

Zimbabwe

Status Index (Democracy: 3.97 / Market economy: 2.79) 3.38		Management Index 2.00	
HDI	0.505	Population	12.9 mill.
GDP p. c. (\$, PPP)	2,443	Population growth¹	2.6 %
Unemployment rate	-	Women in Parliament	10.0 %
UN Education Index	0.78	Poverty²	56.1 %
		Gini Index	56.8 (1995)
Source: UNDP: Human Development Report 2005. Figures for 2003 – if not indicated otherwise. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (average 1990-2003).			

A. Executive summary

Despite seven years of fundamental political and economic crisis, Zimbabwe has yet to become a failed state. The Zimbabwean state is still able to perform basic functions regarding security and the welfare of its citizens. However, the establishment of a parallel power structure by the ruling party in the rural areas certainly undermines the state monopoly on the use of force. Increasing polarization between the country's ethnic groups and sub-groups bears the danger of national fragmentation. The willingness of the people to participate in national decision-making process has passed its zenith due to government repression and manipulation as well as frustration about the opposition's ineffectiveness.

Civil society is increasingly threatened too – not only by new repressive laws but also by growing apathy among its activists. The government's absolute power strategy since 1998 has dismantled one of the assets of the Zimbabwean state: the independence and effectiveness of the judiciary. Though some High Court judges still dare rule against the government, the judiciary is no match for the executive.

The judiciary is not the only state institution that has become highly unstable in the past years. The security forces have been politicized and instrumentalized by the ruling party; local authorities subjected to the supervision of war veterans and youth militias; the parliament again marginalized after a brief upswing. Thus, it is hardly surprising that trust in democratic rule is diminishing. The opposition party is caught in a controversy on how to react to the regime's power strategy. The greatest hope for democracy presently lies in the disintegration of the ruling party over the issue of presidential succession.

Since 1985, the level of socioeconomic development sunk constantly – a process that accelerated in the past five years. Almost all social indicators show a country that had ensured food self-sufficiency is now highly dependent on food aid and food imports. According to official numbers, the GDP has shrunk by more than 30% since 2001. Half-hearted deregulation efforts of state interference in the

private sector throughout the 1990s have almost completely been rolled back by far-reaching price and foreign exchange controls. The exchange rate of the Zimbabwean dollar collapsed in 1998 and has not recovered since then. Inflation surpassed three digits and remains out of control. The illegal occupation of large-scale commercial farms and their seizure by fast-track land reform represents a fundamental violation of private property rights. The provision of health and education has suffered from the economic crisis since the late 1990s and, more recently, from the emigration of professionals. Zimbabwe's economic performance in the past seven years (1998-2005) has been dismal; the present situation is clearly unsustainable.

Governance in Zimbabwe certainly faces great challenges, but it can also build on some major advantages compared to other African countries: rich mineral resources, a market-oriented and highly productive commercial agriculture, a relatively well-developed infrastructure and industry as well as stable neighboring countries since the middle of the 1990s. The crisis of governance in Zimbabwe is caused less by structural factors or the level of difficulty, but rather by the government's absolute will to stay in power. Zimbabwean economic policy is a function of this will. A lack of governmental steering capability, although problematic, is not what led Zimbabwe into crisis; rather, it is its misuse. With declining resources to maintain a patronage network, the regime seems to focus increasingly on a core group of supporters and their assertiveness. The regime is internationally isolated but still enjoys some sympathy in the region.

The development of democracy and a market economy have progressively been rolled back since 1998. One of the few achievements in the past years – the emergence of a lively civil society and an effective opposition party – is at great risk. This might be the seedbed for political extremism and politically motivated violence. So far, the main, if not only perpetrators of extremism and violence have been government-controlled forces.

B. History and characteristics of transformation

From 1980 until the late 1990s, Zimbabwe's history of political transformation was characterized by a continual process of increasingly concentrating power in the presidency and the politburo of the ruling party, the Zimbabwe African National Union-Patriotic Front (ZANU-PF). Zimbabwe's elections in 1980 marked the high point of political participation, with a voter turnout of 84%, and political competition, with three large parties in 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. However, when, after a transition phase, the white minority also lost the seats reserved for them in parliament, Zimbabwe had effectively mutated into a single-party state in 1990, with 116 of 120 representatives coming from the governing party. At the same time, a series of constitutional amendments transformed the country from a parliamentary to a presidential democracy, bestowing the president with ever-greater powers.

