

BTI 2008 | Zimbabwe Country Report

Status Index	1-10	3.39	# 113 of 125	
Democracy	1-10	3.97	# 90 of 125	➔
Market Economy	1-10	2.82	# 120 of 125	➔
Management Index	1-10	1.85	# 123 of 125	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	13.0	HDI	0.49	GDP p.c.	\$	1,813
Pop. growth ¹	% p.a.	0.6	HDI rank of 177	151	Gini Index		50.1
Life expectancy	years	37	UN Education Index	0.77	Poverty ³	%	83.0
Urban population	%	35.9	Gender equality ²	-	Aid per capita	\$	28.3

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Zimbabwe has been embroiled in profound political and economic crisis since 1998. There have been four major developments in the country during the period under review: the securitization of the regime; growing tensions within the Zimbabwe African National Union – Popular Front (ZANU-PF) on the question of Mugabe’s continued rule and the issue of succession; the further weakening of the political opposition; and dashed hopes of a restabilized economy. There are three core elements to the securitization of the regime, which intensified in early 2005. Firstly, day-to-day government operations are increasingly being left up to the National Security Council, which is comprised of the cabinet and senior military officials, while “normal” cabinet meetings have become rare. Secondly, the Joint Operation Command, a body that includes the commanders of the army, air force, police, intelligence service and prisons, and which is chaired by the Minister of Security, serves as a central organ of oversight for all government operations and policies. Thirdly, the military is deeply involved in formulating economic policy, as evidenced by Operation Taguta, which authorized the military to boost agricultural production. In addition, ever more high-ranking military officers have been placed in management positions of key state-owned companies.

These developments reflect the growing insecurity within the core group surrounding Mugabe over the extent to which they remain in control of the ruling party, ZANU-PF. The party is divided into three factions, the first being composed of vigilant Mugabe supporters and two others made up of those competing for Mugabe’s succession. Mugabe’s supporters still have control over the most important positions in the party, but not the majority of the party congress. This became abundantly clear when Mugabe failed in December 2006 to secure a mandate from the party’s congress to change the country’s constitution and thus extend his current term from 2008 to 2010. So far,

Mugabe's control over the ZANU-PF has been based not only on the mistrust between the two other factions and his ability to play them off against each other, but also on his ability to punish dissent and reward loyalty. More recent developments reveal that the two factions competing for Mugabe's succession have begun to consider a power arrangement without him and that his means of coercion are losing their potency. Parallel to the declining cohesion of ZANU-PF, the Movement for Democratic Change (MDC), the main opposition party, has also begun to fragment, formally splitting into two parties in March 2005. One faction is led by its former leader, Morgan Tsvangirai, and seems to enjoy the popular support of a dominant ethnic group. Close to the trade-unions, it favors mass actions versus parliamentary and strictly legal opposition. The other faction is controlled by the party's general secretary, Welshman Ncube, and includes the majority of MDC parliamentarians among its ranks. It enjoys massive support among the country's minority ethnic group and is close to the party's pro-business wing. The MDC's split precipitated its waning political significance, which began in 2004 and can be attributed to its heterogeneity, inability to mobilize supporters beyond elections and deep divisions in the leadership over basic issues of strategy. Since 2004, civil society groups have re-emerged as the ruling party's most salient challengers.

Zimbabwe's economy has continued to deteriorate. Average real GDP fell by more than 6% annually from 2002 to 2006. Some economists, however, expect this decline to slow down to 2.7% in 2007. Zimbabwe suffered an inflation rate of just over 1,000% in 2006; the IMF predicts 4,729% for 2007. Both of these trends reflect the Zimbabwean government's abysmal failure to restabilize the economy. It continues to interfere massively in the private sector by implementing price controls, and insisting upon a complex system of licenses as well as an increasingly confusing and seemingly irrational foreign exchange regime.

History and Characteristics of Transformation

From 1980 through the late 1990s, Zimbabwe's political transformation was characterized by a continual process of consolidating power in the presidency and the veritable politburo of the ruling ZANU-PF party. Zimbabwe's elections in 1980 marked the high point of political participation: 84% voter turnout and significant political competition evidenced by three large parties being elected to parliament. The abolishment of the Rhodesian system of apartheid, which at one point excluded 98% of the population from participating in the political process, awakened great hope for political transformation.

The merger of the governing party with the largest opposition party in 1987 might have been considered an attempt at national reconciliation after the Matabele rebellion was

quashed. But when, after a transition phase, the white minority also lost the seats reserved for them in parliament in 1990, Zimbabwe had clearly become a single-party state, with 116 out of 120 representatives in parliament belonging to the governing party. At the same time, a series of constitutional amendments transformed the country's institutions from a parliamentary to a presidential democracy, bestowing the president with ever-greater powers.

The opposition's exclusion resulted in a significant drop in voter participation, which hovered around 25% throughout the mid-1990s. At the same time, however, civil society groups began to form, and they ultimately created the National Constitutional Assembly (NCA), which was envisioned as a collective movement to push through far-reaching constitutional reforms. The NCA dealt Mugabe a historic defeat in 2000 when it convinced 56% of the Zimbabwean electorate to reject constitutional reforms proposed by the government. The Movement for Democratic Change (MDC), an opposition party founded shortly before the constitutional referendum, managed to wrest 57 seats in parliament from the governing party in 2000 elections. The regime reacted to this defeat with overt repression, illegal expropriation of large-scale agricultural property and the dismantling of the constitutional order. Repression and manipulation facilitated Mugabe's victory in the 2002 presidential elections.

The country's economic transformation has always taken a back seat to considerations of political exigency. Prior to the abolition of apartheid, the economy served to ensure the survival of the regime as well as the privileged status of the white minority. A policy of import substitution, along with extensive controls on foreign currency, trade and prices were enacted to guarantee that the regime survived the international sanctions that had been imposed on it, and that the white minority would retain control of the economy. Mugabe essentially maintained this course from 1980 on, albeit modified such that government control of the economy was now to be used to reward the adherents of the ruling party and redistribute wealth in favor of country's black majority. For this project to succeed, however, the regime felt that it was necessary to avoid undermining productive capacity and left existing, unbalanced property structures in the private sector untouched.

