

SAPRI ZIMBABWE

SECOND NATIONAL FORUM APRIL 2001

Rappoteurs' Report

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HARARE INTERNATIONAL CONFERENCE CENTRE

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BACKGROUND

This a follow up conference to the one held in 1999. This one, and its predecessor are part of a process of consultations and participation in economic policymaking that seeks to involve groups that have traditionally been left out in this exercise.

In many respects this is the result of what can be termed the 'new thinking' both within the World Bank and among governments. As evidenced by the remarks and contributions of representatives of government, the World Bank and civil society there is an 'unwritten consensus' that is emerging that embraces consultation, participation, involvement and consensus.

However, it must be said that it has not been an easy exercise to build this consensus. Nor can it be said yet that this consensus has come to be accepted as the norm.

The Bank on its part needs to move away from conceptions of civil society and governments simply 'buying into' and participate in its programs.

Similarly governments need to view civil society not in an 'oppositional mode' but as partners in the development process.

Civil society itself needs to be consistently conscious of its grassroots constituency and avoid the elitism that it sees in government and Bank sponsored initiatives. Such a symbiosis of energies can only be for the betterment of the intended beneficiaries i.e. the people.

OBJECTIVES OF THE SECOND NATIONAL CONFERENCE

1. to share experiences from SAPRI Global and regional experiences.
2. to seek ways of incorporating civil society organizations in policy making
3. to discuss the results of the research which have been undertaken.

This particular workshop drew participants from four SAPRI districts scattered all over both urban and rural Zimbabwe, from the university, research institutes, colleges, civil society, the media, government, the World Bank and SAPRI International and other international non-governmental organizations and the diplomatic community.

However, quite lacking as, the representative of the World Bank, noted was the private sector. This is a key partner in the dialogue process. Similarly lacking was a broader representation of government, especially line ministries.

Be that as it may, this national forum is the best barometer of the 'mood of the people' on the effects of ESAP, their experiences and their suggestions for future programs and the way forward.

This conference, like its predecessor, saw the caricature of SAPs through drama at the end of day one. What was so revealing about the drama was the manner in which it sought to highlight the interface of SAPs with ordinary people's lives. It touched on urban homelessness, the conflict between local authorities and stream bank cultivators, crime, youth unemployment, the relevance of the education system to the labour market, HIV/AIDS, and internal family conflicts based on gender and the economic crisis.

In short, the drama captured the intellectual discourse of the research papers.

The views expressed in this report can be by no means ignored by any serious stakeholder in the development process.

1.0 INTRODUCTION

The conference started at 9am. The Chairman of the session Prof S. Moyo welcomed the participants and informed them that the research whose findings were going to be presented and discussed over the two conference days had gone on very well, and the respective research papers would speak for themselves. He wished participants fruitful and productive discussions, before he invited Dr D.P. Chimanikire – Chairman of Poverty Reduction Forum to the podium. He also thanked the Institute of Development Studies (IDS) for its support to SAPRI.

Dr D.P. Chimanikire introduced himself and welcomed the participants. Dr Chimanikire also took the opportunity to welcome visitors from Washington, Government officials, diplomats, the donor community and all those coming from out of Harare. He informed his audience that the themes of the research that will be discussed during the conference were identified during the first conference that was held at Belvedere Teacher Training College in 1999. Dr G. Kanyenze the Chairman of SAPRI Zimbabwe would introduce the themes.

Dr Chimanikire gave a background of how Poverty Reduction Forum (PRF) came into being and its mandate. PRF is a multisector organization that includes government, donors, academics and civil society. The country office is at the Institute of Development Studies (IDS) at the University of Zimbabwe (UZ). He introduced the coordinating committee of PRF comprising of Mrs M. Mafico (Coordinator), Mr C Mutasa (Researcher and Documentalist) and Mrs S. Masawi (Administrative Assistant). Dr Chimanikire said that participants were gathered to share experiences and hoped that at the end of the day, the meeting would produce something that can be actioned upon.

The Chairman of the first session Prof S. Moyo informed the meeting that the first session had three presentations:

1. SAPRI GLOBAL
2. The World Bank
3. Ministry of Finance

SAPRI Global representative brought greetings from Washington and from Ghana. Unfortunately those from Ghana could not make the trip to Harare. Mr Steve Hellinger said that SAPRI had accomplished a lot under very difficult circumstances. He was also very happy with the participation of regional chapters, academia, civil society, government and the World Bank. He gave a brief background of SAPRI.

SAPRI had done a lot of research on the impact of ESAP on Poverty. The conference was told that the World Bank president had acknowledged the negative impact of ESAP on the peoples and economies, particularly in developing countries. Now the World Bank has taken the decision to do

something about the negative effects of reforms. This is a demonstration of the success of SAPRI as a member of the international community. Locally the success of SAPRI is depicted by the workshops being held at district, provincial and national levels. Research carried out in different countries under SAPRI program has focused on trade liberalization, agricultural reforms, financial liberalization, public expenditure and labour markets. The findings are quite consistent in these countries and the following outcomes cut across these countries.

- Low real wages and high unemployment
- Expensive services in the sectors of health and education
- High interest and inflation rates
- De industrialization
- Food insecurity

These findings from the SAPRI country programs will be sent or communicated to the World Bank. A report will be prepared challenging the World Bank to change the way they prescribe programs.

In conclusion he noted that challenges that are facing Zimbabwe are shared around the world. Protests across the world against the World Bank are a sign of the global nature of the effects of World Bank programs.

1.1 World Bank: R Van Den Brink

The World Bank representative observed that since May 1999 the World Bank has suspended aid to Zimbabwe. This in itself is a sign that program did not work. ESAP means different things to different people. However the negative attitude towards ESAP is evident wherever one goes. The main challenges to Zimbabwe are the macro-economic fundamentals of high interest rates, unstable exchange rate and inflation. These hit the poor more than any other category. For example inflation affects the poor more as the rich always find ways to hedge themselves against inflation by either investing in money markets, properties etc.

He noted also that the structure inherited at independence had constraining effects on the program of the new government. The ESAP program should have addressed these structures head-on. The land problem was cited as an example. As long as these structures are not addressed no program can actually address the current crisis.