The exclusion of the opposition resulted in voter turnouts of approximately 25% during the middle of the 1990s. Yet, at the same time, civil society groups began to form, and they ultimately created a collective movement, the National Constitutional Assembly (NCA), 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 opposition party, Movement for Democratic Change (MDC), which was founded shortly before the constitutional referendum, managed to wrest 57 electoral mandates from the governing party during the parliamentary elections in the middle of 2000. The regime reacted to this 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 the pre-eminence of politics. Prior to the abolition of apartheid, the economy served the continued existence of the regime and the privileged status of the white minority. A policy of import substitution, along with extensive controls on foreign currency, trade and prices were supposed to guarantee that the regime survived the international sanctions that had been imposed on it—and that the white minority continued to control the gears of the economy. Mugabe essentially maintained this course from 1980 on, but with one modified objective: government control of the economy was now supposed to be used to reward the adherents of the ruling party and redistribute wealth in favor of the black majority population. 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 from the peace agreement between the white apartheid regime and the liberation front, which 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 to be increasingly unsuited for maintaining Zimbabwe's prosperity. In addition, government patronage meanwhile had 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 the first economic structural adjustment program, which was followed by others. Common to all of them was that they were only implemented half-heartedly. In this process, sectors that were of central importance for patronage purposes were bypassed. In particular, the privatization of parastatals, state-owned enterprises and the abolishment of controls on foreign currency were excluded from reforms. The collapse of government finances in 1997 – due to comprehensive rewards and pensions paid to the war veterans – led to a systematic abandonment of economic deregulation. The reversal of deregulation eventually led to the reinstatement of a comprehensive price control regime in 2002. The official start of the fast-track land reform in 2002 seriously undermined the validity of private property rights in Zimbabwe.

C. Assessment

1. Democracy

Zimbabwe has suffered severe setbacks in all sectors of its democratic institutions in the past ten years, with one exception: encouraging the growth of the country's civil society. Key elements of state institutions have eroded, the existence of the rule of law is threatened, and the conditions for political participation are extremely poor. However, civic organizations 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 dissatisfaction with the current political regime. Greater effectiveness of the regime in suppressing dissidence and an increasing sense of powerlessness on the side of the opposition has considerably undermined Zimbabwe's civil society since 2002.

1.1. Stateness

The state monopoly on the use of force has declined since 2000. This, however, is not the result of revolutionary groups gaining power, but rather due to the regime itself. In resolving conflicts over power, the Mugabe government relies on war veterans and youth militias, groups that are prone to violence and are ideologically indoctrinated. Large parts of Zimbabwe's rural areas are de facto under the control of these forces. The government's district administrative system and police are not able to do anything against these forces, and they are increasingly assuming the role of agents. The build-up of these quasi-fascist parallel forces, along with the state's efforts to encourage some citizens to occupy land illegally, has created a general climate of lawlessness.

The centralized administrative system, which still possesses a substantial degree of effectiveness, is increasingly subjected to attempts at politicization. The conflict between the authoritarian regime and the opposition, which is bent on democratic change, lost intensity due to the progressive weakening of the opposition. However, the fierce controversy in the ruling party at the end of 2004 over the issue of who should fill the temporarily vacant post of the second vice-president deepened the rift between Shona (the dominant ethnic group in Zimbabwe) sub-groups. In addition to the existing Shona-Ndbele polarization and the discrimination of the white minority by the regime, this conflict could further discourage national cohesion.

1.2. Political participation

Until 2002, two dynamics characterized political participation: first, the growing readiness of the population to demand their right to participate in the political decision-making process, and second, the regime's efforts to stem the tide of these demands. Zimbabwean civil society has been considered less advanced than the socioeconomic development of the country. It was dominated primarily by charitable, most likely non-political, non-governmental organizations (NGOs) and by interest groups, whose officials considered a good relationship with the government to be more important than representing the interests of their constituents. Civil society in Zimbabwe has changed since the beginning of the 1990s, and these changes have intensified since the middle of the 1990s.

Numerous civic organizations were formed under the pressure of increasing social tensions, diminishing governmental efficiency, a mounting scarcity of resources for patronage, and an increasingly repressive regime. These groups ultimately formed a political party as well as a collective movement, which aimed at pushing through comprehensive constitutional reforms. The movement was in a position to mobilize broad support for demonstrations and participation in elections. At the same time, the press, having been largely dominated by government institutions, gained in diversity and showed more willingness and capability to take on the regime. The government reacted to these developments by intensifying maltreatment of the opposition and its supporters. For that purpose, it used both government-funded squads of thugs as well as legal instruments.

In 2002, a new law to maintain public order was put into effect and set narrow limits on public assembly. Additionally, a new media law was implemented that fundamentally curtailed the freedom of speech and freedom of the press. At the time of this writing, opposition leaders are being hit with lawsuits. The government's restriction of political participation was at its most intense level during the presidential elections in 2002. In the run-up to the election, the administration used bans and deployed war veterans and youth militias to hinder the opposition from campaigning in large parts of the country. The incumbent

won the election, yet the election results contradicted all the previously conducted election polls that pointed to a clear victory for the opposition candidate. The massive coercion by the regime, its propaganda efforts and the ineffectiveness of the political opposition has considerably reduced people's willingness to participate in the national decision-making process since the last presidential election. Well-educated Zimbabweans are choosing to leave the country and live abroad. The NGO Act passed by parliament in December 2004, but not yet signed by the president, will allow for tight controls of civil society groups and will provide the government with the means to stop the foreign funding of human rights groups.

