped to about 19% in 1997, it has risen dramatically again to the 50% headline level in 1999. With Government hiking petrol prices by over 40% in 1998 and other rises in service industries, the knock on effect has been considerable.

The hike in petrol prices was linked to IMF deals. In 1998, with the introduction of two annual payments for company tax, money market liquidity tightened. Re-discount rates rose and with the collapse of a large bank and the huge knock on effect of this, interest rates are now well over 40% (1999) This severe money cost is dramatically affecting investment and borrowings.

d) Exchange rates. In spite of rising tobacco exports, the collapse of imports in 1997 as a result of devaluation and IMF support issues has led to a dramatic ZIM$ exchange rate collapse. From an exchange rate of US$ 0.4 to one ZIM dollar in1985 it now stands at ZIM$40 to one US$. Private investment is weak, and inward investment has been hit by the rising economic concerns. In fact, investment has declined sharply in recent years to an almost zero position due to the downturn in business confidence largely associated with the land takeover and the collapse of the currency, the much increased cost of imported plant, machinery, vehicles etc, a decline in foreign investment and reduced public sector investment spending. Export Processing Zones (EPZs) have been planned since 1994 in Harare, Gweru, Mutare and Bulawayo and there have been success stories of exports by individual enterprises. However, they remain to be properly operationalised.

e) Employment creation and wages. Real per capita incomes have little changed from their 1980 Independence levels. However, this all changed in 1997, when wages rose in real terms for the first time since 1980. This was due mainly to the militancy of the trade unions and their action is likely to influence changes in the future. Wage rises are likely to be in the order of 40 – 50% unless Government can re-impose price controls.

Unemployment remains chronic. The population is increasing at 3.1% per annum and with an estimated 300,000 school leavers coming onto the labour market annually and employment growth of a mere 15,000 jobs a year, unemployment levels, estimated at around 33%, have reached crisis levels. The school leavers situation has been exacerbated by retrenched civil servants (part of the ESAP policy), urban drift and huge price hikes. As the market was opened up, prices rose dramatically and the 1998 hike in maize meal (the staple food of Zimbabweans) was the cause of food riots. Maize meal prices have just risen another 40%, the impact is awaited. Coupled with devaluation, causing large input price rises, companies have been finding things very hard going. There is some encouragement in service industries - recent developments in cellular telephone technology, insurance etc - but not enough to mop up the unemployment.

f) The Public Sector and The Budget. Due to the lack of transparency, the budget situation is both difficult to assess and confusing. What is known is that the budget deficit has been unacceptably high in conventional terms (ranging between 8% and 12% of GDP between 1994 and 1999). This is cause for concern, especially when coupled to the fact that external debt servicing lies at some 25% of exports (eg in 1997 it stood at US$388 per head). It is estimated in 1998, that the budget deficit was 10% of GDP with an amount of ZIM$2.5 billion added for public service schemes on the assumption that the authorities would be forced to agree to a civil service pay award in the latter half of the 1998. This did, in fact, materialise. Some of the revenue the Government was relying on in the 1997/98 fiscal year impacted on revenue levels in 1999. Many firms in 1998 faced four annual payment dates compared with the normal three, but this will revert to three in 1999 at which time the Government promises a lower rate of corporate tax. In effect, for some taxes - (not indirect taxes), - the Government will obtain 21 months revenue in 1997/98 to cover 18 months spending. In response to IMF/World Bank fiscal demands in 1999, the Government will have to cover 12 months spending with 12 months revenue, any acceleration of production in 1998 will mean reduced privatisation revenues in 1999/2000, spending cuts in 1998 will fuel pressures for increased spending to compensate for reductions in 1999.

It is in public sector reform, or the lack of it, where major problems are occuring, giving rise to large budget deficits . Privatisation is being tackled but in a generally ambivalent and confused matter. The public sector wage bill absorbs some 30% of current spending and service quality is not good. Perversely, liquid assets, until recently, in Bank and Building Societies remained bullish. This situation has now changed. The recent bewildering war excursion into the Democratic Republic of Congo in support of the Government, is costing an estimated ZIM$ 1million per day. This will increase pressure further on the fiscus.

g) Social. Whilst food security aspects are catered for by strategic grain reserves, education, hospitals and housing are way behind demand and population growth. However, the popularlist issues of land re-distribution and indigenisation still dominate. For the populace, land ownership is important and long overdue. When taking office in 1980, land reform was central to the Government's platform along with its pledge to resettle 172,000 families in the first decade. Less than half that number has been resettled. Under Phase II the Government has decided to introduce free education, health and land for war veterans, but the cost is yet to be decided. Huge funding is required for all these objectives, especially land resettlement.

h) The Market and inward investment. Zimbabwe's income per capita in 1997 was US$842, one of the lowest in the world. However, there are great differences between the peasants (the rural people are still called this!) and the town dwellers. The highly educated emerging middle classes (to its credit Zimbabwe has one of the highest literacy levels in the world) are able to make a good living. There is the smattering of usual politically connected very well off. Zimbabwe has a major problem, which it shares with other developing countries - its high dependency rate, almost 8:1. This means that out of a population of 12 million, only 1.4 million are officially economically active. (Many are unofficially active in the Grey market). This severely limits the market size both in actual and potential terms. This figure is worsening all the time due to the school leaver and retrenched employee solution. Such a small market, coupled with the political and economic uncertainty, hardly make Zimbabwe an attractive investment proposition.

