Contradictions in Development Aid: The Case of Zimbabwe

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Abstract

Contemplating the immensely reformative opportunities inherent in South-South as well as North-South initiatives, this report makes a critique of how these opportunities have not been maximized by Zimbabwe over the 1990-2000 decades and even since 1980 through development aid facility extended by the donor community since independence.

The continually declining socio-economic trends in Zimbabwe over these decades is the combined outcome of neocolonial manipulation of development aid, political intolerance by the government of Zimbabwe and ineffective global, continental and regional institutions. The paper stresses the need for Zimbabwe to develop a policy on the use of development aid and a broad-based national socio-economic development plan. Finally, it emphasizes the relevance of the 2009 Global Political Agreement (GPA) signed between political parties ZANU PF, MDC-T and MDC-M, and the Short Term Economic Recovery Program (STERP) that departs historically for an effective and transformative use of development aid in Zimbabwe and for its full acceptance in the international community.

Introduction

Civil society has often expressed the criticism that aid is a neocolonial tool by developed countries as they impose prohibitive policy conditionalities on developing countries while donors tie their commercial, political and military interests to the aid they provide. This is often viewed as one of the causes of poverty, hunger, disease, and backwardness in developing countries including Africa and Zimbabwe in particular.

In addition to this, however, and to a large extent, the abusive manner in which the states of the developing world such as Africa allow with impunity the donors' policy of non- interference in internal affairs has rendered aid ineffective and caused mounting poverty. Human rights abuses, corruption and inhuman acts against the poor and defenseless majority in the rural and urban communities and even threats to national sovereignty are outside the concerns of donors.

There is also the visible ineffectiveness of regional blocs (SADC and COMESA), continental blocs (African Union), and international institutions (United Nations) particularly in ensuring the effectiveness of development aid.

It is within this context that the principles of South-South cooperation remain theoretical for the majority of the populace. The discourse on development aid continues to show 'class clashes' as aid remains a neocolonial tool, states continue to be oppressive, and international institutions do not care.

A closer examination of macroeconomic indicators of Zimbabwe, including its debt situation and implementation of the Millennium Development Goals (MDGs), as well as the development plans and programs it has pursued would reveal the contradictions in development aid as summarized above. Debt level reached US$365 per capita in 2000. Per capita gross domestic product (GDP) deteriorated from US$663 in 1996 to US$568 in 2003. Moderate poverty based on the US$2-a-day-threshold was at 88% of the population in 2007. All these are raising relevant questions on the effectiveness of so-called development aid.

Zimbabwe has remained a low-income country since 1980. An examination of the country's achievements of the MDGs as well as the impacts of the New Partnership for Africa's Development (NEPAD), Look East Policy, Homegrown Reserve Bank of Zimbabwe Turn Around programs, and the 2009 GPA shows the failure of development aid to translate to decent and sustainable living for the poor majority.

The tragic situation is exacerbated by neoliberal economic reforms such as liberalization, privatization and deregulation being imposed by the donor community which also breed corrupt and abusive states. On the other hand, the states evade accountability for the capital-starved economies and blame capitalist maneuvers. Neither the donors nor the states therefore can come to the salvation of the defenseless poor majority from the onslaught of neoliberal reforms. In fact, it appears that aid and neoliberalism go hand in hand in perpetuating unequal, neocolonial relations, oppressive regimes and inutile institutions.

Dismal socio-economic indicators

The thesis of this report is that the undesirable outcome of development aid use in Zimbabwe over the 1990 -2000 decades is the combination of three major factors. Aid has apparently been used as a neocolonial tool that has driven Africa out of the path of emancipation. Secondly, aid has introduced the principles of non-interference by donors and governments even if oppression is evident. Thirdly, regional, continental and international institutions are ineffective as evidenced by continuing miserable conditions.

Zimbabwe availed of aid from big economies such as Japan, Australia, Brazil, Taiwan, India and China, and even from fellow African countries such as Botswana, South Africa, Namibia and Swaziland over the 1990-2000 decades. Such development aid use hardly materialized positively as indicted by the mounting debt for the last decade of the colonial period (1970) to the present decade (2000) of the independence period. (See **Table 1**)

As of 2001, Zimbabwe's external debt was 19.4 times higher than it was during the colonial period in 1970 and still 5.7 times more than its 1980 level. This alarming increase in debt levels came mostly from the state's incompetence, a notably sterile administrative system, and a seemingly unending recycling of the same cadres since independence in 1980. The debt situation also contributed much to government's lack of innovation and adoption of new ideas. It has made impossible strategic investment of development aid for the Zimbabwe economy to be self-sustaining and for it to graduate from the highly-indebted poor country category to even just a low-income or lower middle-income economy bracket over the 30-year period (1980-2009).