1.3. Rule of law

Even those individuals skeptical of Zimbabwe's democratic character had to acknowledge the differentiation in government undertaken in terms of the rule of law. The judicial system was considered independent, its judgments enforced, and both the High Court and the Supreme Court repeatedly declared laws, decrees or arrests unconstitutional. Serious doubts about the rule of law were related to a lack of access to the legal system.

Since 1998, the situation has fundamentally changed. The first step in undermining the rule of law was taken by state institutions, especially the local administrative system and the police, who simply ignored judgments from the two highest courts. Judicial orders to act against the illegal occupation of land were not enforced. The government declared the land question a "political matter," implying that it fell outside the jurisdiction of the judiciary. Direct physical threats against recalcitrant judges carried out by the government's thug squads further weakened the rule of law. In 2001, after considerable pressure, the chief justice resigned prematurely. His successor is a faithful ruling party lackey, whose legal qualifications are dubious. Because additional judges loyal to the government have been appointed to the two higher courts of justice, the scales have shifted to the detriment of the independent status of the judiciary. In 2003, a high court judge was arrested after ruling in a number of cases against the government. Nevertheless, the judiciary still enjoys a certain degree of independence. For example, in October 2004 a High Court judge found the leader of the opposition not guilty on charges of treason.

A state of lawlessness has spread throughout Zimbabwe since 2000. Political murders, human rights violations and incursions by the security forces and the ruling party's militias are only prosecuted sporadically and seldom punished. This situation, along with massive criticism of the judiciary by members of government, has led to a noticeable decline in respect for the legal system and a clear upsurge in petty and violent crime. However, the magistrate courts are still regarded as highly professional.

1.4. Stability of democratic institutions

Persistent attacks by the governing party against the legal system have weakened the efficiency of the judiciary with long-term implications. The war veterans and youth militias, who are controlled, in turn, by the upper echelon of the ruling party, subject the police and the local administrative system to a de facto rule. In rural areas and the slums of large cities, the ruling party is attempting to establish a system of comprehensive control and spying, using fascist mechanisms parallel to the state administration and supported by the use of force. In places where the opposition has political control of the local administrations, such as Harare and most other large cities, local leaders' efforts to handle effectively their responsibilities are being thwarted by central government intervention.

Central government institutions are characterized by a climate of mutual distrust and political purging. This atmosphere dominates the leadership factions of the ruling party and the cabinet. Those who refuse allegiance to the government are being excluded from government services. There have been repeated reports of cases where supporters of the opposition parties were denied food assistance to help battle the widespread famine. In addition, aspiring students are required to undergo a political indoctrination course. At the same time, the government administrative system is overwhelmed with mounting social problems, such as massive unemployment among youth and an HIV and AIDS infection rate in excess of 33% in the adult population. HIV and AIDS now cause the death of 2,000 to 3,000 people a week and they have decreased the life expectancy of Zimbabweans from 56 years in 1990 to 39 years in 2003. In particular, it affects the economically most active age group (aged 20-49) and undermines the effectiveness of the state's health and education system as well as of its public services.

Parliament experienced a brief upswing immediately after the elections in 2000. This was due to the legislature having a significant opposition presence for the first time since 1995. Since the presidential election, however, the ruling faction has pursued policies that squash discussion. After a series of by-elections, the ruling party is only one mandate short of regaining a two-thirds majority in parliament. Consequently, the population's approval of government institutions is low. The presidential elections also marked the end of the army's political abstinence, which was at least formally respected until then. The army's leadership defines loyalty to the state as loyalty to ZANU-PF, while the army continues to enjoy a reputation as a professional and effective state institution.

1.5. Political and social integration

Although the Zimbabwean population has a low respect for government institutions, the people's commitment to democratic norms is high. A survey by Afrobarometer in 1999 showed that 71% of Zimbabweans preferred a democratic form of government for their country. More recently, this level of support for democracy has decreased significantly. An opinion poll in 2004, conducted again by Afrobarometer, showed that only 48% preferred democratic rule in Zimbabwe. This decline of commitment to democracy can be explained by three factors: 1) the disillusionment of the public with the ineffectiveness of the political opposition, 2) the power of the regime's propaganda – for example, making the opposition responsible for the crisis in Zimbabwe – and 3) the emigration of 2 to 3 million Zimbabweans in recent years. Most of these migrants are well-educated, young professionals, who are usually more accepting of democratic values than the rest of the population. Yet most respondents to the quoted opinion poll were realistic about the existing situation, considering only 9% said they were satisfied with the level of democracy that had been achieved in the country.

Zimbabwe's party system is unusual by African standards. The system is currently dominated by two parties that differ in many ways, but have two peculiarities in common. They can rightly assert a national claim for themselves – in the recent elections both were in a position to gain relevant votes outside their strongholds – and they are more than just voting organizations that amass power for particular individuals. The ruling ZANU-PF party, which originated out of the struggle for independence, still defines itself as a socialist party, but it also considers itself an African nationalist party, whose centrally controlled organization is present in all parts of the country.