He told the conference that countries adopt ESAPs when they find out that they cannot do business as usual. This is when the Bank comes in with ideas and these ideas have been referred to as prescriptions by recipient countries. The Bank's ideas are based on international experiences and individual countries should then adjust these ideas to fit into their vision. If countries do not have visions they take

the program as it is and are bound to fail. A lot more could have been achieved in a country like Zimbabwe if the vision and strategy were present.

Zimbabwe is currently in a crisis but its up to Zimbabwe to look at the crisis squarely and come up with a vision – say where are we now where should we go from here?

In conclusion Dr Van den Brink said that he was impressed by the overwhelming attendance and that he was going to participate in the discussions and listen to what the participants have to say.

1.2 Government of Zimbabwe: Mrs M. Mandinyenya

She assured the participants that government was happy to engage civil society in dialogue. The government pays special attention to the poor and has introduced a human face to the ESAP. Government is represented here today to listen and see how the ideas that come out of this gathering could be used to improve policy decisions.

1.3 SAPRI Zimbabwe Chairman: Dr G. Kanyenze

Dr Kanyenze introduced his presentation by way of a folk story on the rabbit and the squirrel. He said, we should not be like, the rabbit, which sent the squirrel to collect a tail for him and ended up without one while the latter ended up with more than his fair share.

With this folk story he expressed the point that everything was left to government in the 1980s. This captures the problems that we are facing today. Everything was left to those with PhDs to find solution. Should we continue like this? We are here today because we want to go and fetch our tails for ourselves. People know their situation and the way forward. From 1996 SAPRI created 6 structures at provincial level and 45 district structures. About 100 civil society organizations participated in these structures. District workshops were to educate people about SAPRI and share experiences. 2000 people participated.

SAPRI is an attempt by people to create structures through which they can participate and share their destiny. How did we go about it? ZCTU and ZCC structures at the provincial level were used initially.

Following the launch of SAPRI in 1997 at the global level the first local SAPRI Forum was held between 2nd –3rd September, 1999. 250 participants and international representatives participated.

SAPRI Zimbabwe is made up of four committees:

- a) the Steering Committee

- b) the Technical Committee which is in charge of research including the papers to be discussed at this conference
- c) the Outreach Committee which created the regional structures
- d) the Media Committee which is responsible for public awareness on SAPRI activities

1.3.1 Major developments from the first National Forum

The position of the World Bank accepted that there are serious problems in the design of SAPs. Tom Allen, the then Bank representative accepted that

- a) growth has to be inclusive
- b) partial deregulation creates tensions
- c) social sector expenditure needs to be protected and targeted e.g. the Social Dimensions Fund came as an added on way after the launch of ESAP
- d) getting prices right and making markets work needs to be balanced with social redistribution of wealth.
- e) There is a need for the national ownership of SAP for it to succeed. Hence the need for participation in its design.

While the World Bank was speaking of 'buying into its programs, we said as civil society we wanted to be involved in the design, monitoring and evaluation.

A research study to prepare material was launched in 2000 to assess the impact of ESAP on the poor. It focused on the following issues that were discussed at the methodology workshop

These are:

- Trade
- Finance
- Governance
- Labour markets
- Gender – as cross cutting issue
- Political economy approach developed by IDS

The current Research Study has benefited from

- Research studies done in other countries
- Reviews and synthesis of World Bank documents. The chairman expressed his appreciation to the Bank for allowing access to its documents.
- PRF created a data base on ESAP in Zimbabwe
- Proceeding from the first conference. Before carrying out the study a methodology workshop was held with experts on:
 - Political Economy (IDS)
 - Participatory methodology (African Community Publishing Network)

- Gender

In conclusion Dr Kanyenze thanked the following:

- African Development Foundation for providing funds for research
- UNICEF – outreach support
- HIVOS-FES – workshops support
- PRF – IDS – Home for the secretariat of SAPRI
- World Bank – for their cooperation
- Government of Zimbabwe
- SAPRI GLOBAL
- Development Gap - African Regional Center
- Secretariat
- Technical committees
- All other committee and all participants

2.0 OVERVIEW OF SAPRI ZIMBABWE RESEARCH

2.1 Chairperson of the Technical Committee: Dr T. Moyo

The feed back from the 45 district workshops was the consensus on the need for debating SAPs. The question was the identification of a few key issues for thorough analysis as already mentioned by Dr Kanyenze.

The analysis had to be simple and grassroots friendly. The studies relied on secondary sources of information and the workshops held in the 15 districts throughout the country.

2.2 Political Economy Approach: Mr A.E. Sibanda - IDS

The theoretical framework adopted the political economy approach i.e. a system of analysis that seeks to understand the relationships that people enter into in the process of producing and distributing the necessities of life.

The approach seeks to dissect the economic issues and problems that arise out of these social relationships.

This is distinguished from the approach that sees production and distribution relations as governed by immutable laws. We said that these relationships are put up by people and can be changed by people.

The various stages of design and implementation cannot be seen and analysed in isolation but as part of an interconnectedness process.

Political economy sees social phenomena as in constant motion and opposition. Therefore the opposition of forces in social production means that there are

various interests in SAPs that either oppose or support is in other words there are winners and losers in SAPs.

Political economy seeks to go beyond mere appearances and reveal the reality. Hence we sought to go beyond what documents pronounced to reveal what actually prevailed on the ground.

3.0 THE IMPACT ON PUBLIC EXPENDITURE MANAGEMENT UNDER ESAP ON BASIC SOCIAL SERVICES; HEALTH AND EDUCATION by Dr. Rogers Dhliwayo.

3.1.1 Aim

This study assesses the situation of basic services, in particular health and education under ESAP, and examines the impact on various sectors of the population, particularly low-income groups, children and the poor from the resulting changes in social welfare.

3.1.2 Findings

- i) Expenditures in health and education rose throughout the 1980s.
- ii) Expenditures in health and education fell throughout the 1990s.
- iii) Wages have fallen in the health and education sectors
- iv) Relative to the overall Consumer Price Index (CPI), the medicare price index rose by 2106.3 percent while the education price index rose by 857.2 percent between 1990 and 2000.

