

# The road to poverty reduction and economic growth for zimbabwe essay

[Economics](#)



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1.

0 Background1. 10 GeographyZimbabwe is a land locked country on the southern tip of Africa. To the north it is bordered by Zambia, to the east Mozambique, to the south-west diamond-rich Botswana and to the South, its powerful and influential neighbor South Africa. Due its geographical location, the country enjoys cool and warm weather throughout most of the year. 1.

11 HistoryThe plateau between the rivers Zambezi and Limpopo, in southeast Africa, offers rich opportunities for human settlement.

Its grasslands make excellent grazing for cattle. A seam of gold, running along the highest ridge, shows signs of having been worked in at least four places before 1000 AD.[1] To many people around the world, the history and people of this country remain an enigma. Evidence of human settlements can be traced back to 2000 years ago, with discoveries of artifacts and tools left behind by Stone Age hunters.

The most relevant parts of Zimbabwe's history in relation to the subject being dealt with in this essay are the colonial and UDI (Unilateral Declaration of Independence) eras; the former representing the period between 1890 and 1965 and the latter referring to the period thereafter. Most of Zimbabwe's current political and economic challenges have their roots in during this period. During this period just mentioned most native Zimbabweans lost the right to self determination. They were subject to racial discrimination and were denied any means to break away from the poverty cycle.

The 1-5% of the population, mostly of British descent enjoyed all privileges and access to good jobs and opportunities. 1. 12 Zimbabwe's period of relative prosperity Zimbabwe enjoyed relative prosperity and socio-economic development during the period just after independence. " Following independence, Zimbabwe initially made significant economic and social progress"[2] The diagram below shows the literacy rate in Zimbabwe, as well as in other six randomly picked African countries. During the period, 1980-1997, Zimbabwe also made strides in improving access to health care, providing equal rights for women and other vulnerable groups. 1. 13 Economic decline and increase in government repression However beginning in the mid 1990s, Zimbabwe's economy began to regress. The structural adjustments programs which had been recommended by the IMF were not properly implemented.

The result was poverty levels began to rise and public discontent began to grow. The country's government began to be more authoritarian. Tolerance of dissent waned and civil liberties were taken away from the people through repressive laws passed in sequence. In 2000 the controversial land-reform program was launched which hit the death nail to the country's economy. " By mid-2003, the country faced multiple crises. Owing to negative impacts of land grabbing, squatting, and repossessions of large white farms under the government's fast-track land reform program, some 400, 000 jobs had been lost in commercial agriculture. Combined with a 90% loss in productivity in large-scale farming since the 1990s, some 5. 5 million people in a population of 11.

6 million were in need of food aid. Inflation had reached 228% and a fuel crisis threatened the nation. Strikes and stay-aways crippled production, prompting ever more severe repression by the government. More than 30% of the adult population was infected with the AIDS virus.”[3]; Contents1. 0 Background. 21. 10 Geography.

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20; 2. 0 IntroductionThis paper will seek to analyze the socio-economic environment in Zimbabwe. Special attention will be paid to the country’s downward spiral decline in recent years and how the country can recover from the ashes. Of importance will be the analysis of institutions necessary

to catalyze economic growth and lead the country away from the miserable and sorrowful state it is currently in.

2. 10 Zimbabwe's development compared to its neighbours Zimbabwe is surrounded by two prosperous countries, Botswana and South Africa which the IMF and other developmental experts have commended as shining examples for the rest of Africa to emulate. These two countries have built sound democratic and civil institutions which have helped lay the groundwork for long term economic growth and development. The graph below compares economic growth between Zimbabwe and its neighbor Botswana.

;;;;;;;;; What can clearly be seen is that Zimbabwe is a country whose economic growth has stagnated. Whilst the economies of its neighbors have been growing at very consistent and spectacular rate, this is not the case for Zimbabwe. The economy does not seem to have experienced any meaningful economic growth in the last four decades.

2. 11 Expectations of the inclusive government Some of the critical issues addressed here, will be the reasons responsible for the Zimbabwe's economy's degeneration and how the laying of sound institutions and attracting foreign investment and international developmental aid will benefit the country In September 2008, " President Mugabe and Tsvangirai agreed to a power-sharing deal in September that called on the leaders to share executive authority." [4] For many people, this deal offers Zimbabwe the best chance to move towards sound macro-economic stability, development and towards achieving rapid economic growth. It is upon this

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deal that hopes for a regeneration of Zimbabwean society and a change in the country's fortunes, rests. Almost three decades of one-party state rule in Zimbabwe, have driven Zimbabwe into a pariah state.