The opposition MDC is a heterogeneous movement, whose adherents are found primarily in the cities, among rural laborers and the white and Ndebele ethnic minorities. Its political platforms are also correspondingly vague, but the MDC has a clear allegiance to multiparty democracy, human rights, civil liberties, rule of law and a market economy. In its political work, it is backed up by a wide coalition of civic organizations that include large interest groups.

Since the beginning of the 1990s, one can observe the budding of a diverse, politically defined civil society in Zimbabwe. Numerous human rights groups, advocacy groups and NGOs have formed. This process has intensified since the middle of the 1990s. The NGO Act of December 2004 – originally assessed as unconstitutional by the parliamentary legal affairs committee – is the government's big stick to enforce "good behavior" of civic organizations. It allows for tight controls of Zimbabwe's NGOs and ending of foreign funding for politically oriented NGOs. The act was passed by parliament but it has not yet been signed by the president. This fact underlines its threatening character.

Meanwhile, interest groups in the private economy, which are remarkably well organized by African standards, have become politicized. Initially, the main objective of these groups was to make mutually beneficial arrangements with the government behind closed doors, but this has changed. The umbrella labor organization was the first to break with this practice, and its upper echelon was logically the political base of the current opposition leader. In the meantime, almost all other interest groups now share the labor leader's critical view of the government. A notable exception to this is the war veterans' association. In 1997, this group mobilized its members against the government after it discovered that high-ranking politicians and members of the military had looted the war veterans' compensation fund. The special government benefits paid out because of pressure by the association resulted in the collapse of the government budget. In the aftermath of this crisis, the ruling party attempted to make the war veterans association an instrument of its own purposes. This effort to co-opt the veterans was ultimately successful in the course of land occupation—an effort organized by this association with the logistical support of the ruling party and the local administrative system.

2. Market economy

The past eight years (1998-2005) have been characterized by the destruction of fragile and small advances that Zimbabwe had previously made toward the transformation to a market economy. Steps toward deregulation, particularly in terms of foreign currency and price controls, were rescinded. The government's tolerance of land occupation, and the subsequently legalized expropriations of land, signified a fundamental violation of private property rights.

2.1. Level of socioeconomic development

Since 2001, Zimbabwe has lost its traditional status of belonging to the few countries in Africa that are ranked as having an average level of development by the United Nations Development Program. It is now ranked 147th of 177 countries on the Human Development Index. Zimbabwe has lost almost one-fourth of its index points that it held 20 years ago. This shift has accelerated in the past 10 years due to four social trends: 1. a rapid drop in life expectancy as a result of high HIV and AIDS infection rates; 2. diminishing effectiveness of the health care system; 3. rapidly increasing infant mortality; and 4. declining rates of school enrolment. The percentage of the population that subsists on less than \$2 per day - considered living in absolute poverty -, is 64.9%.

There is an immense gap between the relatively small upper class and the large majority of poor, which includes agricultural workers, subsistence farmers and the inhabitants of urban slums. The richest 10% of the population receives 40% of the

national income whereas the poorest 10% receives only 2%. This gap has been considered racially defined. Since the abolition of the apartheid system, a number of black Zimbabweans - above all politicians, the military, high-level administrative employees and entrepreneurs who received privileges from government sources - have made their way into the upper class. The representatives of this group are benefiting from the land expropriations that were carried out against white, large-scale landowners. As a result, it seems unlikely that the near future will bring a fundamental change in the extremely unfair distribution of property. Several million peasants together have as much land as a few thousand large-scale landowners. Initial government successes during the 1980s in terms of expanding state educational and health care systems – improvements that were a factor in mitigating social disparities – were undercut in the 1990s, due to the collapse of government finances.

2.2. Organization of the market and competition

As a reaction to international economic sanctions, the Rhodesian apartheid government regulated the economy comprehensively, with the goal of maximizing national autarky and safeguarding the social privileges of the white minority. Despite a comprehensive set of controls on prices, foreign currency and trade, a surprisingly capable and diversified private economy existed in Rhodesia until 1980. However, with the exception of large-scale agriculture and the raw materials sector, the economy was not able to compete internationally. Even so, the new Zimbabwean government not only maintained comprehensive government control of the private economy, it expanded it further. This expansion included, above all, an increase of state-owned enterprises, whose losses at the end of the 1980s were mainly responsible for the rapid increase in national debt.

The deregulation efforts initiated in 1990 were half-hearted and were met with massive resistance in essential parts of the ruling party, including the presidency. Even though price controls had been abolished since then, with the food crisis at the end of the 1990s, prices for essential foodstuffs were again subjected to controls. Since October 2001, price controls have been applied to certain everyday items, newspapers and pharmaceuticals as well as goods that are required by the automobile industry, the educational sector, and the construction and information technology industries. In November 2002, the controls were extended to cover virtually every product. In the same way, the deregulation of foreign currency controls was partially repealed. The government uses various combinations of foreign exchange controls and complicated multiple exchange rate regimes, including a system of rationing foreign exchange.