3.1.3 Recommendations

- i) The health budget should be increased in real terms and the bulk of the expenditure must be channelled towards primary health care. The Community Working Group for Health recommends that at least 2.5 % of GDP should be allocated to the health sector.
- ii) Greater finances and health care resources (including drugs and staff) should be directed to primary care clinics and district hospitals where the majority of the people seek health care.
- iii) Maternal health care services deserve more attention to enhance access of the majority.
- iv) More resources should be channelled towards HIV/AIDS campaign.
- v) More resources should be allocated to primary education to ensure equity and the reduction of poverty.
- vi) There should be more provision in the primary education allocation for the purchase of textbooks, furniture, maintenance, construction of classrooms and schools.
- vii) The budget formulation process should be democratised. Civil society should be involved in the budget formulation process. Strong networks of poor people's

- organisations and strong civil society are required for effective governance at the local and national level.
- viii) The government should stop directing more resources to defence because it has no direct effect on social welfare. Participatory workshops evidence condemned the army's involvement the DRC.
 - ix) The role of local authorities in education, health and education sectors should be clearly articulated.

3.2 Discussant: Mrs M Mandinyenya - Government of Zimbabwe

The paper is comprehensive and gender sensitive. She agreed with the presenter that there is deterioration in health and education, however there were not clinics that were closed as alluded in the paper. There are shortages of staff and medicines. The paper down played the impact of HIV/AIDS on delivery of services. She noted that the argument would have been stronger had it looked at the combined effect of austerity measures and HIV.

Budget cuts and improved access to services are opposites. However improved access under these conditions of budget cuts is possible as long as there is proper targeting done. During SDF errors of exclusion and inclusion in targeting mechanisms meant that even those who did not qualify benefited Government has now introduced a community based targeting mechanism called BEAM i.e. Basic Education Assistance Module. \$100 million was allocated to the project.

Mrs Mandinyenya acknowledged that most of the recommendations were consistent with the government policy thrust. She cited the need for increased budget allocation to health and education. Nonetheless there is need to involve other players in these sectors. It is also important now to emphasise more on quality and less on numbers. Quality is generally compromised because a bigger slice of the budget (72%) is taken up by salaries and wages. To improve on quality more money should go into primary health care and drugs. Indeed well designed safety nets and poverty reduction measures should be put in place.

Other measures that would improve the allocation of resources and quality of services are

- (i) Increased books provision
- (ii) move away from project to sectoral approach
- (iii) democratisation of the budget
- (iv) ability to control expenditure at aggregate level (Public Finance Management System)
- (v) budgeting for results – culture of monitoring and evaluation is lacking.

3.3 Dr E. Jassat – World Bank

Macro economic instability – mainly inflation has eaten into people's pockets thus reducing their real wages and their capacity to meet social needs. Although

government is continually increasing the vote for health and education, a real decline in health and education spending is inevitable. Debt servicing which is pegged at 25% of GDP has also crowded out the social sectors.

The participants were informed that there is dialogue between Government and the World bank on Health Sector financing in order to protect gains of the 1980s. A study carried out on how to finance the health sector recommended:

- Protecting primary health care and preventive health
- Improve billing at central hospitals and reduce subsidies to private care
- Fees were meant to encourage patients to seek care at lowest level where care is free and reduce burden on referral hospitals.
- Targeting of the poor and ensure that the non poor do not access the services meant for the poor.

3.4 Mr M. Chisvo – Chairperson

He highlighted issues he perceived to be missing and these are:

- It is imperative for the country to look at re-allocation of funds e.g. health and education
- To a great deal these sectors are financed through donor funds and this is not a sustainable way of funding these sectors.
- Gains and expansion in enrolment capacity in Education and Health Services were achieved against a limited growth of GDP.

The challenge was to what extent could the resources of the country sustain those gains in the 1990s, hence the need to re-examine the social sector expenditure. The assumption in the 1990s was that social sectors expenditure has a long-term gestation and hence tends to be a victim of cuts.

An important lesson is to see how to integrate exogenous shocks into future programs e.g. HIV/AIDS, drought and floods. These tend to force a shift of resources from intended purposes to other uses like food and reconstruction etc. Serious effort should also be directed at effectively managing the little there is, because as it is now 49% goes to pay interests rates. Effectively only half of the budget is going into meaningful expenditure. The national debt should be restructured as a starting point.

3.5 Plenary

A number of questions and comments were raised from the floor. These are listed below.

- How does government expect quality education when there is no capital expenditure for the development of infrastructure? Per capita grants per child of \$8000 per year is grossly inadequate for a primary school.

Government should also come up with an education system that produces job creators and not only job seekers. Vocational training should start at an early age. Why is government still insting on English at 'O' Level? Is this not colonial hangover? Pupils in Matebeleland and Midlands still walk distances averaging 12 kms to school. Why is it the case when in Mashonaland the average is only 1km? Is this not a reflection on budget allocation?

The government should consider a regional allocation of resources. Where are the resources that are coming from the provinces going to? Investing in human development is the number one priority. Why are we asking for more money from the World Bank when there is nothing to show for it? How safe is the community identification system? Is government monitoring the system?

Government expenditure at tertiary level is declining and there is no consultation with students and this is generating tension between government and students. What is the WB doing to assist in eliminating this friction? Privatization of accommodation and catering has brought misery to students, it has contributed to prostitution, and it excludes poor students form accessing tertiary education. Is government aware of that? How does participation work in budget formulation? What is the WB doing to assist school leavers to get into business.

Are the most vulnerable groups benefiting from the AIDS Levy? How much money is put into research to benefit those who are not yet affected? Can Ghana be considered a success story? Patients are still paying for their injection syringes.

Why does the bank put conditions on its loans?

3.6 Responses

3.6.1 Government: Mrs M. Mandinyenya

Sector ministries should be invited to meetings or conferences of this nature, so that they will be able to explain issues and also get feedback from the meeting. However on vocational training and start-up capital, government has set aside \$1 billion for this purpose. There is also an employment creation fund in the Ministry of Gender, Employment creation and Youth Development.

The democratisation of the budget process has just been introduced and it is hoped that this year the process will be improved. The government does have a regional policy that emphasizes equity. We are coming up with a district profile to know what is happening at the district level. However resources remain a constraint. With reference to community identification of beneficiaries,

government is in the process of putting in place a monitoring and evaluation system.

On outsourcing government's assumption was that services would improve, reduce prices and also cut government spending. It is a learning process.

3.6.2 World Bank: Dr E. Jassat

The World bank has been involved in health sector in two main ways. First is the interest free loan to government to build clinics at the district level, and second is the loan to combat sexually transmitted diseases.