Furthermore, the transitional constitution, developed in connection with the peace agreement between the apartheid regime and the liberation front that ended the liberation war in 1980, made far-reaching privatization almost impossible until 1990. In an environment of rapidly increasing international competition, an economic policy based on import substitution and governmental control proved increasingly unsuitable for maintaining Zimbabwe's prosperity. In addition, government patronage reached a level that was exacting considerable economic costs.

As a result, Mugabe was forced to act against his own socialist convictions in 1990 and embark upon an economic structural adjustment program, the first of what would be followed by others. Common to all of these programs was their half-hearted

implementation. Sectors that were of central importance for patronage purposes were bypassed; parastatals and state-owned enterprises as well as controls on foreign currency were left untouched because they provided valuable patronage opportunities for Mugabe. The collapse of government finances in 1997 led to an incremental abandonment of economic deregulation. Reversing deregulation eventually led to the reinstatement of a comprehensive price control regime in 2002. The official start of the fast track land reform in 2000 seriously undermined the validity of private property rights in Zimbabwe.

Transformation Status

I. Democracy

Zimbabwe has suffered severe setbacks in all sectors of the democratic order during the past ten years, with the exception of civil society growth. Key elements of state institutions have eroded, rule of law is seriously undermined, and the conditions for political participation are extremely poor. Meanwhile, civic-minded groups experienced an enormous upswing in the late 1990s in response to the aspirations of a majority of Zimbabweans for democracy and political change and their concurrent dissatisfaction with the current political regime. This led to the creation of a viable opposition party in 1999, though this has already passed its zenith. Greater effectiveness of the regime in suppressing dissidence and an increasing sense of powerlessness among the population has considerably undermined stamina in Zimbabwe's civil society since 2002.

1 | Stateness

The state's monopoly on the use of force has been eroded during the past seven years, not by the increasing power of revolutionary groups, but rather by the regime itself. To resolve conflicts over power, the Mugabe government relies above all on war veterans and youth militias, groups that are prone to violence and ideologically indoctrination. Large parts of Zimbabwe's rural areas are under the de facto control of these forces. The government's district administrative system and police force are not only unable to do anything against these groups, but are increasingly assuming the role of agents of their violent rule. The build-up of these quasi-fascist parallel structures, along with the state's efforts to encourage some citizens to occupy land illegally, has created an overall climate of lawlessness. On the other hand, the fact that these informal forces of repression and control enjoy more privileges and better payment than the formal security forces results in increasing unrest among the latter's rank and file. There are some indications that government security forces – especially the police – increasingly sympathize with the demands of the opposition.

Monopoly on the use of force

The Zimbabwean state is broadly accepted among its citizens. Although it is split into two major and fairly distinct ethnic groups – the Shona, which account for roughly three-fourths of Zimbabwe's population, and the Ndebele, which form

State identity

the bulk of the remaining one-fourth – no relevant groups or major political actors seek secession. The small minority of Zimbabweans of European origin remain dissatisfied with the post-independence state, but this has more to do with leadership and policies than about the legitimacy of the Zimbabwean nation-state. Citizenship is withheld from hundreds of thousands of migrant workers stemming from neighboring countries, however, many of whom have lived in Zimbabwe for decades, generally working either on farms or in private households. In addition, it should be noted that the constitutional amendment of 2005 allows the government to seize the passport of any Zimbabwean whom it deems to be a threat to national security, although this provision has been challenged in the courts.

Zimbabwe is a mainly Christian country with small minorities of the population practicing Islam or traditional African religions. Belief in the power of spirituals, ancestors and witchcraft remains deeply entrenched. Religious dogmas play no significant role for the state's legitimacy and legal order, though religious authorities are widely respected among both the political leadership and the population and as such play an active part in politics. It is not uncommon for politicians to refer to religious norms and values in public statements.

No interference
of religious
dogmas

The Zimbabwean state retains a functional and comparatively effective basic administration, on local, provincial and national levels. It is still able to raise taxes and administer them, maintains a differentiated legal system and provides basic services. The economic breakdown has, however, also resulted in a decline of resources at the disposal of the basic administration which in turn led to reduction of real wages for public servants, the diminishing quality of public services, especially in health and education, and major difficulties in maintaining the country's physical infrastructure. In addition, the establishment of a parallel structure of control by war veterans and youth militias as well as the intensifying politicization and securitization of leadership positions in the administration are seriously undermining its functionality.

Basic
administration

2 | Political Participation

Zimbabwe's national election can hardly be considered being free and fair since the mid-1990s. The elections of 1995 were already marked by significant infringements of the supporters of the then major opposition party, Zimbabwe's Unity Movement, and by persistent efforts to hinder the party of campaigning. With the emergence of MDC and its success in the constitutional referendum 2000, the efforts of the government to make the playing-field uneven intensified. Restrictive media and public security laws, frequent bans of rallies and meetings of the opposition, intimidation, imprisonments, beatings and even killings of opposition activists, pressure on voters and inconsistencies of voter rolls

Free and fair
elections

characterized the parliamentary elections of 2000 and 2005 as well as the presidential election of 2002 and certainly distorted the results to a significant degree. Eventually, the great majority of MDC-candidates boycotted the elections of the re-introduced second chamber of parliament, the senate, in 2005, resulting in a low voters' turn-out (19.5%) and an almost 90%-majority of government supporters in the chamber. Nevertheless, elections in Zimbabwe are still more than a meaningless bureaucratic exercise to pretend democratic legitimacy. Despite election complaints, the opposition accepted its seats in parliament.

While the leadership was elected under dubious circumstances, it retains the power to govern. The elected president is in control of the government and the state, and the parliament still enjoys its legal rights to a certain degree. The military represents the only veto power in a position to potentially render constitutional rule ineffective. Though the past two years have seen a securitization of Zimbabwean politics and the high-ranking military officers had openly stated before the last presidential elections that they would never accept a president who had not fought in Zimbabwe's liberation war, it is still more than controversial whether the military would really dare block a change in government or unseat a government. Presently, its influence on government policies and role in governing seems still to be limited to indispensable auxiliary troops of the president than being in direct control of the regime.