2.3. Currency and price stability

The Zimbabwean central bank is not independent. Monetary policy is subject to partisan political considerations. When the special payments to war veterans put an enormous strain on the country's budget in 1997 (2% of GDP) and the international donor community refused to cover the additional financial need, the government availed itself of the central bank. The state's massive debt with the central bank necessitated an expansion of the money supply, which – together with the shortage of goods caused by the continued economic crisis and the scarcity of foreign exchange – triggered a jump in the inflation rate. In 1998, inflation was just over 30%; inflation reached 74.5% in 2001 and peaked at 619.5% in November 2003. By the end of 2004, the rate had come down to a level of roughly 200%. The exchange rate of the Zimbabwe dollar to the U.S. dollar deteriorated correspondingly, from 55:1 (unofficially in 1998) to an official rate of close to 6.000:1 by the end of 2004.

Due to efforts by the central bank to keep the official interest rate low, so that the debt service ratio would be at a manageable level for the government, Zimbabwe's economy still suffers from negative real rates of interest. Yet this situation did not prevent the country's debt from rising exorbitantly. In 2002, governmental debt had risen to more than 14% of the GDP. Politically induced extra expenditures for the army and the police were a significant part of this debt. Though, since then, declining inflows and a good repayment record helped Zimbabwe's debt stock fall steadily, the collapse of the Zimbabwean economy let total external debt reach a level of more than 90% of the country's GDP.

2.4. Private property

The illegal occupation of land since 2000, an activity that was controlled by the government and supported by the police and the local administrative system, represents a fundamental violation of the right to private property. Despite appropriate court decrees, the government, with few exceptions, did little to make restitution for occupied land. On the contrary, the occupation of land was legalized by land reforms. Yet substantial parts of these reforms are considered unconstitutional. Persons whose land has been expropriated are only able to request compensation payments for their investment in developing the land, but not for the land itself. The reimbursements stipulated by the government are normally well below the real costs of investment. Landowners whose property is being expropriated are given deadlines of a few days, sometimes only a few hours, to leave their land. In November 2004, the government sped up the process of hearing legal challenges to the government's seizure of as many as 5,000 properties since 2000.

There has been little privatization of the large monopoly-like state companies since the beginning of the structural adjustment programs in 1990. One exception was the country's current economic state of emergency led the state energy supplier to be placed under the control of Eskom, a private South African energy company. Despite this development, the ruling party has expanded its own business empire tremendously in past few years. It has attempted to buy up formerly profitable private enterprises that have run into trouble because of the economic crisis. In 2002, President Mugabe even threatened to nationalize enterprises that he believed proved themselves disloyal to the government by, for instance, their involvement in general strikes, advertising in the opposition press, or firing employees. More recently, he is considering nationalizing the mining sector.

2.5. Welfare regime

Theoretically, 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 they have become disabled. There is no unemployment insurance. The unemployment rate is estimated to be more than 60%, but this figure might be 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 are unable to work due to old age or illness. The same situation also applies to access to health care. The increasingly desolate situation 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. As a result, the school enrolment rate is decreasing, and this mainly affects girls, the children of subsistence farmers and inhabitants of urban slums.

2.6. Economic performance

In 2001, the international magazine *The Economist* designated Zimbabwe as having the most rapidly collapsing economy in the world. The Zimbabwean Reserve Bank estimated the decline of the GDP from 2001 to 2004 at 30.7%. The year 2002 was the sixth successive year in which the Zimbabwean economy shrank. The annual decline of GDP peaked in 2003 at 13.2%, and in 2004, it was 8.2%. Estimates for economic growth in 2005 vary between a positive growth of 5% (Reserve Bank of Zimbabwe) and a negative growth of -3.1% (Economist Intelligence Unit). In view of the scarcity of foreign currency, negative real rates of interest, legal uncertainty, and the slump in production in industry and agriculture, the Zimbabwean economy does not seem likely to recover in the foreseeable future. Yet there appears to be a possibility of stabilization albeit on a far lower level than before the beginning of the economic crisis.

The country, which had long been considered the breadbasket of southern Africa, has in the past, relied on food aid and food imports for more than one-half of its population. In 2004, the state's Grain Marketing Board received less than 20% of the amount of maize needed to meet domestic demand. The current performance of the Zimbabwean economy lags far behind its potential, which is manifested in the former productive capacity of the foodstuffs industry and export-oriented agriculture, diversification of the industrial sector, favorable climatic conditions, above-average stocks of mineral raw materials, the relatively good condition of the physical infrastructure, and the still relatively high level of education. The main reason for this is bad governance. In other words, the government has devastated the economic capacity of the country for the sake of maintaining its own power.

2.7. Sustainability

The longer the current situation persists, the greater the damage inflicted on the performance potential of the Zimbabwean economy. The network of energy and water supply for private households and enterprises is in poor shape. Parts of the road and railway network are falling into decay. The health care system is suffering, and not just from inadequate government funding. It is also hopelessly overwhelmed by the high rate of HIV and AIDS infection. Even in comprehensive elementary school education, there are serious gaps that will be reflected by a markedly poorer level of education in the future.

