

UNITED DEMOCRATIC ALLIANCE

DISCUSSION PAPER: ECONOMIC SOLUTIONS FOR ZIMBABWE

By Dr Daniel Shumba

1. BACKGROUND AND CONTEXT

In depth research clearly indicate that the gap between rich and poor is ever increasing. This despite more than 74 years of development initiatives by the World Bank and development agencies globally. As demand for its services has increased over time, the Bank Group has risen to meet them. In 2015, the World Bank made loans for development totalling \$60 billion¹, at a time when the gap between the rich and the poor is the highest it has ever been. In a report published a few days before the World Economic Forum in Davos 2018, Oxfam said that ‘billionaires had been created at a record rate of one every two days over the past 12 months, at a time when the bottom 50% of the world’s population had seen no increase in wealth.’² Further stating that, **‘82% of the global wealth generated in 2017 went to the most wealthy 1%.’**³

Mark Goldring, Oxfam GB chief executive, said: “The concentration of extreme wealth at the top is not a sign of a thriving economy, but a symptom of a system that is failing the millions of hardworking people on poverty wages who make our clothes and grow our food.”

Region	Inequality Growth since 1960
Sub-Saharan Africa	206%
Asia	196%
Latin America	206%

World Bank 2016

The table above outlines the levels of growth in inequality since 1960, suggesting that current economic and development models are clearly not working in the interest of populations across the globe.

Zimbabwe’s 18 years of isolation from the formal global arena has impacted on the current economic situation. According to the Zimbabwe National Statistics Agency (ZIMSTAT), the annual inflation rate stood at -2.19% in January 2016. ⁴ The high levels of unemployment remains a key challenge. The lack of proper data around this remains a serious problem. Reports indicate that the unemployment can be as high as 60 %.

¹www.worldbank

² Mark Goldring: Project Davos: What's the single best way to close the world's wealth gap?: January 2018

³ Ibid

⁴ African Economic Outlook (AEO) 2017

According to the 2017 Monetary Policy Statement, merchandise exports amounted 3 365.8 USD in 2016⁵. Exports in 2016 were dominated by minerals (gold, nickel, platinum, and diamonds) and tobacco. In the agricultural sector, tobacco remains a major source of export earnings with the Tobacco Industry Marketing Board (TIMB) registering sales of 202 million kilograms (kg) totalling 593 million USD. ⁶

In 2016, imports were dominated by diesel, unleaded petrol, electrical energy, crude soya bean, rice, non-alcoholic beverages and medicines. Fuel accounted for 27.2% of the total merchandise imports while food accounted for 11.8%.⁷

Despite the specific isolation and sanctions imposed on Zimbabwe over the past 18 years, it is evident that our economy like many others in the world is dysfunctional. This requires a critical analysis and re-examining of economic modelling in the last century and post colonialism definitely have not benefited the people.

2. WHAT DO WE NEED TO REDRESS THE CURRENT ECONOMIC CRISIS?

Evidently there is a need for the development of a macro and micro economic model that shifts the current focus of governance from the regulator to that of the development state where government must decentralise, localise and deliver. The next question would be – what does mean? Simply it means looking at models in countries where the living conditions of the people are at a level that universally meet their human right to food, water, sanitation, housing, health, work, etc.

2.1 Privatisation – IS NOT THE ANSWER!!!

Across the globe over the past decades countries have been pressured by global economic trends to privatise services such as health, water supply, energy provision etc. The argument put forth to rationalise that was that governments' cannot deliver effectively and privatising and relying on market providers to deliver these services – would lead to increased growth, increased jobs, and thereby, increased wealth. This theory has been debunked and the real truth that confront us is that today despite privatisation by the most stable of economies – job losses have increased significantly over the past decades and this trend is set to increase.

It is clear that privatisation may in the short term increase the cash flow crisis in Zimbabwe, but at the cost of the nation losing its long term assets and income base. Zimbabwe's isolation have many negative impacts – but in retrospect, in many ways as one of the few states across the globe, we still have access to and control over our natural resources that belong to our people. How we manage it and use it to shape our economic framework will not only demonstrate to our people our will to be a government for and by the people, but will also shape a shift in geopolitics.

⁵ Ministry of Finance 2016

⁶ Ibid

⁷ Ibid

Given the reality that conventional macroeconomic models have not worked across the globe, what are the basic fundamentals that we must consider in shaping future economic models of Zimbabwe?

- a) Macroeconomic Policy Development congruent with the Microeconomic Policy and geared towards meets the social and economic needs of the people of Zimbabwe.
- b) Monetary Policy – shifting from current ‘fiat’ currency model to a gold-backed currency⁸.
- c) Infrastructure Development that is environmentally conscious development geared towards the sustainable use of natural resources and promoting Green Energy.
- d) Human Resource Development focused on service delivery



Whilst these fundamentals may appear as revolutionary and result in further isolation, they actually present Zimbabwe with an opportunity to present itself as proud nation ready to engage with the global community on its own terms as an equal partner to countries who wish to partner with us on our new development path.