4.0 THE LABOUR MARKET AND ECONOMIC DEVELOPMENT 1980 – 2000

4.1.1 Aims

The research sought to assess the impact of the economic reforms with respect to the labour market. The fundamental reason for this was to check the extent to which the identified problems were resolved, and to analyse the current labour market situation. It is from these two that the research expected to develop alternative measures for an active labour market policy. Principally, this element of the research was meant to come from the people, who are usually marginalized in the policy formulation process, through a participatory process.

4.1.2 Findings

The major findings of the research were generally at variance with the underlying ideology of the economic reforms. It was found that wages are not rigid, as hypothesised by orthodox neoliberal theory. Real wages were found to have declined since the introduction of the reforms. Manufacturing failed to be the engine for economic growth, and it shrank during the period.

Unemployment, which was expected to decline due to wage flexibility and deregulation of employment regulations, in fact increased during the period. Thus the underlying economic problems bedeviling the economy were not resolved by the reforms in the labour market. In fact employment insecurity increased, as employers tended to abuse the power to hire and fire that was given to them without limit. Employment flexibility and work process flexibility brought joy to some employers and serious challenges to workers. This was in the face of declining internal training budgets. Investment did not increase either. In fact it was found out that many companies had closed business, and some had relocated to South Africa, which, paradoxically, has higher labour standards than Zimbabwe. In a nutshell, the reforms were found to have flopped, and brought more suffering than joy to workers.

4.1.3 Conclusions and recommendations

After a thorough analysis of the situation in the labour market, it follows naturally that we must draw some recommendations there from. The following were put forward:

- Smart partnership should not be talked about in the realms of the social contract only. It should be all encompassing, in the sphere of tripartism. Thus, to ensure proper co-ordination in labour market policies, a tripartite Labour Market Commission must be established.
- It is important therefore, that an employment strategy be developed, one that increases capacity utilisation, encourages the development of new industries (especially small-scale enterprises), and promotes the urban informal sector.
- The capacity for policy analysis should be strengthened. This has an impact on policy formulation and implementation. A computerised labour market information system becomes a prerequisite to capture the information on skills distribution and requirements, as well as to capture job opportunities in the economy. Such a system must be established and managed by all stakeholders to ensure that it is free from manipulation.
- The education and training system must be remoulded so that it is geared towards employment creation.
- The private sector must become more actively involved in technical and vocational training in the economy. It should be involved in the development of the curricular.
- A national policy should be developed for the rehabilitation and retraining of retrenches so that they can rejoin the labour market.
- There is need for the increase in capacity utilisation at institutions of learning in the country. Technologies need to be updated.
- There is need for affirmative action in employment to promote the employment of disadvantaged groups. The government can offer incentives to employers that employ certain proportions of the disadvantaged groups like women and the youths.

4.2 Discussants:

4.2.1 World Bank Representative: Mr R Van den Brink

If labour markets are inflexible then it means secure jobs for those who have them.

There has been no single conditionality for Zimbabwe on labour market reforms either from the World Bank or the IMF. The reason why there were no

conditionalities was because staff of the Bretton Woods institutions working in Zimbabwe then were only too patently aware of the history of the country in terms of labour market power distribution.

One of the key job makers in an adjusting economy is the export sector and it requires labour market flexibility to be competitive.

Lack of investment in rural infrastructure resulted in the lack of opportunities for earning an income there and hence the downward pressure on urban wages though rural - urban migration.

On the question of tripartism in Zimbabwe, there is ambiguity on the role of the National Economic Consultative Forum. People do not sit on it as institutions but persons. This raises the question of their selection and representative ness. Futhermore its agreements are not binding.

We are in agreement with the recommendations and believe that a consensus has to be reached on exchange rates and making sure that interest rates are reasonable.

Foreign investment coming into this country has been very small. The experience of foreign investors in this country is that they do not feel welcome.

Zimbabwe needs more small industries. The experience elsewhere is that people who set up successful small enterprises are those who were formerly formally employed. Just picking somebody form the street to set up small enterprises does not work.

4.2.2 Ministry of Public service, Labour and social Welfare, Chief Industrial Relations Officer: Mr Dzviti

The interventionist labour market policy was to shore up a weak labour movement

It is not true to say that ZANU-PF did not have strong labour movement links and hence the tendency of the government to be suspicious of trade unions.

The research paper while acknowledging weaknesses in the past systems deplors the centralisation of training in that it services the formal sector at the expense of the informal sector. We believe that the decision to centralise was right since the informal sector is a result of ESAP.

The paper says that the informal marginalised sector is failing to thrive because of the lack of an enabling environment. We believe that land is the resource that can give Zimbabwe the necessary filip to grow.

Works Councils negotiated collective bargaining agreements do not have precedence over those of trade unions and employment council agreements unless they are better than the latter.

With deregulation the balance of power has swung to employers. You now have people who earn plus \$2million per month while some earn \$3000 per month. This is due to weaknesses of trade union negotiation.

Between 1980 and 1990 there was no opposition or social movement to stand up to government policy. But with growing discontent the situation has changed. While the Zimbabwe Congress of Trade Unions strengthened and gained in political clout, the workers continued to get a raw deal. The solution to worker problems lies in a tripartite social contract.

There are two types of unionism i.e. political unionism, which fights for bread and butter issues etc, and populist unionism, which is useless in fighting for wages but wants power first.

The recommendation on the labour market commission should be more elaborate. It should not duplicate existing structures. Government resources are limited and should be deployed judiciously.

4.2.3 Plenary

A number of issues were raised in the plenary the core of which were the following:

1. The government should come out clearly on what its policy is on the new found role for war veterans in resolving labour disputes as has happened over the past few weeks.
2. Is Mr Dzviti suggesting that the trade unions should not be independent of government?
3. It was made clear to Mr Dzviti that the informal sector was bigger than tuckshops as he seemed to be suggesting. The role of the informal sector cannot be dismissed.
4. The right to strike is a tool of trade unions. If it is removed then you leave them with no option but to go political. Since 1890 there has never been a legal strike in this country.
5. The social contract suggested by Mr Dzviti can only work under the rule of law, transparency and accountability.

4.2.4 Responses

4.2.4.1 ZCTU: Mr B. Chiripanhura

ZCTU has definite misgivings on the role of Works Councils based on practical experience.