Many companies are doing away with investment, in view of the poor overall economic situation, legal uncertainty, and the lack of capital resulting from negative real rates of interest. The capacity of large export oriented farms is rapidly declining under the effects of land occupations. In the densely populated areas of small-farmer agriculture, overgrazing and soil erosion produce a constant

decrease in productivity. A continuation of the current conditions for another five years might result in a complete collapse of the economy— and of Zimbabwe itself or, in the best case, a restabilizing of the country on an economic level unknown to it before and comparable to those of many other low-income countries in Africa. The damage incurred is already so great that, even with a radical political reversal, achieving the economic capacity of the middle of the 1980s will take at least 10 years. Nevertheless, the country's potential is not lost.

3. Management

3.1. Level of difficulty

In its quest to move the country forward, the Zimbabwean government faces great challenges. The following factors make economic transformation in Zimbabwe difficult: the historic, extremely unfair distribution of land, the high birth rate, AIDS infection rates, the stagnation of the international economy during the period of review, 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.

Yet, prior to 1998, there were a series of advantages that offered better chances for the possibility to manage a more successful political and economic transformation than in most other countries on the continent. In 1980, the new Zimbabwe inherited the old Rhodesian apartheid state's relatively sound infrastructure, which it essentially maintained until the middle of the 1990s. Massive investment in expanding the social infrastructure during the 1980s meant that the educational level of the Zimbabwean population was one of the highest in Africa, and even today, this continues to be the case.

The country enjoys rich mineral resources, a relatively favorable climate and tourist attractions. Prior to 1998, it was distinguished by efficient, export-oriented agriculture. It also had a 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. In 1997, Zimbabwe's chances of making great progress in political and economic transformation within five years were good, particularly since apartheid in South Africa, which served as a regional blockade to development, had been eliminated.

Profile of the Political System

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	2
		Latest parliamentary election:	31.03.2005
		Effective number of parties:	2.9
1. Head of State:		<i>Robert Gabriel Mugabe</i>	
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i.</p>			

3.2. Steering capability

Transformation toward democracy and a market economy saw dismal results in Zimbabwe during the period under review. However, it is highly doubtful that such transformation was ever a true goal of the present government's policies. The Zimbabwean government's rhetorical support for democracy was put into practice only as long as its hold on power was not endangered by elections. Market economic reforms were driven not by the government's sense of conviction, but rather by the pressure of national debt and international lenders. The government's efforts were also driven by the goals of maintaining power and redistributing land ownership.

The government stopped repression and manipulation when it became clear, for the first time at the end of the 1990s that forces strong enough to threaten the ruling party were brewing in Zimbabwean society and politics. Economic policies were also secondary 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 resources to bind political supporters to the ruling party. Rewarding the loyalty of supporters with jobs, sources of secure income, licenses and development projects became a highly effective political tool. However, an economic policy that does not employ resources where they provide the greatest economic benefit functions only as long as third parties, that is., international donors of development aid, absorb the resulting losses in efficiency. Beginning of the 1990s, this trend began to shift for the worse.

Because the ability of the Zimbabwean state to distribute resources was progressively diminishing, the government turned to the last resource available in order to maintain its system of patronage: land. From the government's viewpoint, using the land question as an instrument to maintain the Mugabe regime's power was logical. Not just a means to an end, land reform was a goal in and of itself for Mugabe. He appears to be convinced that his historic mission, which also matches his socialist ideals, is to finally solve the problem that he had been prevented from

addressing for more than 30 years because of adverse circumstances. If one views maintaining power and expropriating the whites' large-scale property holdings as the primary goals of the Zimbabwean government, it could be seen as successful to some degree.

The government gambled away its organizational capability during the period of review. At the end of the 1990s, it was still in a position to define the political agenda and work toward implementing its political goals. After 2000, the government was the victim of its own bad decisions and had maneuvered itself into a corner from which it will be able to emerge with great difficulty. Even though land reform was carried out formally, it ruined agriculture in large parts of the country, and thus damaged the economy for years. Furthermore, land reform did not provide a solution to social problems. The small farmers who are now profiting from illegal, or legalized, occupations of land lack the knowledge and means to manage their land productively. The state lacks the money to support them properly.

Highly capitalized tobacco farms are going to waste, and small farmers who primarily grow corn to satisfy their own subsistence needs are using them as a patchwork. Other farms are being taken over by the political, military and administrative elite, to augment their personal wealth. The only positive development in terms of steering capability in the past years was the installation of a powerful central bank governor who is steering Zimbabwe's economy responsibly. He appears to be committed to economic reforms and he has succeeded in containing at least the worst trends in Zimbabwe's economic performance.

The social questions left unsolved by these land grabs will soon have a boomerang effect on the government. The government's invariably fragile dialogue with the opposition party and civil society has collapsed. A majority of the population will regard all future government attempts to reform Zimbabwe's political system without endangering the regime's position of power as illegitimate. Moreover, any important political concessions to the democratic movement could be considered synonymous with a loss of power by the ruling party. In the past two years (2003-2005), these underlying political trends were somehow veiled by the government's determination and effectiveness to crush the opposition. However, the ongoing controversy on the issue of succession to the president in the ruling party shows that this strength and steering capability is superficial. The rift between the two main camps in the ruling party might split and trigger a complete realignment in the political landscape.