Effective power
to govern

A law to maintain public order that took effect in 2002 set narrow limits to restrain public assembly. Any meeting involving more than two persons is considered a public meeting, and requires authorization by state organs (which, in turn, is often withheld). The formation of parties is not restricted so far but opposition parties are subject to frequent acts of repression and manipulation. The NGO Act passed in December 2004 by parliament will allow for tight controls of civil society groups and provides the government with the means to stop the foreign funding of human rights groups. So far, the president still hesitates to put the act into effect. But even without that, it seems to have already unfolded its restrictive power. A great number of civil society organizations seem to calculate that they still can prevent the ratification of the act by a certain degree of good behavior.

Association /
assembly rights

The media law, AIPPA of 2002, represents a fundamental curtailment of freedom of speech and freedom of the press. It required all media outlets (including those already operating) to apply for registration, which was then withheld for some critical organs. There is no private broadcasting, and local offices of foreign media suffer from state repression. Editorial offices, print services and journalists are frequently subject to official searches and investigations as well as violent attacks and intimidation. Similarly, opposition leaders are confronted with lawsuits and immediate violence. Though a high court ruling has at least temporarily halted government efforts at controlling all international telephone

Freedom of
expression

traffic, the parliament is still considering legislation which would allow the government to monitor and intercept all internet and e-mail traffic reaching and leaving Zimbabwe.

3 | Rule of Law

The Zimbabwean constitution provides for a separation of powers between executive, legislative and judicative though the separation is somewhat blurred. The executive can initiate legislation – and does so in most cases – and law must be put into effect by the president. Moreover, the president appoints 30 of the 150 members of first chamber of parliament and 16 out of 66 of the second chamber. The president plays a central role in appointing and dismissing judges of the supreme and high court. In addition, the great majority the ruling party enjoys in parliament often renders this in a mere “rubber stamp,” severely limiting its oversight role. Nevertheless, parliamentary committees have even recently rejected bills or tried to make substantial changes on them and have critically reviewed policies and activities of the government. This was especially the case from 2000 to 2005 when the opposition party enjoyed considerable representation in parliament. Since 2005, the ruling party again has had a two-thirds majority of parliamentary seats (as it did between 1987 and 2000) which enables it to change the constitution. It used this position just a few months after the elections to make far-reaching constitutional amendments – among others to re-introduce a second chamber.

Separation of powers

For many years, Zimbabwe was renowned as one of the few African states that possessed a truly independent judiciary. The supreme and high court frequently passed verdicts that ran counter to the government line or even forced the government to withdraw a certain measure. Since 2000, the government focused first on expanding the membership of the Supreme Court and then on replacing its independent members by government cronies. Currently, Supreme Court judges can hardly be considered independent, and a majority of the new appointees are perceived as being underqualified. The situation is slightly better with regard to the high court where judges dare pass independent judgments. But even these judges are under immense pressure from the executive and intimidated by ZANU-PF henchmen. Lower courts are less subject to political interference but suffer from the general decay of the rule of law, such as is the case when police refuse to implement their judgments. More broadly, a spreading sense of lawlessness undermines the general public’s respect for magistrates.

Independent judiciary

In the past years, a sizeable number of corruption cases were made public, even some concerning the higher ranks of government, prosecuted and sentenced. There is, however, the impression that, especially in the cases concerning prominent political figures, anti-corruption measures are used for political

Prosecution of office abuse

purposes. Elected officials who belong to the opposition parties are particularly targeted. The most prominent recent case was the investigations against the MDC mayor of Harare, which led to his removal from office. Meanwhile, corruption cases also serve as means of political clashes and power games within ZANU-PF. Ministers were dismissed because of accusations of corruption on at least dubious grounds.

Civil rights are massively restricted in Zimbabwe, by repressive laws, encroachments by security forces, and violent attacks of government supporters and militias on opposition activists and ordinary people. The media law and public security act limits freedom of expression and assembly substantially, the still-legally ineffective NGO act does so de facto with regard to the freedom of association. Opposition activists are frequently beaten by police, tortured, and jailed under intolerable circumstances. The Zimbabwe Human Rights Forum counted several hundred reported cases of torture in 2006. In some rural areas, war veterans and youth militia have established a terror regime unhindered by the police. However, the number of killings of opposition supporters by henchmen seems to have declined in the past two years.

Civil rights

4 | Stability of Democratic Institutions

Formally, democratic institutions in Zimbabwe show a great degree of continuity and stability. Elections have been taken place regularly; positions in the judiciary and public administration are filled in accordance with legal processes. In reality, however, the performance of democratic institutions is seriously undermined. The executive increasingly uses its power to cultivate a patronage network, reward loyalty and punish dissent by handing over privileges and positions to government supporters, and withholding government services (security, education and health) and humanitarian aid from social groups and areas perceived as backing the opposition. The most extreme case of such practices was the bulldozing of densely-populated settlements in the country's urban areas in 2005, which destroyed the houses and premises of 700,000 people. Parliament is in danger of degrading itself to a mere rubber stamp organ. Similarly, the judiciary, especially at its higher levels as well as the security forces are increasingly less willing or able to maintain the rule of law as a result of heavy government interference.

Performance of democratic institutions

Hardly any of the relevant players – besides the activists in the opposition movement and civil society – can be seen as having truly democratic convictions. The leadership of the ruling party, the military and the other security forces, leading representatives of government and public services seem to accept democratic processes and structures only to the extent that they lead to the desired results. The same is certainly true for a part of the leadership of the main

Commitment to democratic institutions

opposition party. There is, however, a deep-rooted respect among the security forces and the public administration for the primacy of decisions of the government. Unfortunately, the practical outcome of this adherence to the executive is the implementation of policies that are anti-democratic.