Ironically, the dominating ruling party in government that has institutionalized corruption even defaulted on foreign debt payments. It reached the point that in order to clear the external debt, it would be competing for resources that could have been devoted to productive investment in health and social sectors. The steady deterioration of the economy since 1980 that got more and more pronounced from 1998 onwards led to widening budget deficits. (See **Table 2**)

The World Bank (WB) stopped lending to Zimbabwe in October 2000 due to the country's debt mismanagement and failure to service its debt obligations. Likewise in mid-September 2001, the International Monetary Fund (IMF), after, its annual Article IV consultation, called on Zimbabwe to clear the government's debts in arrears to various creditors before financial assistance could resume. In 2000, the United States (US) Senate adopted the Zimbabwe Democracy and Economic Recovery Act (ZDERA), which determined the foreign policy of US and the European Union (EU) towards Zimbabwe and nations in the South that were sympathetic to Zimbabwe. Zimbabwe was subjected to economic sanctions as a collective penalty on the incompetent ruling party for its poor human rights record and irreversible but controversial land reform program.

From 1980 to 2001, the debt per capita was US$670 – each Zimbabwean citizen effectively owed the donor community US$670. It is glaring that borrowed development aid could have led to the transformation of the Zimbabwe economy and improved welfare of the majority of the populace. But it only entrenched corruption and lack of proper government planning. Total external debt ratio to the gross national product (GNP) in 1970 was 12.5% but phenomenally increased to 56% in 2000. Had the Zimbabwean economy been managed well with domestic savings and domestic investments, the total external debt ratio to the GNP should not have exceeded 25 percent. At this time, development aid was coming from China, India, Japan, Indonesia, Iran, South Africa and even Botswana, but it could not ameliorate the heavily crippling debt burden that saw the nation moving steeply into poverty, hunger and disease.

The economic categorization of Zimbabwe as a low-income economy has not positively changed. The GDP at constant prices remained quite depressed ranging between Z$20,280 and Z$23,640 million from 1994 to 2002. A decline was recorded in spite of the increasing volumes of development aid from the South and North.

Over the 1990-2003 period, GDP per capita declined from 5.5% to -14.1%, glaringly indicating a progressive disinvestment process. The Human Poverty Index (HPI) – which is an aggregation of the percentages of people not surviving beyond 40 years, adult literacy rate, underweight children under five years, population without access to safe water, and living standard deprivation – worsened from 23.9% in 1995 to 28.2% in 2001. (See **Table 3**) The rural areas were hardest hit, according to the Zimbabwe Human Development Report Series, from 21.12% to 31.1% from 1998 to 2003. But the HPI in the urban areas was even higher than both the national and rural HPI, at 12.4% in 1995 to 26.4% in 2001.

As for the Human Development Index (HDI) – which is an aggregation of indices for average years of schooling, education, and income – failure on the part of the ruling party to invest development aid saw national averages decline from 0.507 in 1995 to 0.444 in 2001. The least HDI was in the rural areas where it further declined by 0.505 points while the urban areas recorded a decrease of 0.086 points.

What the grossly low HPI and HDI effectively showed was that the ruling party government had great setbacks, incompetence in effective short and long term economic planning for rural and urban areas, which was compounded by the lack of culture for strategic investment and business management within the adopted programs of South-South and North-South cooperation.

Apart from debt and national income indicators, there were other critical variables that largely reflected gross incompetence in the mismanagement of development aid (loan, grant and technical assistance) by the ruling party. Aid should have been targeted to various sectors such as social infrastructure and services, economic infrastructure and production, multi-sector assistance, commodity aid and general program assistance, debt relief, emergency assistance, and administrative and similar costs. But obviously it was not infused in these basic sectors. For the 1990-2000 decades, Zimbabwe could have benefited from programs such as the MDGs; NEPAD; the Regional Indicative Strategic Development Plan (RISDP); and the Look East Policy (LEP). These coincided with the ZDERA, the economic sanction on Zimbabwe, which to date has not yet been repealed for Zimbabwe to fully exploit the opportunities in South-South cooperation.

Thus over the 1990-2000 decades and up to today, whatever aid Zimbabwe receives is cautiously advanced as a humanitarian facility and not one that fully in a reformative sense caters for the technical, loan and grant requirements of Zimbabwe. Put another way, Zimbabwe can enjoy maximum benefits from South-South cooperation and from its organic relationship with the North-South initiative only after the Zimbabwe human rights record has been greatly improved and when the electoral processes are as transparent as the standards of the region and the international community.