3.3. Resource efficiency

In implementing its real goals of maintaining power and redistributing land ownership, the Zimbabwean government did not have to take the path selected, or effectively avail itself of the resources that were at its disposal. Although the political foundation of the ruling party weakened in the middle of the 1990s, the party was still strong enough organizationally, and even in terms of its platform, to withstand a challenge by an opposition party in free and fair elections. Its manipulation and repression did not result in the party gaining more support, but instead drove increasing parts of the population into the arms of the opposition and absolute political apathy, respectively.

Skillful policies of co-optation 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 land question could have been solved cooperatively. Both the large-scale landowners and the international donor community made concrete offers to carry out land reform that would have considerably mitigated the land pressure in densely populated rural areas while at the same time preserving the productive capacity of the export-oriented agricultural industry. The fact that the government decided against these alternatives in its uncompromising course can be explained only by an amalgam of distorted perceptions of reality, bad decisions and ideological fixation.

3.4. Consensus-building

At the end of the 1990s, the government decided against shaping the political, economic and social future of the country by consensus. The consequence of this confrontational course was the support of consensus-building among those who, for whatever reason, had turned against the ruling party. Supported by a majority of the population, the opposition movement is carried by a wide coalition of different social groups. Entrepreneurs, trade unionists, large-scale landowners, intellectuals, the urban middle class, residents of urban slums, agricultural laborers, the white minority, and a majority of the Ndebele and politically marginalized subgroups of the majority population of Shona have come together to resist the government. These groups agree that combating the country's political and economic malaise is not just a matter of replacing the current regime, but also a matter of far-reaching democratic and market-economic reforms. However, the experience of powerlessness and stagnation since 2001 has made this consensus fragile. There is an intensifying debate on the side of the opposition

on how to deal with the regime's absolute power strategy and a growing sense of frustration and futility of political activism. On the other hand, the cohesiveness of the regime has weakened.

3.5. International cooperation

The Zimbabwean government has isolated itself internationally in the last few years. Most of the bilateral donors have frozen, reduced or halted their development aid. The European Union and the United States have imposed sharp sanctions against the country's leadership. The international financial institutions, the IMF and the World Bank, have suspended their support of the country's structural adjustment program. Only the neighboring countries in southern Africa are practicing regional solidarity, which is being sorely tested by the Zimbabwean government. South Africa and other African states have tried to use quiet diplomacy to move the government into dialog with the opposition party and, ultimately, to form a government of national unity. At the time of writing, these efforts have not succeeded. It can hardly be expected that the government will summon up the necessary willingness to compromise, unless pressure is increased. The international donor community, with the exception of France, is taking a hard stance prompting the Zimbabwean government to attempt to establish close contacts with China, Libya and Malaysia, in order to gain their financial support.

The case of Zimbabwe is not only a stumbling bloc for intensified multilateral cooperation between Africa and the European Union; it also hampers the progress of regional integration in southern Africa. An undemocratic and badly governed Zimbabwe undermines the credibility of the South African Development Community's (SADC) commitment to liberal political values and impedes the implementation of corresponding protocols and agreements e.g. the recently adopted Principles and Guidelines Governing Democratic Elections in the SADC region.

4. Trend of development

4.1. Democratic development

Zimbabwe's democratic institutions showed clear signs of deterioration during the period under review. The state monopoly on the use of force was diminished by the governing party itself; the efficiency of the administration, in particular the local administrative system and the police, weakened considerably. Important social groups, such as the white minority and immigrant agricultural workers, were explicitly ostracized, as well as the Ndebele ethnic minority. The three

elections held during the period under review demonstrated the increasing weakness of democratic activity.

The referendum could still be viewed as essentially free and fair, but the parliamentary elections were overshadowed by manipulation and repression that resulted in a severe misrepresentation of the electorate's will. These events further discouraged the population's willingness to participate in national decision-making processes. Since 2003, political apathy has increased and support for the opposition has declined. There is still considerable popular engagement in terms of civil society groups. However, their strength, if not even their existence, is clearly put at risk by the new NGO Act. The most painful setback to Zimbabwe's democratic transformation involved the rule of law. Before the period under review, Zimbabwe had reached standards considered exemplary for other African countries. However, in recent years, the executive branch has undermined the judiciary's independence, which will have long-term consequences.

4.2. Market economy development

Zimbabwe's socioeconomic level of development clearly deteriorated during the period of review. The Human Development Index (HDI) dropped from 0.571 in 1995 to 0.491 in 2002. This decrease was due primarily to the country's economic collapse and the high HIV and AIDS infection rate. Both were either caused or intensified by government mismanagement. Despite the government's efforts to solve one of the crucial problems related to social inequality, namely the land question, social disparities did not improve during the period of review. Reforms that were undertaken during the first half of the 1990s, and were supposed to help Zimbabwe develop into a market economy, were rescinded after 1998. These reversals of reform particularly concerned foreign currency and price controls. Zimbabwean monetary policy is subject to the pre-eminence of partisan political considerations, so that the country's debt will be prohibitive in the long term. Though inflation has been reduced since 2003, it is clearly not under control. Land reform, which legitimizes the illegal occupation of land and it is tolerated by the government, fundamentally violates the right to private property.