5 | Political and Social Integration

Compared to other developing and even transformation countries the party system in Zimbabwe appears extraordinary stable. When the country gained independence in 1980 there were two major parties, the Zimbabwe African National Union (ZANU) and the Popular Front of the Zimbabwe African People's Union (PF-ZAPU), which then merged to form ZANU-Pf in 1987. The ZANU-PF, which has ruled since independence, has a developed structure and is represented by offices and officials throughout the country; it enjoys broad support among the electorate. Until the emergence of the MDC in 1999, its dominance was almost unchallenged by other parties. Within ten years, the MDC has established itself as valid political force. It has built up viable party structures, enjoys a large following in urban areas and the Matabeleland, but it is also sufficiently represented in other parts of the country. While the party's split in 2005 was certainly a major setback to its further consolidation, it was perhaps a necessary step in the formation of the Zimbabwean party system as it formalized the division between the more leftist, trade-unionists' and the more liberal-conservative, business-oriented wing. In the long-run, Zimbabwe can be expected to develop a fairly stable two- or three-party system.

Party system

Zimbabwe's civil society can be divided in three parts: interests groups representing certain parts of the society and the private sector, advocacy groups, and community-based groups. Until the early 1990s, the interest groups had certainly represented the strongest contingent among these three. The associations of industry and commerce, employers, miners and farmers had built up considerable strengths and were partly incorporated by the government in the conceptualization and implementation of its policies while the government particularly focused on improving the representation of indigenous business. Throughout the 1990s, advocacy groups demanding more democracy and respect for human rights mushroomed and gained strength, as did the trade unions. Advocacy groups, trade unions and parts of the interest groups – all of which became more and more alienated by government policies – joined forces in a coalition for the reform of the constitution. This was countered by the rise of the war veterans' association, which was later co-opted by the government. Both rising government repression and the economic crises have seriously hampered the further development of civil society since 2000. Social activism has since then focused on community-based groups that also meet a growing tendency to turn to self-help initiatives.

Interest groups

The decay of democratic institutions has left its mark on the population's attitudes toward democracy. According to the last survey of Afrobarometer, a survey assessing and comparing political opinions and attitudes in 18 African countries, only 31% of Zimbabweans are willing to give democracy time to solve problems. On the other hand, rejection of the one-party state and support for multi-party democracy had been particularly strong in Zimbabwe. Only 14% of Zimbabweans are satisfied with the status of democracy in their country. According to Afrobarometer the support-satisfaction gap in Zimbabwe is the biggest in the sample of 18 countries.

Consent to democratic norms

The economic crisis and the breakdown of public services forced the Zimbabwean population more and more to turn to self-help initiatives. This trend was already visible in the 1990s, when the decline of the formal economy led to a massive turn to informal economic activities and joint employment-creating efforts. In the meantime, community-based self-help groups provide minimum income, food and health services for a great part of the population. Church-based and donor-sponsored voluntary associations are particularly active in trying to fill the gap between immense demand for assistance and the failure of the state to provide it.

Associational activities

II. Market Economy

6 | Level of Socioeconomic Development

Poverty in Zimbabwe has increased greatly in the past ten years. More than seven million Zimbabweans live below poverty line, and Zimbabwe is the only country in the world that has experienced an annual drop on the Human Development Index since the index was created in 1990. The population in high-density urban areas and marginal rural areas is disproportionately affected by these trends. The fast-track land reform program has hardly improved the situation of the rural poor as its main beneficiaries are less the neediest but those who can demand support most aggressively or play an essential part in the government's patronage network. In terms of ethnicity, the residents of the area of the Ndebele (who are perceived as having been in opposition to the government since independence) have been systematically neglected by the government in terms of provisions of basic infrastructure. Indeed, this trend has become even more pronounced in the recent years.

Socioeconomic barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	21,897	7,913	4,712	3,372
Growth of GDP	%	-4.4	-10.4	-3.8	-6.5
Inflation (CPI)	%	140.1	-	-	-
Unemployment	%	8.2	-	-	-
Foreign direct investment	% of GDP	0.1	0.1	0.2	3.1
Export growth	%	-15.8	-12.6	1.7	-4.3
Import growth	%	-0.6	-10.6	2.4	-3.1
Current account balance	\$ mn.	-	-	-	-
Public debt	\$ mn.	3,020.7	3,388.2	3,558.0	3,221.7
External debt	\$ mn.	3,886.2	4,482.7	4,780.6	4,256.9
External debt service	% of GNI	0.5	0.7	2.1	7
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	17.9	16.8	23.1	26.6
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.1	2.3	3.5	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	2.3

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

Throughout the 1980s, Zimbabwe was considered to be basically market-oriented, albeit heavily state-regulated economy. In the early 1990s, Zimbabwe started economic reform programs meant to deregulate the economy and strengthen the forces of competition. These reforms were never conducted effectively and decisively, and were almost completely scrapped in the late 1990s. Recent years witnessed excessive state interference in the foreign exchange regime, price mechanisms, the labor market, and property rights,

Market-based
competition

coupled with a systematic favoring of enterprises belonging to the state, the ruling party or important power brokers. Currently, Zimbabwe is on track to move from a heavily state-regulated market economy to a state-controlled economy.

While Zimbabwe does have a legislative framework to address monopolies in the Competition Act of 1996, it has not been implemented by the Ministry of State Enterprises, Anti-Corruption and Anti-Monopoly in any meaningful fashion. There has hardly been any privatization of the large monopoly-like state companies since the beginning of the structural adjustment programs in 1990. One exception was when the country's current economic state of emergency led to the state energy supplier falling under the control of Eskom, a private South African energy company. Despite this development, the ruling party has expanded its own business empire tremendously during the past few years. Most recently, it has been attempting to buy up formerly profitable private enterprises that have run into trouble as a result of the economic crisis. State-owned companies and those of the ZANU-PF business-empire are able to crowd others out of the market as they enjoy privileged access to foreign exchange, import licenses, raw materials and capital goods. The monopoly of the Grain Marketing Board remains unchallenged.