Thus on the basis of the argument highlighted above, it may be understood why although Zimbabwe is a subscriber to South-South cooperation, its socio-economic disposition has remained highly depressed with a lot of human sufferings and political controversies and uncertainties.

Since domestic financing was not subject to inflationary adjustments, even an increase would only translate to negative and declining real GDP (taking inflation into account) from -8.2% growth rate in 2000 to -13.9% in 2003 as well as a negative real GDP per capita growth at -9.5% in 2000. Major economic sectors were on the decline with foreign reserves declining from US$595.5 million to US$254 million over the 1994-2004 period and gold earnings actually nosediving from US$139 million to US$22.7 million over the same period.

Thus failure to productively invest development aid over the 1990-2000 decades also resulted in the further weakening of the national currency, with the exchange rates declining heavily from Z$8.45: US$1 (1995); Z$5.069: US$1 (2004) and Z$500,000,000,000:US$1 (2009).

Going back to a more detailed analysis of poverty therefore would reflect a generally poorly managed development aid facility. Out of 10 provinces over the 1995 and 2001 period, HPI declined considerably in five provinces while it only marginally improved in four provinces and remained static in one province. As for the HDI, it declined in four out of 10 provinces, minimally increased in four others and remained unchanged in one province. (See **Table 4**)

Despite the 'good intentions' that may have characterized the economic relations of Zimbabwe with China, India, Japan, South Africa, Indonesia, Malaysia, Australia, New Zealand, etc, an incompetent Zimbabwe ruling-party-led government wasted the opportunities of South-South cooperation. This resulted in a costly *de-synchronia* in the political, economic, social, cultural, historical, scientific and technological, and traditional spheres of life while, over and above that, the positive reputation earned by Zimbabwe since 1980 turned into loss of trust and sympathy by the international community.

Seeking alternatives

The fundamental question that emerges now is how to reconcile the historical objective demand to make development aid more meaningful for the majority from independence in 1980 to the present in 2009 and the fact that the lives of the poor majority worsened. Certainly for now the departure point is the GPA signed among the three former viciously contesting political parties, namely ZANU PF, MDC-T and MDC-M, and other more progressive parties yet to emerge in the Zimbabwe political landscape.

With the GPA, the political contestants dedicated themselves to putting an end to the polarization, divisions, conflict, and intolerance that had characterized Zimbabwean politics and society in recent times. The historical GPA, signed on September 15, 2008, led to the creation of an 'inclusive government' and a subsequent development of a detailed and comprehensive socio-economic transformation document dubbed as the STERP, adopted in March 2009.

STERP was reviewed on July 16, 2009 in another document called the "2009 Mid Year Fiscal Policy Review Statement: STERP in Motion". These historic documents somehow assure the Zimbabwean poor majority that at least a more accommodating environment political is in place for more competent management of development aid and strategic economic planning. This is further expressed in the Integral Homegrown National Socio-Economic Development Plan (IHNSEDP).

The Honorable Tendai Biti M.P. Minister of Finance stated in the STERP review that, "our country (Zimbabwe) had sunk to unacceptably high levels of fragility that bordered on total State failure... thus the work of the Inclusive Government involves rehabilitating and rebuilding this country (Zimbabwe)…put in simple terms, the Inclusive Government`s fundamental function is to re-lay the foundation of a normal functional vibrant African Democracy…" The foundation stones laid out for STERP are:

- The stabilization of peace and stability in the country;
- Pursuit of a program of national healing;
- Constitution-making process and the democratization agenda;
- Provision of adequate and quality basic social services, social safety nets in urban and rural areas, and execution of a comprehensive social protection program;
- Macroeconomic stabilization; and
- Socio-economic transformation of Zimbabwe through capital and institutional development that places information communication technology at the centre.

What then are the workable alternatives on development aid use for Africa and Zimbabwe in particular within the South-South cooperation? The proposal developed in Figure 1, which in its practical application on a short, medium and long term, should reverse the grossly negative socio-economic trends reflected in Tables 1, 2, 3 and 4. The argument that runs through this paper is that over the past 30 years, a well-adhered policy of development aid use could have seen Zimbabwe solidly graduating from the low-income economy category to lower middle-income, or even probably into a donor nation in the region. South Africa and Botswana at the moment comfortably enjoy an economic command in the region.