It is beyond ZCTU to put a limit on salaries but our concern is the lower level which constitutes our members. Top notch salaries are employers salaries whom we negotiate with. That should be the concern of government more than the unions.

There is no question that working with the state has emasculated the ZCTU.

The ZCTU deals with other issues apart from wages and conditions of work e.g. corruption, governance and the rule of law.

Real wages have been declining while nominal wages have been going up. The gap comes from the inflationary expenditure of government and not the unions.

The existing labour regulations incorporate many flimsy reasons for retrenchments. ZCTU has tried to help companies folding up through employee takeovers. There are two success stories but unfortunately ZCTU does not have the resources for such programs.

4.2.4.2 World Bank: Mr R. Van den Brink

World Bank loans to Zimbabwe are interest free, they have 10 year grace periods and 30 year repayment periods.

4.2.4.3 Chief Industrial Relations Officer: Mrs Dzviti

We have examined the cases where war veterans have intervened and separated labour issues from those to be dealt with by the Ministry of Home Affairs.

Views expressed on the informal sector are personal and are not official policy.

We should reflect on and examine our own laws on the strike issue.

5. TRADE LIBERALISATION: Dr M. Tekere - Trades Center

5.1 Discussant's Remarks: World Bank Representative R. Van den Brink

Trade liberalization per se is not the key to economic growth. It is untrue that it does not work. If you think about other macro-economic variables it works well.

Research at the World Bank shows that openness to trade in combination with good macro-economic policy leads to economic growth.

We should not forget about the UDI trade regime, which was based on import substitution, which the new government inherited intact and maintained. Under this regime those who owned business did not want competition from each other and from foreigners. This was done through direct controls on imports and tariff

barriers. Hence you had a small population that benefited from the system of controls.

When trade liberalization was implemented there were other policies that did not compliment it e.g. high inflation because of high fiscal deficits. If you remove protection from industry in a situation of high interest rates then they cannot borrow to restructure.

The exchange rate was not stable and long-term investment requires a stable environment especially for those going into the export market. Zimbabwe has the most complex tariff structure in Africa with an unweighted average tariff of 39%, 1500 tariffs in place and too many exemptions by sector and company.

On the other hand the sectors where Zimbabwe has competitive advantage e.g. agriculture, are the most protected in the developed countries.

5.2.2 Plenary discussion

The paper underplays the impact of droughts. Furthermore, our liberalization was out of step with that of our neighbours, especially South Africa which did not liberalize in the same manner.

5.3.1 World Bank Response: Dr Van Den Brink

The World Bank is a cooperative of all countries of the world. Zimbabwe has a seat on the Board of Governors. It is true that the developed countries have more voting power than Zimbabwe on the Board, but this is because they have put in more capital. But in general this does not affect the allocation of resources.

Africans are part of the World Bank e.g. Dr C. Madawo who is Zimbabwean is the Vice-President for Africa. There are instances where the President of the World Bank has brought programs against the wishes of the U.S.A.

If you want foreign investment then you should allow it to repatriate profits. Foreign investment can be prudently managed and it has some advantages.

Trade liberalization has to be accompanied by sound macro-economic policies. Two countries where it has worked are Ghana and Tanzania. By 1983 Ghana had ground to a halt and its citizens used to go to Burkina Faso, which was poorer, to shop. In the case of Tanzania, university academics used to go on foreign trips not just for the per diem allowances but so that they could bring back toothpaste.

The Government of Zimbabwe has not been paying its foreign debt since last year and yet the crisis has not abated. Foreign debt is not the problem but the domestic debt. If your debt is cancelled then no one is likely to lend you any money.

5.4 Dr M. Tekere: Response

Trade liberalization is the biggest con game played out on the international, regional and multi-lateral levels.

Trade liberalization is about creating a fair/level playing field through the removal of export subsidies, import controls and non-tariff barriers.

However what they ask us to do is not what they do themselves e.g. European Union agriculture is subsidized while the USA gives quotas on fibre exports. The aggregate measures of support have been going up in the European Union. Industry is subsidized too.

Trade liberalization within a proper macro and institutional environment works but we need to have a clear vision and policy on what we should liberalize. What we need is a 'strategic trade policy'.

What the World Bank representative is saying is right theoretically, but the practice is different. For instance the South East Asian economies referred to were highly protected and never liberalized. Privatization has in practice led to 'foreignisation'.

There is no framework for trade policy reversals but they are ad hoc measures that are a practical responses to the objective outcomes of trade liberalization.

What we need to do is to go back to the drawing board.

On the question of women performing better through cross-border trade, it was the findings of the research that they had better household assets than those men who did not engage in this trade. Furthermore these women were heads of households i.e. sole breadwinners.

6.0 LIBERALISATION OF AGRICULTURAL MARKETS: Mr J. Makamure

6.1.1 Aim

Trade liberalization in the agricultural sector has mainly involved reduction of the government's direct involvement in the production, distribution and marketing of agricultural inputs and commodities.

The aim of the study was to look at the impact of the rolling back of the state out of agricultural activities and the advent of market reforms. Were the intended benefits realized?

6.1.2 Findings

Despite the widespread liberalization measures, there has generally been weak response of smallholder and communal agriculture to SAP and market liberalization. While proponents of liberalization, coming mainly from the neo-classical tradition, had correctly diagnosed the problems of State failure in service provision to support smallholder agriculture, they have been criticized for lack of consideration of institutional constraints to private sector engagement. Neo-classical economics provides a very partial view of the reasons for the failure of economic organizations or of approaches to their reform.

The study found out that while trade liberalization to some extent benefited the production of tradables than non-tradables, on the whole productivity in the agricultural sector, particularly smallholder activities, fell during the period of reforms. The same applies to food security at both household and national levels. Liberalization without resolving structural bottlenecks, in particular the problem of land ownership, had no positive impact on smallholder productivity.

6.1.3 Recommendations and Wayforward

The government should play a major role during liberalization as the market failure has shown to be rife in many areas. The following recommendations clearly show the important role of government.

6.1.3.1 Interventions to reduce market failure

Trade liberalization should therefore be approached in a planned and phased manner to give farmers the necessary chance to adapt to changing circumstances.

6.1.3.2 Land Reform

Land reform must be vigorously pursued as it leads to the growth of smallholder farmers. The resettlement programs must embrace views and inputs from a spectrum of stakeholders – marginalized communal farmers, commercial farmers, the government, political parties, international organizations and other interest groups – otherwise a narrowly focused process will not be sustainable in the long term. Ideally, the program must embrace the proposals contained in the 1998 Donor Conference on land reform held in Harare.