Anti-monopoly
policy

The liberalization of foreign trade that started in the 1990s has been effectively reversed in recent years. Foreign trade is mostly hampered by the restrictive, complex and confusing foreign exchange regime. Though Zimbabwe is still member of the WTO and takes part in the negotiations between African countries and the European Union for the conclusion of trade liberalizing Economic Partnership Agreements, it has been increasingly dissociated from the world market. There are, however, notable exceptions to this rule, including the country's increasing dependence on the export of minerals, especially to China, and on the import of energy and consumer goods from South Africa.

Liberalization of
foreign trade

Given the size and depth of economic crisis, it is surprising that Zimbabwe still has something like a functional banking system and capital market. Though some of the players in the system and market may have benefited from the crisis – by currency speculation, clever lending and capital investments – the system is extremely fragile – as exemplified by the bankruptcy of several banks lasting recent years – and highly dependent on the willingness of foreign banks to maintain their branches in Zimbabwe. The capital market has suffered considerably from the economic crisis.

Banking system

8 | Currency and Price Stability

This is certainly the field of economic policy in which the government has failed most visibly. The exchange rate of the Zimbabwean dollars began its rapid

Anti-inflation /
forex policy

decline in 1998 and has not stopped since. While in 2000 38 ZWD was still worth one dollar, this rate had plummeted to 99,461 ZWD per dollar by 2006. Triple digit inflation persisted from 2002 to 2005. Having jumped from 133% in 2002 to 365% in 2003 it and finally reached quadruple digits in 2006, with a rate of 1,216%, after an explosion of government spending due to politically-motivated compensation payments to the country's war veterans and due to its participation in the Congo war. The breakdown of commercial agriculture after the start of the fast-track land reform program brought the almost-chronic shortage of foreign exchange in the Zimbabwean economy to an unbearable level. The government reacted with a restrictive foreign exchange regime and comprehensive price controls that have not brought the downward trend under control but rather fostered it.

There is no macroeconomic stability in Zimbabwe at all. Hopes by some economists that the government would succeed in re-stabilizing the economy in 2005 and 2006 (albeit on a lower level than ever since independence) proved futile. The government is still borrowing money excessively domestically though it has considerably reduced foreign debt by repaying an overdue IMF loan.

Macrostability

9 | Private Property

Since the implementation of the fast-track land reform program, property rights in Zimbabwe can hardly be seen as being guaranteed. Though the state tries to give the impression that the expropriation of land follows a legal process, the respective legislation and several constitutional amendments in 2005 set narrow limits on expropriated land-owners for obtaining adequate compensation or even to push through their property rights. Some commercial farms were formally handed over to those who had illegally invaded them beforehand. Moreover, President Mugabe threatened to nationalize enterprises that showed themselves disloyal to the government by, for instance, involvement in general strikes, advertising in the opposition press or firing employees. A new mining law is still pending which could require foreign mining companies to transfer 51% of their shares to local investors.

Property rights

While private companies in Zimbabwe can in theory act freely, in reality there have been massive infringements of their property rights (if operating in the farming sector), in their abilities to obtain and spend foreign exchange, to import and export goods and commodities, to determine prices and employ labor. In addition, the government heavily favors companies owned by the ZANU-PF or the state itself, and parastatals dominate the strategic business sectors. The only private companies who profited from the economic developments of the past years – beyond those already mentioned – seem to be South African and Chinese companies.

Private
enterprise

10 | Welfare Regime

On paper, Zimbabwe has a comprehensive system of social welfare. All workers are required to pay into a pension fund, from which they receive payments once they have reached retirement age or become disabled. There is no unemployment insurance. The unemployment rate is estimated to be more than 80%, though this figure might be very inaccurate, due to widespread employment in the informal sector of the economy. A health care program is available for low-paid workers, and free health care is available to those under a certain income level. In practice, however, household employees, government employees, agricultural laborers and those employed in the information sector, which together make up the vast majority of workers, do not pay into the pension fund. Moreover, the pension payments are being devalued because of the high inflation rate. Large segments of the population must rely upon the support of their family members if they become unable to work due to age or illness. The same situation also applies to access to health care. The total desolation of the state health care system forces patients to make informal payments for scarce services and pharmaceuticals, even though these are supposed to be free. Those being treated as inpatients in hospitals must have their relatives provide them with food. Similar circumstances exist in elementary school education, which is also supposed to be free. Learning materials, the construction of school buildings and even the salaries of teachers are frequently covered through “voluntary” payments by parents. The school enrolment rate is decreasing and affects mostly girls, children of subsistence farmers’ children and inhabitants of urban slums.

Social safety nets

In theory, there is no discrimination against certain social and religious groups, though there is also no legislation to compensate women and others for gross social differences. The latter situation has one notable and politically highly controversial exception in the fast-track land reform program that officially aims at mitigating the enormous social differences between commercial farmers, which are almost exclusively from European origin, and African communal farmers. The major shortcoming of this program – besides its shaky legal basis and the fact that the acquired land is relatively unevenly distributed – is that after having received the land, the new holders get neither title deeds on it (instead it is considered to be owned by the state) nor sufficient training and inputs to use it effectively. As such, it cannot be expected that the mere resettlement of poor farmers on to potentially rich farming land will in the long run significantly reduce the gross social differences in agriculture. The social group most severely affected by the economic crises of the past years were women: maternal deaths exploded mainly because of the breakdown of the health sector. Life expectancy of women is 3 years lower than the already-low level of 37, the drop-out rate of girls from schools are higher than those of boys and jobs for them to obtain in the formal economy is by far more difficult than for men.

Equal opportunity

11 | Economic Performance

The performance of the Zimbabwean economy in the past 9 years has, as noted above, been dreadful. The inflation rate exploded, unemployment in the formal economy is estimated at more than 80% of work force, the budget is out of control and depends on excessive domestic lending, foreign trade has seriously declined and real GDP growth has been consistently negative since 1999. The present economic policy does not let expect a significant improvement of the situation in the near future.