⁸ Key global players like China and Russia have explored gold backed currency moving from the current dollar dominated market. Already these countries are trading with each other in their local currencies (as well as USD). Other countries like Germany are also exploring this.

2.2 Getting our economy working

To make this possible demand thinking beyond conventional polarised economic modelling with the label of either left or right. The approach must rather examine countries where quality of life is of a standard that is congruent with international human rights and where their citizens are allowed to grow and develop – whilst maintaining economic growth.

2.3 Macroeconomics – GETTING OUR ECONOMY WORKING

The forced isolation of Zimbabwe from the international community impacted on our economy negatively. Upon the dawning of a new political era in our country, it is important that we get the macroeconomics right. Our proposals for a macro-economic policy speak to redressing the economic current crisis and seek to grow the economy by creating jobs, trading with the global community and strategic alliances given the shift in current geopolitics. With growth currently stagnant at 0.6%⁹ and the inflation rate in December 2017 at 0.53%, there is undoubtedly the need for a radical approach to getting our economy working again. Whilst others may propose a conserve approach the UDA would bold propose an **expansionary Monetary Policy geared towards reigniting the economy**, reducing interest rates and the current high levels of inflation.



Figure 1 United Democratic Alliance UDA Macroeconomic Goals for Zimbabwe

UDA Growth projection for the period 2018/9 – 2020 would be at 4%. This level of growth requires a direct strategy to reduce the huge gap between the rich and the poor; infrastructure development – leading to more jobs; price stability – especially of commodities (gold, diamond, platinum, etc.) within global regulatory frameworks for trading; internal and

⁹ 2017: Zimbabwe National Statistics Agency, www.zimstats.co.zw

external stability - rule of law and redeveloping positive foreign relations with other nations; and, strive towards more equal levels of income distribution.

2.4 Microeconomics – GETTING OUR ECONOMY WORKING

The fact that the Zimbabwean economy is almost at a standstill requires a radical approach and kick start. The UDA stance on getting our economy working include 4 key focal areas:

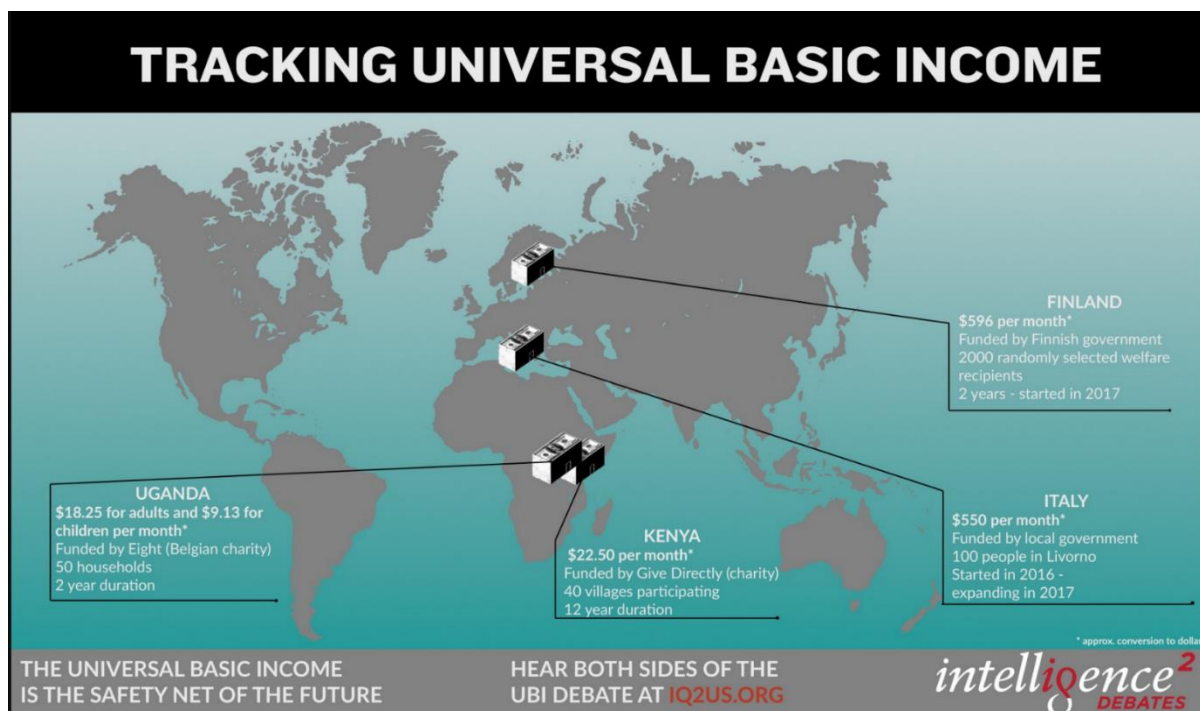
- a) Basic Income Grant to Poor Citizens
- b) Broad scale Infra-structure Development
- c) Expansion of the Agricultural Sector
- d) Industrial Development in Provinces