Privatization of state companies is not only lacking, but also compounded by an opposite tendency: the ruling party is expanding its business empire. Zimbabwe's social network finds itself in a serious crisis, which is caused by permanent overload from the HIV and AIDS infection rate, high birth rate, growing unemployment and social impoverishment – as well as by the on-going failure of effective governance. The productive capacity of Zimbabwe's economy dropped conspicuously between 1998 and 2004. In the meantime, the political and economic crisis has affected the foundations of performance potential, thereby damaging the country's long-term chances for development. It remains to be seen whether the reforms initiated by the powerful central bank manager in the past

months are more than crisis management and can set the country back on track toward a market economy. Under the current presidency, in power until 2007, this seems to be more than improbable.

Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	-4.9	-8.4	-5.6	-13.2	-8.2
Inflation in % (CPI)	55.7	74.5	134.5	384.7	383.7
Investment in % of GDP	n/a	n/a	8.3	n/a	n/a
Tax Revenue in % of GDP	n/a	n/a	n/a	n/a	n/a
Unemployment in %	n/a	n/a	n/a	n/a	n/a
Budget deficit in % of GDP	n/a	n/a	3.9	0.3	n/a
Current account balance in million \$	14.3	-457.3	-568	-366.6	-196.3

Source: Economist Intelligence Unit, World Bank

Average annual export growth in % (1990-2002)	1.2
Average annual import growth in % (1990-2002)	1.1

Source: World Bank

D. Strategic perspective

Political and economic developments in Zimbabwe are headed for a break. With a continuation of the previous tendencies, either the country will descend into economic chaos and anarchy, or the replacement of the current regime will pave the way for comprehensive democratic and market economy reforms. Unfortunately, the latter, the best scenario still seems to be the one least probable. In the past two years, the main opposition party has become too weak for replacing the regime all at once. Because of its weakness, state manipulation and the emigration of many of its supporters the MDC fell short of receiving one-third of the parliamentary seats in the parliamentary elections in March 2005.

Although the level of violence against the opposition was lower than in 2002, the party was already weakened by the government that it could not benefit from this. The MDC still received almost 40% of the popular vote, but due to the first past the post electoral system only 41 of the 120 seats determined by elections. Together with 30 ministers of parliament nominated by the president, ZANU-PF controls now far more than two-thirds of the parliament. This opens the way for the ruling party to make far-reaching changes to the constitution – like the creation of a second chamber or the introduction of the position a prime minister.

However, even such a convincing victory in the elections would not save the ruling party from an intensification of inner-party conflicts. The most important one concerns the issue of successorship to the ageing president. The controversy over filling the post of second vice president of the state let this conflict erupt openly for the first time and made the polarization of the party in two, primarily ethnically defined factions visible. This polarization could intensify and together with the unresolved political conflicts speed up Zimbabwe's movement towards chaos and political violence. Still, this scenario is not very probable. More probable is that the moderate representatives of both factions find a *modus operandi* and reach at a power-sharing agreement. As such, a scenario depends on the success of the moderates in ZANU-PF; they then will also determine government policy. This could result in a rapprochement with the opposition, a liberalization of the political climate and a cautious turning to market reforms.

Such a scenario would create the basis for a more positive role of the international donor community. Since the ending of most bilateral development co-operation and imposing of smart sanctions against leading members of the ruling regime, Europe and the United States have more or less lost any degree of influence on the Zimbabwean government. Presently, the external impact of donors is more or less limited to ensure the mere survival of opposition groups and their activists via NGO support. With an enforcement of the new NGO Act, even this influence might shrink.

This does not mean that the strategy of Europe and the United States so far has been wrong. There has been hardly an alternative to it – besides exerting more pressure on South Africa to give up its approach of quiet diplomacy and use economic sanctions for ousting Mugabe out of power. Again, the potential costs of such a strategy bear no relation to the probability of success. Mbeki's unwillingness and – to a certain degree – incapability to deal with Mugabe more decisively could only be broken by enormous pressure – and this in turn bears the danger of destabilizing the only resilient pillar in Sub-Saharan Africa, South Africa. Therefore, the international community is certainly caught in the present strategy: maintain the pressure on the regime, do anything to ensure the survival of opposition groups and opposition activists and encourage South Africa to engage more constructively with his neighbor.

However, in addition to these three elements, external forces should prepare themselves for a moderation of the regime that means it should establish links to the factions and especially their moderate representatives in ZANU-PF and elaborate a road map on how to move these moderates towards economic and democratic reform. However, such a constructive engagement must follow a gradual and cautious approach and must not result in questioning the present international support for the opposition movement.