Output strength

12 | Sustainability

The Zimbabwean economy has been degraded to a subsistence economy. This implies that concerns of sustainability and environment have become rather irrelevant. The Zimbabwean economy is not industrialized enough that concerns about pollution and carbon dioxide emission would rank high on the agenda of government and population. Environmental concerns are mainly focused on land degradation, deforestation and water shortage, and, the resettlement of small-scale communal farmers on large-scale commercial farms has certainly worsened this situation. Experience and long-term interest in the sustainability of their land led commercial farmers develop a relatively efficient system of land, cattle and water management. The newly resettled communal farmers lack both and, even if they had them, they would not have the resources to maintain this system. Rapid degradation of agricultural land in the formerly commercial farming area is the result. Zimbabwe still is a model of efficient and sustainable wildlife management though its successes in this field are increasingly threatened by rising poaching due to the economic crisis and the decay of rule of law.

Environmental policy

The decline of government services has especially hit the education sector. Though the enrolment rate is officially high, the quality of primary and secondary education has seriously declined and schools increasingly depend on the “voluntary” contributions by the pupil’s parents to operate. In addition, the education sector has seriously suffered from recent patterns of emigration, which have witnessed the departure many teachers and lecturers. Brain drain also affects R&D, which in general is not very well developed in Zimbabwe but had achieved impressive results in agricultural research.

Education policy / R&D

Transformation Management

I. Level of Difficulty

In its quest to move the country forward, the Zimbabwean government is unquestionably faced with great challenges. The historic, extremely unfair distribution of land, the high birth and AIDS infection rates, the stagnation of the international economy during the review period, Zimbabwe's dependence on exporting agriculture and raw minerals, as well as the relatively high transaction costs for imports and exports that Zimbabwe faces as a landlocked country, do not make economic transformation easy. Prior to 1998, however, Zimbabwe possessed a series of advantages that offered better chances for successful political and economic transformation than most of the other countries on the continent. In 1980, the new Zimbabwe inherited the old Rhodesian apartheid state's relatively good infrastructure, which it essentially maintained until the mid-1990s. Massive investment in expanding the social infrastructure during the 1980s meant that the educational level of the Zimbabwean population constituted one of the highest in Africa in that period and even today. The country possesses rich mineral resources, a relatively favorable climate and tourist attractions. Prior to 1998, it was distinguished by efficient, export-oriented agriculture. It also had diversified industry, which could have formed the nucleus for the comprehensive industrialization of the country. Political reconciliation between the white minority and the black majority appeared to have been successful, after long years of civil war. Zimbabwe could look back on a long phase of relative political stability. Basic democratic standards appeared to be guaranteed, and the quality of the rule of law was exemplary by African standards. On the whole, in 1997, Zimbabwe's chances of making great progress in political and economic transformation within five years were not bad, particularly since, just a few years before, apartheid in South Africa had been eliminated as a regional blockade to development.

Structural
constraints

The traditions of civil society in Zimbabwe are quite meager. During the white minority system, the European settlers, only a small minority of the population, managed to establish quite efficient interest groups and engaged themselves in charity organizations, commonly following a patronizing approach. The civil society of the African majority was more or less confined to community-based

Civil society
traditions

self-help groups, religious organizations and mainly illegal solidarity groups for the armed struggle. This changed only slowly after 1980 until civil society experienced a major upward trend in the 1990s.

Zimbabwe experienced a decade of a brutal civil war between the armed forces of the European settlers and the liberation fighters of the African majority. The memory of this war is often quoted as one of the main reasons that so far the political oppositions refrained from escalating the conflict with the government and that the suppressed have not taken up arms against their suppressors. It is also referred to as one of the reasons for the widespread lethargy of the Zimbabwean population and their preparedness to bear suffering. As such, the violent conflict of the past might act the most effective blockade to the present political conflict turning into a violent one – despite the government’s strategy to exploit the existing social conflicts and ethnic cleavages and despite the excessive use of force by security forces, war veterans and the ZANU-PF militia against the government’s opponents. In recent years, the government has made an enormous effort to blame the few remaining European farmers as the real culprits for Zimbabwe’s economic and political malaise, and it has tried to mobilize political support in its crusade against them. Moreover, the concept of the enemy of the white farmer also served the purpose to damage the reputation of the political opposition: it was discredited as being only the string puppet of the commercial farmers’ interests. The polarization campaign of the government also worsened the anyhow uneasy relationship between the ethnic majority of the Shona and the minority Ndebele as the latter strongly supported the political opposition. But the manifest political and economic crisis has also affected the relationship between the various Shona sub-groups. Especially the dominant sub-groups of the Karanga and the Zezuru – the latter representing the present president’s group – are deeply entangled in a controversy on the issue who should succeed Mugabe. Nevertheless, none of the social and ethnic cleavages and conflicts seems to be of an antagonistic, insurmountable character. Even the massive politicization of these conflicts has not turned them violent.

Conflict intensity

II. Management Performance

14 | Steering Capability

From the perspective of political and economic transformation toward democracy and market economy, the period under consideration revealed a dismal failure. However, it is highly doubtful whether such a transformation has

Prioritization

ever been the real goal of the present government's policies. The Zimbabwean government's rhetorical support for democracy was only put into practice as long as its hold on power was not endangered by elections. Market economy reforms were not driven by the government's sense of conviction, but rather by the pressure of national debt and international lenders. Two other goals dominated the government's efforts: maintaining power and redistributing land ownership. To maintain power, the leadership used repression and manipulation when it became clear for the first time, at the end of the 1990s, that forces were brewing in Zimbabwean society and politics that were strong enough to replace the ruling party. Because the ability of the Zimbabwean state to distribute resources was progressively diminished by deep-rooted economic crisis, it was almost inevitable that, in its efforts to maintain the system of patronage, the government turned to distributing land, which constituted the last resource available in abundance. From the Mugabe's point of view, using land as an instrument to maintain his regime's power was logical. For Mugabe, land reform was not merely a means to an end but rather a goal in itself. He appears to be convinced that his historic mission, which also coincides with his socialist ideals, is to finally solve the problem that he, in his own estimation, had been effectively prevented from addressing for more than 30 years, due to adverse circumstances. If one views maintaining power and expropriating the whites' large-scale property holdings as the primary goals of the Zimbabwean government, it can at least be accorded a certain degree of reliability in setting and pursuing these strategic priorities.