6.1.3.3 Diversification

While diversification is required for smallholder farmers to survive under the new economic and climatic conditions, this will not just happen on its own.

6.1.3.4 Producer prices

Increase in producer prices should be commensurate with the cost of production and not based solely on market forces.

6.1.3.5 Information

Government and farming organizations should channel more information on market opportunities to smallholder farmers.

6.1.3.6 Finance

An agriculture input scheme revolving fund should be set up for access by small holder farmers at concessionary rates.

6.1.3.7 Research, Training and Extension

Government must accept financial responsibility for research with some support from large farmers and industry.

6.1.3.8 Irrigation development

Government should allocate substantial resources towards irrigation development now and in the future.

6.1.3.9 Enabling environment

An enabling environment should be created through, among others, speeding up the surveying and developing of growth points, giving incentives to business people to start small scale, labour intensive input and processing industries at growth points.

6.1.3.10 WTO Agreement on Agriculture

The position, which Zimbabwe should push for during the negotiations, is the exemption of all less developed countries from undertaking commitments on domestic support and export subsidies.

6.1.3.11 Considerations on the promotion of women's participation

A deliberate effort should be made to remove the bottlenecks that have long hindered the full participation of women in smallholder agriculture.

6.2 Discussants

6.2.1 World Bank: Mr Chakanyuka

He noted that the paper presented gave a comprehensive overview of liberalization of agriculture in Zimbabwe. He pointed out that the liberalization of agricultural markets brought positive development other than supply side response. He argued that supply side response comes with other macro economic factors. There are issues that are generic to agriculture e.g. bias towards extension services to better-off farmers and gender bias.

On lending rates the discussant was of the opinion that the decline in agricultural credit did not come with ESAP, but had started during the late 1980's. The process only accelerated in the 1990s. In concluding his intervention Mr Chidavanyika recommended that we should have started off with a comprehensive rural and agricultural development program to address institutional and structural factors e.g. land reform and agrarian reform, and address the different roles of different stakeholders in the sector. Such an approach would trigger quick supply side responses.

6.3 Plenary Discussions

The topical issues from the floor included the high cost of inputs that was brought about by the liberalization of agricultural markets. There was a suggestion that if organic farming is encouraged farm production would increase and the need for expensive inputs would be reduced. Lack of vision as a nation was blamed for failure to reform in Zimbabwe and in Africa in general. "If we fail to articulate a vision then how can we talk of success?" This seems to be the reason why we do not talk of challenges and opportunities but of problems. There should be a national strategic plan to identify threats and opportunities. Would Zimbabwe have done well had it received support for agricultural development? The issue of ownership of land and machinery also came up – who owns the two?

6.4 Response: Mr J. Makamure

Responding to the issues raised from the floor Mr Makamure said information from the Reserve Bank show that inflows both in terms of foreign and local investment into agriculture stagnated over the ESAP years.

While one would have expected the national budget to focus on this sector, the structure of expenditure shows a decline, over the years. Little infrastructure was developed and there was no focused training program for extension workers. No parallel reforms were carried out to facilitate access to affordable funding by farmers.

The former AFC played major roles in transforming agriculture but Agribank (successor to AFC) is playing a different role. It is now pursuing other objectives just like any other commercial bank.

Mr Makamure concurred that the current land ownership presents a structural constraint to development and therefore land reform was necessary, and a must for smallholder agriculture to thrive. Land reform should indeed involve all stakeholders.

Organic farming was an important alternative and could help reduce input costs if encouraged. However to make inputs cheaper for farmers subsidies should be encouraged, as these are productive.

Subsidies should then be gradually reduced. On support from the international community the presenter acknowledged the support that Zimbabwe received in the past but had little impact because of the lock in effect of the structural constraints.

6.5 Issues from the floor

The participants emphasized the issue that land was a political issue. How do we ensure in the future that more women and disadvantaged groups get access to land? Participants also wanted to know whether there was ever a change in World Bank policies between 1964-1990 and from there onwards. Are we not being decolorized through these World Bank – IMF programs?

In response Mr Chidavanyika said that the Bank's programs are brought on the basis of international experience and it was up to locals to fine-tune them to local conditions. The meeting also heard that there has been an evolution in the thinking of the Bank. Previously the Bank did not encourage participation. During the last 10 years the Bank has focused more on poverty alleviation and the participation of civil society.

7.0 FINANCIAL SECTOR LIBERALISATION AND THE POOR: A CRITICAL APPRAISAL - Dr T. Moyo

7.1.1 Aim

This study sought to analyze the rationale and impact of the liberalization of the financial sector in Zimbabwe, particularly vis-à-vis the poor and other disadvantaged groups.

7.1.2 Findings

What have we learned?

- The limited evidence indicates that the SAP model does not appear to have worked for the poor in Zimbabwe. Instead, it appears to have worsened inequalities in terms of access to credit and other financial services. In fact, the model seems to have hurt big business as well.

- The regulatory environment which prevailed over the reform periods was inimical to the emergence of a more competitive market and hopefully, one in which the cost of funds would be reduced for the benefit of the poor.
- The design of the programme on financial sector reforms was not participatory
- Unless there is adequate infrastructure in place, reforms may not benefit a community (for example, in Zimbabwe, the financial sector has not benefited the majority of rural communities because they are inadequately serviced by both formal as well as informal financial institutions.
- There was no policy in place as to how to address the challenges faced by the poor and other disadvantaged groups as a result of the liberalization of the sector.

7.1.3 Recommendations

- The design process should be participatory
- Thorough research should precede any reform programme
- Infrastructural development should be an integral part of the programme
- Targeted subsidies to emerging ‘people’s markets’ should be supported in the short run
- The regulatory framework should enhance accessibility of the financial sector to the poor and other marginalized groups.

7.2 Discussants

7.2.1 Ministry of Finance: Mr Dzinotizei

He said the contribution by Dr Moyo does inform policy. The paper argued that Liberalization was not designed with poverty in mind.

The participants were informed that, indeed, that was the case. The reason being that the liberalization of the financial sector was part of a global program. It was assumed that if the number of players in the financial sector increased, competition would increase and interest rates would come down and make them affordable to the poor.