Zimbabwe favours joint ventures for investment by overseas investors and most proposals have to come through the Zimbabwe Investment Centre (ZIC). Whilst it had many thousands of applications the number of projects actually coming to fruition have been limited. One of the biggest investment deals has been the BHP/Delta Gold investment of US$ 264 million, in the platinum project at Hartley, south of Harare. However, there are ominous signs in this investment. BHP, the principal shareholder has pulled out, causing many redundancies, due to less than expected yields and low world prices.

Inward investment has virtually dried up, eg Volkswagen who were considering a ZIM$300 million investment, has decided to locate in South Africa instead.

i) Disinvestment by Government in the public sector has been rather slow. However, all but one of the large Agricultural Marketing parastatals have now been privatised, but the take up by locals has been limited. This is because, the tender system has not been totally transparent. For example, without going to tender, a 51% stake in Zimbabwe's state owned Hwange Power Station has been sold to a Malaysian Company. These worries about the tender process have caused some jitters among International investors although the President is quite adamant and has no doubts about the process. He feels it is just and proper that countries like Malaysia should be seen entering the economy as have countries from European origin. The involvement of the Malaysians in the Hwange Power Station project drew comment from Finance Minister Murerwa who acknowledged investor worries about the tender process. He is on record, as saying, that with regard to the Hwange Power Station contract, from time to time Governments have greater interests to pursue, but it does not mean that all other privatisation activities will follow the same course. He wished to assure investors that Zimbabwe would be as transparent as possible.

Conclusions

Since the introduction of ESAP in Zimbabwe in 1991, and after 10 years of experience, the following conclusions can be drawn.

1. Positive effects of ESAP

    a) Entry and exit barriers to most industries are now low, but margins have tended to remain low, particularly in the agriculture sector, as more and more traders have entered into a relatively small market.

    b) Imports of quality international goods and technological goods (cellular phones) have dramatically increased.

    c) Marketing transaction costs have fallen, but constraints to trade still remain, for example, the dramatic devaluation of the currency has caused equally dramatic rises in input and import costs.

    d) Within quite high limits, currencies can be bought and sold, although the exportation of ZIM dollars is still limited and it can be difficult for individuals to get large amounts of foreign currency.

e) Exports of some products, ie horticultural, tobacco, tourism and mining products have increased.

f) Retail outlets - fast foods in particular - have burgeoned, particularly franchise arrangements.

g) Some inward investment has materialised - but not on the scale originally envisaged. EPZ's are planned, but are not yet operationalised in any major way.

2. Negative Effects of ESAP

a) Price hikes, growing unemployment levels, high levels of inflation, and high bank rates have led to depressed levels of local investment and a less than buoyant market economy.

b) The influx of imported goods of perceived superior quality are eroding local manufacturers's market shares. Imported products have often got demonstrable superiority over local products due to the lack of investment of local manufacturers under pre ESAP economic conditions (ie a supply economy). This has led indirectly to the 'export' of local jobs.

c) The devaluation of the Zimbabwe dollar has helped certain sectors but generally has resulted in soaring domestic costs.

d) Loyalty of distributors is gradually falling away as they partner with foreign competitors, making domestic manufacturers vulnerable.

e) The business environment is unstable, characterised by political uncertainly, lack of transparency, monetary policies, economic policy and lack of international and domestic investment confidence.

f) A market is shrinking in real terms due to factors discussed in e).

g) Regional influences, ie surrounding countries are doing well, leading to lower export opportunities.

h) The continuing Parastatal mentality and less than anticipated progress in privatisation, eg Air Zimbabwe, The Zimbabwe Iron and Steel Company. (In 1996 some parastatals incurred losses of ZIM$1.2 billion).

i) Lack of training at all levels, particularly in Marketing and global competitiveness.

j) A general reliance on commodity trading, eg tobacco and mining, which are at the mercy of world market prices, and a lack of diversification into added value opportunities or other industrial products.

k) Natural calamities, eg drought and its effect on the vulnerable sector, eg agriculture.

l) Lack of long term vision, sacrificed to short term trading and profit making.

m) The effect of the Social Dimension of ESAP, eg lack of education, health, housing and other facilities. Aids is pandemic and a real economic threat. Growing personal insecurity is worrying.

n) Political uncertainty over land issues, indigenisation, conflicting Government pronouncements eg on sales taxes and the continuing war in the DRC, and their effect on donor and IMF/World Bank activities.

o) Firms giving out dividends from booming, inflation driven results, but not investing in capital equipment or investing in non core business.

As can be seen from these two lists, the negatives appear to outweigh the positives. Although, in general, Zimbabwe of the late 1990's is an infinitely more desirable place to live and work in than the pre 1990's, there is a general feeling that the economic, political and business outlook is not good at the moment. This is a pity because Zimbabweans are a hospitable people and the climate of racial harmony, willingness to work and to advance personally is a credit to the current Government.

So, based on the evidence of Zimbabwe, the answer to the question Do Economic Structural Adjustment Programs Really Create a Sustainable Climate for a Market Economy and International Trade?' must be NOT REALLY - so far. Zimbabwe does not have appeared to have benefited greatly from most of the benefits which ESAP is supposed to bring, e.g. economic stability, balancing of the current budget, more investor and customer confidence, improved social services etc. The questions must be – Will it in time?' and, If ESAP works for some countries why not for all?' The answer to the first question must be only time will tell . Perhaps half the answer to the second question lies with the chief perpetrators of ESAP, the World Bank and IMF, and half with the recipient country. The perpetrator must learn that the medicine must change according to the patient and the recipient must learn that politics must not get in the way .

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