The reform-mindedness of the present government is rather meager. If such a sentiment can be said to exist it is certainly not oriented toward democracy and market economy. The most recent economic program, the National Economic Development Priority Program, is better characterized as an abstract, poorly elaborated collection of emergency measures rather than a reform program. Since 1997, any efforts to strengthen reform in Zimbabwe have not only effectively been stalled, but reversed by increasing state domination. Even the fast-track land reform, which was officially accorded top-priority on the government's agenda, failed in economic terms, mainly because it was poorly designed and subjugated to political considerations. Agricultural output dropped sharply, the new holders of the redistributed land lack the resources, knowledge and commitment to maximize its productivity. A similar assessment can be made for political reform. From the mid-1980s to the mid-1990s, political reforms, mainly in the form of constitutional amendments, aimed at strengthening the executive and above all the president. These efforts were put on hold for five years following the failure of the constitutional referendum and ruling party's loss of its two-thirds majority in parliament. The 2005 elections and the president's nomination of 30 members of parliament endowed the ruling party once again with a two-thirds majority, which Mugabe almost immediately used

Implementation

to secure another constitutional reform. This reform re-establishes a second chamber in parliament that provides the government with additional positions it can offer to loyal supporters and weakens the role of the first chamber.

Zimbabwe's political leadership is either unwilling or unable to learn from past policy mistakes. It sticks to ill-designed and harmful policies with regard to the development of democracy and market economy. Parts of the leadership are still leaning toward socialist ideologies and concepts, while parts see the present political and economic direction as the only way to stay in power. While a growing number of leaders in ZANU-PF are well-aware of the unsustainability of the present political situation and economic policy, they have proven to be either unable to overcome the resistance of the hardliners or concerned that a policy change might ultimately lead to their ousting out of power.

Policy learning

15 | Resource Efficiency

Economic policies were subjected to the government's desire to maintain control. Instead of encouraging the most effective use of scarce resources for the country's economic and social development, the government sought to use these resources to bind political supporters to the ruling party. For a long time, rewarding the loyalty of supporters with jobs, sources of sinecure income, licenses and development projects proved highly effective politically. However, an economic policy that does not employ scarce resources where they provide the greatest economic benefit can function only as long as the resulting losses in efficiency are absorbed by third parties, i.e., international donors of development aid. This has been less and less the case since the beginning of the 1990s. The path taken by the Zimbabwean government was by no means inevitable, nor was its instrumental use and plunder of the resources that were at its disposal. Although the political foundation of the ruling party crumbled in the mid-1990s, the party was still strong enough organizationally and even ideologically to withstand a challenge by an opposition party in free and fair elections. Skilful policies of co-opting and divisiveness by the government would have made it difficult for the extremely heterogeneous opposition to maintain its unity. Concessions in the debate over constitutional reform would have tempered the resistance of civic groups, without necessarily calling the ruling party's power into question. Moderate democratic reforms would have guaranteed a further influx of development aid, which in turn could have been used to improve government administration as well as the efficiency of the social and health care system. Even the issue of land reform could have been solved cooperatively. Both the large-scale landowners and the international donor community made concrete offers to carry out a land reform that would have considerably mitigated the land pressure in densely populated rural areas while at the same time

Efficient use of assets

preserving the productive capacity of the export-oriented agricultural industry. The fact that the government decided against these alternatives and instead chose to pursue its uncompromising course can only be explained by a combination of distorted perceptions of reality, bad decisions and ideological fixations.

The Zimbabwean government has encountered more and more difficulties in making coherent and coordinated policies. There are two main reasons for this. One key reason is the intensifying competition between ZANU-PF factions for Mugabe's succession, which has prompted considerable mistrust among government officials and attempts to undermine each other's efforts. Secondly, the conflict between re-stabilizing the economy on the one hand and the need to use economic resources to maintain the patronage network on the other. The black market for foreign exchange and goods is partly under control by important power brokers who are either deliberately not prosecuted or only selectively targeted. Due to increasing problems of policy coordination in the cabinet, Mugabe increasingly relies on the National Security Council and the Joint Operation Command to design and execute his policies.

Policy coordination

Zimbabwe has repeatedly witnessed the publication and prosecution of high-profile corruption cases. In 14 January 2005, the government established an anti-corruption commission, but this is largely irrelevant insofar as anti-corruption efforts often instrumentalized in the power game, with disloyal or dissenting officials running a particular risk of being targeted by accusations of corruption. The ZANU-PF factions also make use of such accusations to discredit representatives of the other camp. Corruption has not decreased in recent years, and the country ranks 130th of 163 countries in Transparency International's Corruption Perception Index. A complex system of foreign exchange, controls on prices as well other economic variables, and a lack of transparency of the land reform program offers officials a multitude of opportunities for corruption.

Anti-corruption
policy

16 | Consensus-Building

There is a deep split among the major political actors regarding market economy and democracy as long-term, strategic aims. The core leadership of the government and the ruling party does not see either as strategic aims. In contrast, a majority of civil society leaders and a part of the leadership of the opposition party is deeply committed to market economy and democracy. In between these positions, some – including parts of the ZANU-PF leadership – accept both systems as the only workable and efficient means of allocating scarce resources in a non-violent manner. Together, these two groups (i.e., dedicated reformers and the opportunistic supporters of reform) should be strong enough to overcome the resistance of the anti-democratic hardliners if they can build up sufficient mutual trust.

Consensus on goals

The hardliners' power in Zimbabwe is partly based on the mutual mistrust of the moderates' and reformers' camps as well as on the support of the security forces for them, in particular the military. Mugabe still enjoys great following in the top ranks of Zimbabwe's army, though parts of it are identifying themselves with other ZANU-PF factions. The main problem for all those who would like to oust Mugabe is that nobody really knows how the military would react. Some military leaders have repeatedly emphasized that such a move would be totally unacceptable to them, and stated prior to last presidential elections that they would not accept a winner who had not fought in Zimbabwe's liberation war. On the other hand, the military has so far strictly observed the political climate and it is difficult to imagine that the rank and file members of the army would follow orders to shoot down a popular uprising or the initiators of a palace coup.