Research indicate that a Basic Income Grant¹⁰ can have far reaching impact on the economic security of citizens and encourage growth and, will also encourage Zimbabwean citizens doing menial working in other countries to return home so that we can together work towards a thriving nation, and kick-start the economy.

¹⁰ The concept of a basic income has long been debated not only in theoretical terms but also as a concrete policy option championed by representatives of all sides of the political spectrum. Thomas Moore, the godfather of utopia, envisioned a guaranteed income for the residents of his ideal world. In the late 1960s, Richard Nixon presented a basic income bill, calling it “the most significant piece of social legislation in our nation’s history”.

2.4.1 BACKGROUND AND RATIONALE FOR A BASIC INCOME GRANT (BIG)



Policy experiments are gathering momentum in countries as diverse as Canada, Finland, Italy, the Netherlands, Scotland, Brazil, India, Uganda, Namibia and Mexico. Finland is considered a key player in the BIG policy area. As part of their approach, a monthly 650 Euro lump sum is provided to unemployed persons with the incentive that if they find a job, the basic income amount will still be paid. Findings from the studies in Kenya and Uganda indicate that people primarily use the money to deal with their basic needs – and, can focus on production, like small scale farming or running a small business and in the process further uplifting their personal economic position. There have obviously been cases where recipients spend the money on alcohol and other wasteful products – though when interviewed these men recognised that they could have used the money more wisely when they recognised the ability of their counterparts to use the money to make a difference in their lives.¹¹

FINANCING OF A BASIC INCOME GRANT IN ZIMBABWE

Karl Widerquist, a professor of political philosophy at Georgetown University has for more than a decade done specialised research on the financing of a basic income grant. His proposal financing of a BIG is to learn from the Alaska Permanent Fund Dividend or from the Nigeria Oil Fund Dividend where resources go directly back to the people¹². The UDA would propose the setting up of a similar fund linked to a state-owned mine (platinum/diamond/gold etc.) and to use dividends from this fund to directly pay citizens a basic income grant. This monthly allowance prevents the poor from struggling with meeting basic needs and they would be encouraged to set up small business, work and invest in cooperatively owned farms (see Expansion of Agricultural Sector below)

¹¹ Marjukka Turunen, Director of Change Management at Kela Report on the BIG project 2016.

¹² The Herald; March 20, 2010 Karl Widerquist News, News & Events

2.4.2 BROAD SCALE INFRASTRUCTURE DEVELOPMENT

If we just look around the need for the upgrade of Zimbabwe's infrastructure is critical. This includes Housing, Roads, Transport (Airports, Public Transport both inner City and inter City, Schools and Institutions of Higher Learning, Hospitals and Clinics, and a Dry Dock Facility in Namibia.

Housing Development

The proposal of the UDA is to initially focus on housing development in rural areas. Housing projects would also ensure that indigent citizens have access to water and sanitation as well as sustainable energy.

Larger projects could after a period of 5 years be undertaken in urban areas. The rationale for the delay is to slow down the migration to cities – but rather to foster development at a rural level which would reduce migration and overpopulation in cities.

Transport Infrastructure Development

Transport Infrastructure is in dire need of upgrade and further investment and development. The proposal of the UDA would be to focus on the following key projects with regard to transport.

- 1) Repair national and local roads
- 2) Improve **public transport** systems at both an inner city and inter-city level. A detailed study must be undertaken about the transport needs and the most effective green technological solutions to meeting these needs.
- 3) **Airports** - The UDA proposal would propose the immediate upgrade of three key airports: Joshua Mqabuko Nkomo International; Harare International Airport and Victoria Falls Airport. The upgrade of these airports are linked to increased tourism that we can envisage over the next years, increase foreign investment and the general growth in the economy.

There are about 18 other smaller airports located in various provinces and national parks. It would be important that as part of a longer term strategy that these airports also be developed so that transport to more remote areas are also easily accessible.

- 4) **Dry Dock in Namibia**

As part of a goodwill gesture the Government of Namibia donated land for a dry dock facility in Walvis Bay Namibia. The development of this facility will reduce our dependence on other ports. It would be important to negotiate further with our Namibian neighbour around the development of this facility, linked to the upgrade of the Namibian port in Walvis Bay.