;; 3. 0 Supporting good government institutions and the importance of international assistance Boosting support and equipping Zimbabwe's key governmental institutions with the necessary apparatus they need to deal with the country's challenges is holds the key to Zimbabwe's recovery and long term stability. After ten years of rapid economic decline, the country needs some tremendous amount of international aid to spur economic growth and rebuild and repair dilapidating key infrastructure which was neglected during the country's political and economic crises of the past ten years. However effective this aid will be can be analyzed using the views of William Easter and Jeffrey Sachs, two important economists in the field of international developmental aid. 3. 11 Key institutions that will aid economic growth An important source says " Financial crises and failed transition experiments have highlighted the fact that functioning institutions are fundamental to the goal of achieving economic growth" (Institutions, Development, and Economic Growth, selected chapter and pages)[5]. Lim Brunt, assistant Professor at Ecole des HEC, University of Lausanne and CEPR Research Affiliate, in France, in his article, " Which institutions matter for economic growth?" highlights some of the most important institutions to aid economic growth.

The debate as to which institutions are the most important in aiding economic growth is very controversial. However in the case of Zimbabwe the

following can easily be picked out for urgent reform: Ø The judiciary and law enforcement arms of government Ø The media Ø Financial institutions and the central bank Ø Parliament and other political institutions<sup>3, 12</sup>

Criterion The criterion used to pick these institutions is based on the fact that Zimbabwe's economic meltdown in recent years has to a greater extent been precipitated by the malfunction in some of these institutions. Court orders are rarely obeyed and property rights are almost non-existent. Indiscriminate political arrests are the order of the day and corruption is very rife. Press freedom has been suppressed in recent years. Before the coalition government took power in 2009, Zimbabwe's parliament served the sole purpose of rubber stamping Mugabe's draconian laws and decrees.

The Reserve bank of Zimbabwe had become a political instrument for printing money to fund the ruling party's political programmes. It is no wonder inflation in Zimbabwe reached 2.2 million % in 2008, a world record, in recent times.<sup>[6]</sup> With the formation of the inclusive government, reform of these institutions is more likely.

It will probably take between ten to fifteen years for these institutions to regain their credibility.;; 4. 0 Issue of Developmental aid Jeffrey Sachs, an American economist and Director of the Earth Institute at Columbia University believes that giving more aid to developing countries is one of the key solutions to ending world poverty. However, William Easterly, a professor of economics at New York University disputes this, in his book, "The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good" He points that some of the world's fastest growing

economies today, such as India and China, have managed to reduce poverty levels and attain sustained strong positive economic growth with little or no aid at all. In the case of Zimbabwe, the best approach for the West to take is to try to borrow bits and pieces from both ideas.

Western countries and the International Monetary Fund should not rush in to pour huge sums of money into the Zimbabwean economy. The country should rather be assisted to reform its institutions and implement structural reforms in all areas of its economy. Donor aid should be conditional and targeted at certain specific areas. Last but not least, the country has an educated and skilled population whose resources can be tapped into. 4. 11 Lessons Zimbabwe can learn from neighbouring countries Zimbabwe has a lot to learn from Botswana and South Africa. These two countries both have stable democracies and have sound macroeconomic policies in place. The main lessons Zimbabwe can get from these countries can be summarized into the following points: Ø Respect for the rule of law and property rights Ø Stable political environment with an efficient democratic system Ø Respect for human rights, including press freedom, and freedom of association Ø Independent judiciary and central bank.

Ø Lifting of unnecessary government intervention in the economy e. g.: lifting price controls and eliminating protectionist measures. South African and Botswana possess all these hence the tranquillity and prosperity prevailing in these two countries. These two countries have also made all these achievements without much foreign aid.



; 5. 0 Development Goals and Targets for Zimbabwe is imperative for Zimbabwe, to set a time frame, to meet all its developmental obligations.

Area of Development	Description	Target for Goal Realization
1.	Ensuring independent judiciary and central bank	Ø Removal of state interference in judicial cases Ø Stop arrest of political prisoners Ø Central bank without government interference
2.		1-2 years

Civil reforms such as human rights, press freedom and freedom of association  
Ø Liberilizing the media space to allow for more free speech. Ø Restoring civil liberties and ensuring a democratic and stable enviroment to attract foreign investement  
2-5 years  
3. Restoring rule of law and property rights  
Ø Addressing the controversial land question once and for all  
Ø Equiping and retraining the current law enforcement agents on matters relating to property rights.