Anti-democratic veto actors

The government has chosen not to mitigate existing social and ethnic cleavages, but rather to deliberately exploit them. Explicit target of this strategy were the landowners of European origin who were identified as the main culprits for Zimbabwe's economic and social problems. This campaign partly worked, especially in rural areas under considerable demographic stress, but also met determined and sustained resistance. Another key target of the government's polarization strategy was the ethnic minority group of Ndebele who were defamed as collaborators of the landowners' attempts to subjugate Africans, particularly the Shona. The intensified power games in Zimbabwe also led to consequences not intended by the Mugabe and his core group; namely, a deepening of cleavages between the Shona subgroups.

Cleavage / conflict management

The political leadership took all the necessary steps to discourage civil society from political participation. The NGO Act puts narrow limits on civic engagement, and civil society leaders who express their opinion and criticize the government are intimidated, prosecuted and put in jail. The only popular groups enabled to flourish – it is doubtful whether they deserve the term "civil society" – are the war veterans' association and organizations close to ZANU-PF.

Civil society participation

Throughout the 1980s and 1990s Zimbabwe was perceived as a model for reconciliation with regard to overcoming the bitter apartheid conflict. Even at that time, however, reconciliation was only a part of the story. In the mid-1980s, the government unscrupulously dealt with the so-called Ndebele dissidents in a counter-insurgency campaign that claimed over 15,000 lives by conservative estimates. Since the late 1990s, the government has changed its strategy, throwing its reconciliation policy overboard and resorting to a scapegoat approach.

Reconciliation

17 | International Cooperation

As the present government does not pursue domestic reform policies in line with the objectives of international donors, it consequently does not seek their support – though the Zimbabwean government insists that there is a responsibility, especially of the British government, to support its land reform program. Donors have reduced their development aid to Zimbabwe to a minimum, mainly limited to humanitarian and food aid as well as to support for civil society organizations. The Zimbabwean government has attempted to escape its increasing international isolation by fostering its links to China, Libya and Malaysia as well as Venezuela and Iran.

Effective use of support

Mugabe's and the Zimbabwean government's credibility is very low in Europe and North America but in parts of Africa, among some Muslim-dominated states and leftist-oriented governments in Asia and Latin America Mugabe succeeds in stylizing himself as a fighter against Western neo-imperialism and the global dominance of neoliberalism. This support makes it extremely difficult for African governments to deal with the Zimbabwean authoritarian system effectively.

Credibility

Zimbabwe is member of the relevant regional and continental African organizations, most notably the Southern Africa Development Community (SADC) as well as the African union (AU). In both organizations however, Zimbabwe's membership poses stumbling bloc for intensified cooperation and institutional reform. Mugabe's insistence on heading an important organ of SADC hampered its transformation in an effective institution for many years. The Zimbabwean government's authoritarian rule undermines the credibility of the AU's reform program, NEPAD, and damages its efforts to develop a strategic partnership with the EU. The country has various relationships with its neighbors. Relations with Botswana - whose leadership is the relatively most outspoken with regard to the situation in Zimbabwe and its consequences for the region – are very tense. Its relations with South Africa are ambivalent. Mugabe deeply mistrusts and envies South Africa he also relies heavily on the of the South African government's implicit support. Zimbabwe has close relations to Angola and Namibia which it regards as essential partners in balancing South Africa's regional power. It should be noted that relations with Namibia have cooled slightly with that country's change in the presidential office.

Regional cooperation

Strategic Outlook

Political and economic developments in Zimbabwe will either lead into economic chaos and anarchy, or toward new leadership, which will open up the window of opportunity for comprehensive democratic and market economic reforms. Unfortunately, the latter scenario remains improbable. In the past three years, the main opposition party has become too weak to replace the regime in the near future. Though likely inevitable given its internal political conflicts and healthy for Zimbabwe's party system, the split within the Movement for Democratic Change (MDC) has initially had the negative effect of weakening the opposition further. Decisive change in the foreseeable future might emerge from intensified conflicts – or their settlement – within the Zimbabwe African National Union – Popular Front (ZANU-PF). Mugabe has thus far succeeded in maintaining his rule by manipulating the competing factions within his party as they clamour over his succession. Should one of the two main factions gain the upper hand over the other or should they agree to settle their dispute to get rid of Mugabe, this would certainly spell the end of his rule. There are some signs of rapprochement between the two factions underway since the end of 2006, who both have a vested interest in preventing an extension of Mugabe's term beyond 2008. Should the already-tense political situation escalate further, the two factions could conceivably bring his rule to an end even earlier. In turn, this could open up opportunities for rapprochement with the opposition, liberalizing the political climate and a cautious turn to market reforms.

Such a scenario would also provide the international donor community with the opportunity to take on a more positive role in Zimbabwe. Since having discontinued most bilateral development co-operation and having imposed “smart” sanctions against leading members of the ruling regime, Europe and the United States have more or less lost any degree of influence on Zimbabwe's government. Presently, the external impact of donors is more or less limited to ensuring the mere survival of opposition groups and their activists via NGO support. With the new NGO Act, even this influence might deflate. This does not mean, however, that European and U.S. strategy has thus far been wrong. Indeed, there have been few alternatives beyond exerting more pressure on South Africa to give up its approach of quiet diplomacy and use economic sanctions to oust Mugabe. But again, the potential costs of such a strategy bear no relation to the probability of success. President Mbeki's unwillingness and, to a certain degree, incapability in dealing with Mugabe more decisively could only be broken by enormous pressure. This, in turn, bears the danger of destabilizing the only resilient pillar in sub-Saharan Africa, South Africa. As

such, it is clear that the international community has little choice but to continue its present strategy of maintaining pressure on the regime, ensuring the survival of opposition groups and activists, and encouraging South Africa to engage more constructively with its neighbor. In addition to these three elements, external forces should, however, prepare themselves for a moderation of the regime by establishing links to other political factions, especially moderate elements in the ZANU-PF, while elaborating a strategy for moving these moderates toward economic and democratic reform.