He also said that government was more than willing to engage micro finance sector in terms of its visibility and accessibility.

There was acknowledgement that banks are custodians of their client’s deposits. However new approaches to lending which go round collateral security would revolutionarise the sector. These approaches should also go beyond bankability of a project to viability of a project.

In the rural areas the issue of pull factors should be taken seriously. Years ago banks provided mobile banks into the rural areas. In Gokwe they still do this but the question is why? It is because of incomes from cotton. There is therefore need for a sustainable trajectory of growth and development to increase rural

income. However macro-economic fundamentals should be addressed to put money into people's pockets, and unlock the latent potential within the Zimbabwean people.

7.2.2 World Bank Response: Dr Ban den Brink

He thought the criticism of the reforms were highly pitched. While the paper argued for bank loans for SMEs, World Bank representative said in the USA 90% of investments of SMEs are financed from own resources. He also argued that a system that has a history of being highly monopolistic cannot be transformed overnight and reforms should target such areas for success to be registered. Some good things have happened during the liberalization period. These included:

- New banks that sprouted
- There are more than 100 micro finance institutions
- Banks are investing in micro finance institutions etc, but however these cannot mobilize deposits on their own.

He also argued that the financial markets work differently from other markets where supply and demand determine the price of a product. He concluded by saying that apart from the problems, there have been achievements that cannot be brushed aside.

7.3 Plenary

A number of questions and comments were made from the floor. The first one was that participants wanted to know what government was doing in the face of huge profits posited by financial institutions during the 2000 financial year, when all the other sectors fortunes are going down and the economy is in a crisis.

The issue of micro finance institutions who charge exorbitant interests on loans of up to 30% per month was also discussed. Is government aware of this and if so what is it doing to protect the citizens?

Houses and other properties are being lost to families due to failure to service their mortgages. Is there anything that government can do to save the situation? The AAG was complimented for blocking some of the auction proceedings. Is it unfair of us to expect financial sector liberalization to benefit the majority quickly? SMEs need capital but can't source it on the stock exchange. What has happened to the idea of a second bourse mooted a few years ago?

The question on how many African countries had succeeded after implementing ESAP came up again. Was this success due to ESAP or other external factors e.g. diamonds in Botswana. Participants wanted to know whether as a nation we were serious by implementing ideas that have failed all over the world.

The attitude towards rural folk was castigated. Things or ideas should not be dumped on them, they are capable of articulating their situations and have ideas on how to come out of improve their situation. This comment was immediately followed by a question on whether or not government had a regional policy. An example of Gokwe were cotton is grown was given. Is the cotton processed in Gokwe?

7.4 Response

The problem with the trickle down assumption in Zimbabwe is that of structural rigidities. If it ever occurs it is definitely going to take a very long time. The issue of collateral will be with us for a very long time, and SMEs would strongly be recommended to use other facilities like the Zambuko Trust. SME have, during ESAP and ZIMPREST, been assisted by Venture Capital Companies. There was an agreement that there was no explicit policy on SMEs in Zimbabwe. The observation that financial institutions posited huge profits is correct, but government can only come up with a tax system that compels them to contribute to the fiscus.

Ghana and Tanzania were singled out as having registered successes after implementing ESAP. It was argued that aid to countries with good policies contribute to the reduction of poverty and economic success, and vice versa. However the WB representative agreed that there are not many success stories consistently growing at 8 or 10%, except Botswana and Mauritius. But this argued one of the resources persons was attributable to the stringent parameters within which WB and IMF funds are or should be a accessed.

Banks shun the disadvantaged areas such as rural growth points. One would however expect banks to channel some of their resources into micro finance institutions for on lending to businesses to growth points or any SME, particularly now when they are making such big profits. Micro finance institutions can also grow into commercial banks and still continue to cater for the poor. An example of Kenya was given. But their major problem is that they are having problems amassing finance from commercial banks. Micro-finance is more developmental than micro lending which in the majority of cases is short term and for consumption.

The meeting was also informed that SAMFI is coming up with suggestions to deal with money lenders.

8. GROUP PRESENTATIONS

8.1.1 What are the alternatives to current Trade problems

TRADE LIBERALISATION

1. Remove import duties
2. Remove quantitative import barriers
3. Remove export incentives
4. Remove Foreign Currency Controls

8.1.2 Problems

1. Flooding of our market with foreign goods at the expense of our local goods e.g. textiles, footwear
2. Not income consistent
3. Companies were not prepared for the sudden competition hence jobs were lost. Companies were closed.
4. Goods were subsidised and dumped on our local market.
5. Double standards of the West on subsidies. It led to distortions on the world market.

8.1.3 Alternatives

1. Need to categorise sensitive goods. We should have a list of non-sensitive and very sensitive goods (need to be selective in our approach) Essential and non-essential.
2. Let us protect our infant industry through imposition of high import duties or quotas.
3. Give our companies incentives. Companies need funding those in trouble need resuscitation.
4. We are supposed to critically analyse programs before we accept them from institutions such as IMF and World Bank.
5. People who lost jobs need special provisions (Special Fund Civic Society to be involved in Design)

8.1.4 Institutional Framework and process

A trade board where civil society participates

People –centred trade policy to work within COMESA protocols and monitoring.

Subcommittees to monitor trade body.

Civil participation imperative at all levels of design, implementation, monitoring and evaluation

8.1.5 What are the democratic principles that should guide civil society participation

- Transparency and commitment
- Voting power

- Information dissemination
- Well defined mechanism of feedback.

8.2 Financial Sector Liberalisation

8.2.1 The alternatives

- The RBZ must be autonomous; it must be independent to come up with independent policies. In this arrangement the Bank may not be forced to extend any line of credit to certain sectors.
- There should be a stock exchange for the SMEs. This may then be followed by a relaxation of the entry requirements.
- Access to financial resources
- More state support to micro financing organisations
- Banks operating in a community should plough back their super profits.
- Government should set the example by fixing loans at acceptable rates and friendlier conditions.
- Education of communities.
- Government should be involved.
- Public sector and private sector should work together.

8.2.2 CBOs, NECF, Parly, Civil Society Organisation, PRF, SAPRIN, Women's, Min of Finance, Networking, NEC should be given clear mandate.

- Education should be as a process of involving people. Public broadcasting and media in general should be utilised.
- Civil society to campaign against politicising of programs.