According to Figure 1, all development aid to Zimbabwe from any Level 1 source would, in the framework of an outward-inward oriented IHNSEDP, be productively invested according to priorities in Level 2 units (2), managed well through multi-stakeholder institutional boards (3) within a prioritized investment orientation (4). The investment orientation would be rationalized in priority sectors and their sub-sectors (5), at various project levels (6), and these projects would have to be monitored and evaluated (7) by the multi stakeholder boards comprising locals and internationals. In targeted locations (8) to ensure an even development of the economy, the evaluation would have to be regularly effected so that alternative remedies are adopted over specific periods or terms (9), and minimum sector and sub-sector growth targets (10) have to be drawn up for purposes of determining progress with the requisite outcomes (11) registered at the end of declared terms.

For Zimbabwe in particular and Africa in general, Figure 1 shows that as a composite development program, inward and outward oriented IHNSEDP constitutes both a solid ideological foundation for an effective and transformative development aid use with South-South cooperation as framework.

Conclusion

Considering the short time taken by many sovereign nations across the continent to graduate from low-income economies to middle- and subsequently high-income economies within the framework of development cooperation since World War II, most of them, notably South Africa, Saudi Arabia, Botswana, Japan, Brazil, India, China, South Korea, Australia and New Zealand, have turned into donor nations.

At this point, Zimbabwe would certainly have to turn a new leaf especially on the nature of its policy in use of development aid. While development aid is disbursed subject to the ideological values of the donor community or nation, there are certainly opportunities that may be taken by the recipient nation for its own advantage. Recipient nations need to be open to the ongoing global trends guided by the notion of democratic and politically inclusive and tolerant institutions, retaining an honorable place in the global community.

Zimbabwe would not have experienced deplorable, socio-economic trends of poverty, hunger and disease had the requisites and opportunities been seized by a strong and upright government. Openness to developmental inputs as well as correct aid policy framework is an essential factor for a sound and sustainable development aid use, which would surely launch Zimbabwe as a developed and progressive nation.

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Tables and Illustrations

Table 1. Selected External Debt Indices for Zimbabwe, 1970 – 2000

Variable	Unit	1970	1980	1990	1994	1996	1998	1999	2000	2001
Total external debt	US$ bln	0.232	0.786	3.247	4.537	4.994	4.716	4.991	4.372	4.500
Debt per capita	US$	97	112	333	421	438	403	377	364	670
Multilateral debt	US$ bln	0.41	0.3	0.637	1.520	1.575	1.715	1.622	1.484	
Bilateral debt	US$ bln	0.44	0.98	0.871	1.193	1.151	1.198	1.235	1.441	
Private debt	US$ mln	145	595	957	695	583	419	364	322	
Total external debt : GNP	%	12.5	11.9	38.2	68.6	59.7	79.6	88.9	56.0	

Source: AFRODAD. 2003. Africa`s External Debt. An analysis of African Countries' External Debt Crisis. Printset. Harare. p 101.

Table 2. Major trends in development aid driven socio-economic processes in Zimbabwe, 1990 -2004

	Variable	Unit	1990	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	GDP factor cost@ constant 1990 prices	Z$ mln	...	20,280	20,237	21,696	23,174	23,646	22,022	20,95	19,176	16,702	...	...
2	GDP per capita	US$				663	...	...	505	...	...	1.891	568	...
3	GDP per capita growth	%	5.5		-1.3	...	...	...	...	-7.7	...	-14.7	-14.1	...
4	GDP	US$ bln				7.89	...	...	6.40	...	...	22.0	6.678	...
5	GDP real change.	%				10.4	1.5	2.0	-6.9	-4.8	...	...	...	...
6	GDP real change per head	%				5.2	-1.8	-2.3	-7.0	-9.5	...	...	...	...
7	Real GDP growth	%	7.0		0.2	7.2	...	...	...	-8.2	...	-13.9	...	...
8	Inflation	%	15.5		22.6	...	...	...	...	55.9	...	133.2	525.8	
9	Exchange rate	Z$:US$		8.45	8.66	9.92	11.89	23.68	38.17	43.29	55.1	54.95	727.88	5.069
10	Foreign financing	Z$ mln			2,943	2,154	4,200	-2,918	-1,804	2,735	-602	-1,487	38	10
11	Domestic financing	Z$ mln			8,613	5,920	13,575	8,274	8,806	68,232	44,88	39,175	12,044	1,638,964
12	Gvt Finances: Overall balance.	Z$ mln			-11,55	-10,106	-18,128	-5,356	-18,93	-70,97	-45,42	-12,1	-1,639,972	-1,638,964
13	Foreign reserves: excl. gold.	US$ mln			595.5	598.8	160.1	130.6	268.0	193.1	64.7	83.4	92.0	254.0
14	Foreign reserves: Gold.	US$ mln			139.7	117.2	56.0	82,6	105.4	45.4	27.5	22.7	...	
15	Total Exernal Debt	US$ bln	3,247	4,537	4,557	5,005	...	4,716	4,991	4,372	...	...	...	
16	Trade: Imports	Z$ mln/ US$ bln	Z$mln	18,270.7	23,048.1	28,095.1	36,556.0	US$bln	2.12	2.32	1.45	1.67	0.221	
17	Trade: Exports.	Z$ mln/ US$ bln	Z$mln	13,419.0	16,023.4	21,016.2	25,632.0	US$bln	2.20	2.0	1.98	2.43	0.102	