5 years  
4. Economic liberalization and other Economic reforms  
Ø Eliminating price controls  
Ø Reducing tariffs  
Ø Privatisation of state enterprices and gradually cutting reduction in government expenditure  
15+ years  
The above time frames have been time frames have been set based on perceived estimated time frame, needed to achieve these goals. It has to be noted that before year 2000, Zimbabwe was relatively a prosperous country in terms of third world standards. The infrastructure which is currently in place will serve as a stepping stone in realizing all the goals mentioned above. As already mentioned previously, the recent political agreement, signed by the country's two political grouping will help to foster an enabling environment for formulation and implementation of the above policies.

Impediments to change  
Implementing the above recommendations will save Zimbabwe from being a totally failed state. However, hardliner members of Mugabe's party still command a lot of influence and power in Zimbabwe.

They are not happy about the unfolding events in Zimbabwe, and hence they are trying to use all means to stifle change in the country. In an article on a Zimbabwean news site, Morgan Tsvangirai, long-time opposition leader, who is now prime minister of Zimbabwe, reiterated that, " There is only one government running Zimbabwe – one government, with one vision and one agenda – democratisation and stabilisation. There is no room for residual parallel structures that attempt to manipulate the process and procedures of government for personal or political gain.

"[7] The IMF has recently further stated that, "" Potential political instability and limited implementation capacity may undermine reform and stabilization efforts, weakening the prospects for mobilizing donor financial support and attracting private capital inflows." [8] 5. 12 Expected results  
According to Nobel Prize-winning economist Michael Spence, a commitment to good governance is key to a country's prosperity, while the form of government is less important. [9] All the above mentioned recommendations will help foster good governance in Zimbabwe.

In an article on the web ([http://news.yahoo.com/s/afp/20090506/wl\\_africa\\_afp/zimbabwepoliticsjustice3rd](http://news.yahoo.com/s/afp/20090506/wl_africa_afp/zimbabwepoliticsjustice3rd)), the IMF has said that it is pleased with the reforms currently being done in Zimbabwe and but it however remains a bit cautious and sceptical. The graph below points an estimate picture of expected economic growth rate if Zimbabwe is  
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to implement the expected recommended reforms. 5. 13 Expected drivers of economic growth  
Ø Increase in foreign investment  
Restoration of rule of law and property rights protection will increase investor confidence, and thus attract foreign investment.

Investors will be assured that their investments will be protected, and not seized by the Zimbabwean government. This in turn will in the long run lead to job creation, increase in government revenues and hence poverty reduction; all things being equal.  
Ø Political stability and increase in developmental aid  
Restoration of civil rights and freedoms will help create political stability which will in turn attract more foreign investment.

One other thing worth noting is that, “ Western donors, which provide most of the humanitarian aid to Zimbabwe’s impoverished and hungry population, have said they will not offer broader assistance until the government takes more concrete reforms.”[10] Implementing these reforms will demonstrate to the international community that Zimbabwe is genuinely interested in implementing reforms. This will loosen the purse of most western governments who remain sceptical of Mugabe and hence provide the much needed developmental aid needed to stimulate Zimbabwe’s economy.  
Ø Increase in supply of goods. Removing all price controls and slashing all forms of punitive import taxes will serve as catalysis for economic growth.

This will eliminate all supply bottlenecks.;.;.;.;.;.;.;.;.;.; Too much government interference in the economy lead to widespread and chronic shortages of commodities; “ rampant inflation, de-industrialisation and shortages of food and fuel”[11] The graph above demonstrates the situation that was in

existence in Zimbabwe. In the long run market forces will help stabilize the economy and create growth. Economic Growth and poverty reduction forecasts; This year, the Zimbabwean economy will decline by a further 2%, as reforms get underway. However, the results will be seen starting next year, slowly at the beginning and then accelerating with time. From 2012 Zimbabwe will be able to maintain double digit economic growth for the next fifty years.

This will go a long way in helping to reduce poverty.; The percentage of Zimbabweans living in abject poverty is also expected to decline. Zimbabwe will be able to half the number of people living in abject poverty in between 7-10 years. Increase in foreign investment and international developmental assistance will be key in achieving this. These two factors will help in building of new infrastructure, job creation, provision of basic social services etc.; Conclusion Zimbabwe is a country with a lot of potential. It is a country currently on the crossroads, due to the formation of the unity government.

Its educated people as well as its abundant natural resources provide the foundation for long term rapid economic growth. What is very crucial for the Zimbabwean government to do is to reform its institutions and create an enabling environment for foreign investors and ease donor apathy.

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