8.2.3 From the planning to the implementation stages

- Monitoring of what would be happening on the ground. Players must be proactive.
- Remove political influence on the fund to make it accessible.
- Autonomous funds that are professionally managed

8.2.4 Right to education as a democratic right

- Accountability
- Right to ownership
- Transparency information sharing/networking
- Depoliticisation
- Freedom of speech
- Right to have access to resources
- Disclosure of rates as a social obligation of banks

8.3 AGRICULTURE

- Accelerated, systematic and all encompassing land reform program
- More training institutions in the rural areas
- Land reform should emphasise on productivity,
- More extension services in rural areas supported by adequate incentives
- National budget should support land reform and support services through a revolving fund
- Government should pay for strategic grain reserve
- Infrastructure development in the rural areas
- More collection points by GMB. Communal farmers should contribute to financing of the collection points.
- Farming organisations should encourage the formation on cooperatives by communal farmers.

8.3.1 Participation

- The people should participate in design of policies through the structures.
- Participation in the planning stage.
- Participation through parliament portfolio committees
- Information dissemination on structures and performance of policies
- Conducive political environment which can enable people to make decisions
- Outcome of the resolutions should be effected by the state to the public.
- Training of how to use organic farming by communal farmers.

8.3 Health/education are government responsibilities.

- Regulation of the private sector to enable people of limited means to afford the services.
- Prioritise the health/education in allocation of resources.
- Decentralisation of the allocation of funds i.e. rural hospitals, clinics conditions of work.
- Increase incentive conditions of work to ensure nurse and teachers find it conducive to work there.
- Improving infrastructures.
- Encourage community based health and care and health insurance.
- Integration of capital and re-current expenditure for social sector.
- Vocational training, funding should be made available to graduates to start their own projects
- Targeted free primary education
- Educating the parents about the importance of education to all children (male and female).
- Equitable distribution of schools/vocational training, hospital

8.3.1 Involvement of all irrespective of political affiliation at all levels of policy formulation

- monitoring

- evaluation
 - implementation
- VIDCO, WARDCO, DDC, DC, NPC, should be utilised on the implementation
 - Parliament should play the role on policy formulation, monitoring, evaluation, implementation, and evaluation.
 - Role of chiefs in implementing
 - Role of SAPRI
2. At all levels the civil society should be involved. Suggestion boxes should be set in the Post Offices and DA offices.
3. Access to info transparency accountability
- Most of the legislation should be available in vernacular
 - Constitutional provisions to safeguard these principles.
 - Civil rights education
 - Use of already existing institutions – Auditor General for monitoring

9.0 WAYFORWARD AND CLOSING REMARKS

9.1 Chairperson: J Gokova – Ecumenical Support Services

Perhaps this is the way we should have started the SAP in Zimbabwe i.e. opening it up to discussion by different groups and people from all walks of life.

This is the type of relationship that ought to exist between civic groups, the Bank and Government.

The question is how are these deliberations and research going to inform and shape relations in future.

9.2 World Bank: Dr Van den Brink

We enjoyed listening to many different views and concerns on a wide range of issues. The critiques ranged from a complete dismissal of market reforms to the more technical critiques.

I am beginning to understand the concerns in Zimbabwe after two years here. Perception of markets differ. For me I think of functioning markets. Therefore I do not blame you for blaming (sic) certain people. But may be the situation could have been worse.

The crisis is around and we need to do something about it. The longer we hold out the more difficult it will be to get out.

I am impressed by the various groups of suggestions.

There is a need to discuss trade liberalization more. *Ceteris paribus*, countries that go into the world market grow at a faster rate e.g. Lesotho is the fastest growing exporter in Africa after Mauritius.

We believe in land reform and have funded it in Kenya, Brazil and Columbia.

If you legislate too early for job security and higher wages you may have higher unemployment.

There is need to maintain this dialogue. In terms of participants we need more people from the private sector and government.

9.3 SAPRIN INTERNATIONAL: Dr Hellinger

I enjoyed the discussion. This is the most professionally organized national chapter of SAPRI.

On the way forward, we shall integrate your findings and recommendations into the other countries reports over the next 3-4 months leading to a meeting with the World Bank in July.

We shall challenge the World Bank to honour its commitments made by its President Wolfenson of taking into account views of civil society. For the Bank to be truly honest to dialogue with Zimbabwe, it has to take into account these views.

Trade liberalization has to take place at an appropriate pace. In most SAPRI countries trade liberalization has led to de-industrialization.

I do not think that people in Zimbabwe want to compete on the World market on sub-standard wages that cannot support a family.

We shall move into development of alternative policies through advocacy, through the media, mobilization, work with other social movements around the world, network with governments and ministries and organizations that seek to evolve country specific policies.

We are totally behind what you are doing and we shall be working with you over the next year.

9.4 SAPRI Chairperson of the Steering Committee: Dr G. Kanyenze

There are quite a number of emerging issues. There are limitations to what markets can do. Trade liberalization can destroy an economy e.g. the

confederation of Zimbabwe Industries which was once an advocate of trade liberalization has since changed its stance and hence it was easy for government to engage in policy reversals.

Market outcomes do not necessarily benefit the people. If they are so efficient why should they be shoved down our throats?

There is consensus now in Zimbabwe that there is need to negotiate. We should create that space for participation.

SAPRI Zimbabwe's way forward is that the papers presented here will be consolidated and fit into a global report.

We intend to come up with a popular version of these papers, even in local languages, for wider readership.

There are still a number of areas that we need to reach e.g. the private sector. If we are to influence government then we need the numbers.

We need to identify the institutions that we can use for commendation and revamp existing ones. There is need for involvement in design, monitoring and evaluation of policies.

We need a new approach that recognises that we all have ideas and no one has a monopoly of ideas.

I would like to thank the secretariat and the participants for a job well done. This is not a one-day wonder!

9.5 Chairperson: Mr J Gokova

I would like to quote from the Herald of 13 February 1998, article entitled 'ESAP Failure Blamed on Lack of Consultation'

Addressing military officers drawn from various countries in Africa at the Staff College, the senior Secretary in the Ministry of Finance, Charles Kawaza said:

'It became very clear that there was a serious breach in the sense that the economic document called ESAP was not discussed by the nation. It was parachuted from the IMF to the World Bank and then here. And yet nobody understood what it was all about. Even the policymakers in government did not understand it'.