Sources: SADC Review 1999, 2000, 2002, 2005 and 2006. Southern Africa Marketing Company. Gaborone.

Table 3. Rural and Urban Human Development Index (HDI) and Human Poverty Index (HPI) Values in Zimbabwe , 1995 and 2001

Index	Location	1995	2001	Variation
1. Human Development Index (HDI)				
	1.1 Zimbabwe	0.507	0.444	0.063 (-)
	1.2 Rural	0.505	0.388	0.117 (-)
	1.3 Urban	0.590	0.504	0.086 (-)
2. Human Poverty Index (HPI)				
	2.1 Zimbabwe	23.9	28.2	4.3 (+)
	2.2 Rural	21.12	31.1	9.98 (+)
	2.3Urban	12.35	26.4	14.05 (+)

Sources: Zimbabwe Human Development Report Series 1995, 2000 and 2003.

Table 4. Development aid driven/determined Human Poverty Index (HPI) and Human Development Index (HDI) rankings by provinces in Zimbabwe between 1995 and 2001

Province	Year / Index / Rank	Year / Index / Rank	Variation	Year / Index / Rank	Year / Index / Rank	Variation
	1995 HPI rank	2001 HPI rank		1995 HDI rank	2001 HDI rank	
Bulawayo	1	2	- 1	2	1	1
Harare	3	4	-1	1	2	-1
Matebeleland South	7	3	4	4	3	1
Matebeleland North	6	10	-4	5	4	1
Midlands	4	5	-1	3	5	-2
Mashonaland East	8	6	2	6	6	0
Mashonaland West	9	9	0	7	7	0
Manicaland	5	7	-2	10	8	2
Masvingo	2	1	1	8	9	-1
Mashonaland Central	10	8	2	9	10	1
Total			**-2**			**0.2**

Sources: Zimbabwe Human Development Series. 1995; 2000 and 2003. Harare.

Fig 1. Targeted Development Aid Use Combined Millennium Framework: Development Program and Inward-Outward Oriented Homegrown socio-economic development plan

Level 1 (1)	Level 2 (2)	Institutional combination/ Accountability (3)	Priority Targeted Investment Orientation (4)	Priority Sector Identity (5)	Priority Projects (6)	Project Evaluation Phases (7)	Targeted Locations (8)	Program Term (9)	Targeted Minimum Growth Rates % (10)	Targeted Outcome (11)
Global	National	Political	Rehabilitation	Infrastructure: Economic and Social	Commercial, Large scale	Quarterly	Rural (districts)	Long (9 yrs)	3.5	Empowerment + employment of locals- majority poor disadvantaged.
		Economic	Renovation	Industry Manufacturing	Medium scale		Urban (districts)			Welfare rise : rural + urban areas
Continental	Province	Social	Newly	Agriculture	Small scale	Bi-monthly	Resettlements	Medium (4 yrs)	5	PPPs by sectors
		Cultural	Reorientation	Mining	Microscale		Farms			Foreign + national PPPs
Regional	District		Liquidation	Tourism Transport Energy	Expansion	Monthly	Peri-urban	Short (1 yr)	8	Industrialization: rural
		With local and foreign membership	Commercial large scale	Housing Water and sanitation Banking			Growth Point			Deepening Economic + Social Integration
National	Sub-district		Medium scale	Research and Development			Economic region	Combinations.		Twinning Development of foreign and National Provinces
			Small scale	S+T			Economic sub -region			Twinning Foreign + National Provincial capitals
	Village		Micro scale	ICT						Twinning Foreign + National Rural Areas + Growths Points
(1)	Ward (2)	(3)	Expansion (4)	Education Health, etc. (5)	(6)	(7)	Economic Free Zone (8)	(9)	(10)	Deepening Peace-Stability and Security. (11)

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