- 5) Hospitals at a provincial level must be upgraded as priority projects as well as Clinics at local level.
- 6) Improve infrastructure of schools and institutions of Higher Learning (universities and polytechnic colleges)

DUE TO THE OVERWELMING NEED IN ALL SECTORS FOR INFRASTRUCTURE DEVELOPMENT THE PROPOSAL OF THE UNITED DEMOCRATICE ALLIANCE IS TO:

AS IDENTIFIED BY PRIORITY NEEDS, TO UNDERTAKE AT LEAST 4 KEY NATIONAL GOVERNMENT LED PROJECTS PER PROVINCE IN THE PERIOD 2019 – 2020.

2.4.3 EXPANSION OF AGRICULTURAL SECTOR

Zimbabwe has a long history of farming and consequential to colonialism, the issue of land remains a contested space. They key challenge at the moment is getting landowners to work the land and grow the sector. Tobacco has been a major export commodity and have contributed significantly to the income of money. It would thus be strategic to look at how we can expand this sector further and ensure further growth.

The production of food is a major space for development. This will deal with the problem of food insecurity as well as increase potential for export to markets in Africa and further abroad. Research indicate that Zimbabwe currently face a major challenge of food poverty. This is due to the high cost of food due to need to import many foods from South Africa and other countries.

PROVINCE	SMALL AREA ESTIMATION OF FOOD POVERTY PREVALENCE 2016
BULAWAYO	7.1%
MANICALAND	22.9%
MASHONALAND CENTRAL	26.5%
MASHONALAND EAST	21.2%
MASHONALAND WEST	28.2%
MATABELELAND NORTH	43.1%
MATABELELAND SOUTH	24.8%
MIDLANDS	23.6%
MASVINGO	17.9%
HARARE	6.3%

Food Poverty Atlas, Zimbabwe Statistics, 2016

Research globally indicate that smallholding and medium sized farms have played a pivotal role in improving food security for people in rural communities. It would thus be strategic to invest in this are with government providing access to the land, communities setting up cooperatives and training, financial support as well as technical support is provided. There are several best practice models in India, other parts of Africa, Latin America, Europe and Asia from which we can learn to develop this sector, create limited jobs and at the same time ensure food security in local communities.

Commercial Organic Farming

Commercial Farming is another area where there is much development potential. The production of organic food, expansion of tobacco production and livestock farming all indicate areas where growth is possible and export to other part of Africa and Europe must be explored.

2.4.4 INDUSTRIAL DEVELOPMENT IN PROVINCES

It is estimated that about 10 000 companies filed for insolvency per year¹³ in Europe. Reasons for this include, a slowdown in the global economy, over-production and lack of market, high running costs, and inter alia, cost of salaries. Several of these production facilities are needed for the infra-structural development in Zimbabwe and other parts of Africa.

The proposal from the UDA is to explore Bilateral Agreements with European countries about the acquisition of these production facilities which are available at a fraction of the cost of buying new facilities and equipment. This model was already used by Chinese companies acquiring insolvent vehicle companies in Germany in the 80s. The country set-up costs in Zimbabwe would also be significantly reduced. The bilateral agreements with countries would include assistance with Technology Acquisition, production processes, actual machinery and production facility and Skills Transfer.

Set up of Industrial Development Zones (IDZ)

As part of our long-term strategy to grow the economy and create jobs, it is proposed that Industrial Development Zones be set up in 4 rural areas. After a process of scanning the market and matching technological needs, Zimbabwean owned and controlled companies will set up at the IDZ to manufacture goods and provide services to the surrounding communities and export further abroad. This will create sustainable long jobs in rural areas.

Types of Industries

The types of industries span farm equipment production, construction, steel production, solar and photovoltaic production, food processing, bakery equipment at both a large and SMME level, production of housing material etc.

¹³ The Economist November 2014

3. CONCLUDING COMMENTS

The document outlines some preliminary thoughts on how to redress the current economic crisis in Zimbabwe. Further research in all areas explored is necessary. What the document does is create a space with other sectors of society to inform them about our philosophical and practical approach and strategic proposal. In short, it is thus, a work in progress, a vehicle for debate, and a way of informing citizens about our thinking in the United Democratic Alliance.

Needless to say, there are many challenges that we face as a country. Our belief remains that if we work together with our people, and, make choices in the interest of the people, we will get the support to make a real difference to our proud nation.

We look forward to moving beyond the Zimbabwe always seeking Financial Aid from the international community. As the UDA we believe that Zimbabwe is a wealthy nation and if we make careful transparent decisions at this juncture of our history – decisions that are in the interest of our people – will make Zimbabwe a proud nation again that will rightfully take its place on the African continent and in the broader global community.

Thriving Together

Dr Daniel Shumba

27 January 2018