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DEPARTMENT OF POLITICS AND PUBLIC MANAGEMENT

AN ANALYSIS OF THE IMPLICATIONS OF THE BRETTON WOODS INSTITUTIONS IN SOUTHERN AFRICAN ECONOMIES IN THE TWENTY FIRST CENTURY; THE CASE OF ZIMBABWE

BY

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Dedication

To Leanne Tawananyasha Mazanhi my blessed daughter.

In memory of Enock Mukumba my grandfather,without you l wouldn't be here,you left fingerprints of grace to my life.You shall not be forgotten.

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Finally, it is by the Lord's grace not by mighty nor power.

Abstract

The purpose of this research was to investigate the implications of the Bretton Woods Institutions in Southern African economies in the twenty first century using Zimbabwe as a case study.Limited information has been availed regarding the implications of the IMF and WB operations in Zimbabwe and it is the role of this research to fill the void by analyzing various researches and spell it out clearly.The WB and IMF are the two most powerful institutions in global trade.The twenty first century witnessed ailing economies in Southern African countries for example Mozambique,Zambia,Kenya and Zimbabwe.The research made use of the qualitative data collective technique which was subjected to intervene data analysis with various sources of documentary identified.The research findings established that WB prescriptions caused devastating impact to the economy of Southern African Countries.Zimbabwe adoped the ESAP to readdress the economic challenges in 1991,rather ESAP prescriptions had effects to the country's social service and educational services amongst others.Manufacturing sector collapsed thereby retrenchment became the order of the day. The study concluded that most of the SADC countries including Zimbabwe's economies still reflect the colonial imbalances and the government still has a notion and obligations to pursue policies that seek to achieve fairness and equality.The prescription to retrench the civil service meant that the previously disadvantaged blacks would suffer most as they were the majority employed by the government and the indirect costs would also be great. A reduction in subsidies also failed to take into consideration the historical disadvantages or discrimination of the blacks by the whites. Most of the blacks had little access to health and education, hence subsidies were considered an affirmative action to achieve equity and equality since the majority blacks would also access health and education facilities for free. The study concluded for intense historical study by both the IMF and the WB on one side and the loan facility receiving country on the other side and for the IMF and the WB to prescribe policies that also intend to achieve equity and equality in economic growth.It was also noted that public consultation should take part in implementing policies.Matters of governance are also of greater importance to note for countries with weak institutions should be supported and strengthened to assist them when implementing WB and IMF policies.

Acronyms

Bretton Woods Conference	-BWC
Bretton Woods Institutions	-BBW
Foreign Direct Investment	-FDI
Inernational Bank for Recostruction and Development	-IBRD
International Central for Settlement of Investment Disputes	-ICSID
International Development Association	-IDA
International Finance Corporation	-IFC
International Financial Institutions	-IFI
International Monetary Fund	-IMF
Multilateral Investent Guarantee Agency	-MIGA
United Nations Monetary and Financial Institutions	-UNMFI
World Bank	-WB
World War	-WW

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1 CHAPTER ONE – Introduction.

1.1 Introduction

This study analyses the operations of the World Bank (WB) and the International Monetary Fund, hereto, referred as the Bretton Woods institutions or the International Financial Institutions (IFI). The United Nations Monetary and Financial Conference commonly referred as the Bretton Woods conference of 1944 witnessed the gathering of the then superpowers, Britain, United States of America, France, Russia and forty (40) others to establish a new world economic order that would prevent another worldwide economic cataclysm like the Great Depression that had destabilized the whole of Europe and the United States of America (USA) in the 1930s and had contributed to the rise of war.

The International Bank for Reconstruction and Development (IBRD) or the World Bank and the International Monetary Fund were then established to spearhead development through stabilization of world currency and provision of official development assistance such as loan for the war destroyed eastern and western European economics. Since then, these IFIs have contributed immensely to the development of the world however; their operations have created a lot of debates. This chapter looks at the background of the study, statement of the problem, research questions and objectives to guide the research, justification or the importance of the study and the limitations and delimitations of the research.

1.2 Background to the Problem.

The "Bretton Woods" nations understood the need for multinational and multilateral institutions whose sole focus would be economic development. In 1944, with these intentions in mind, the International Monetary Fund (IMF) and its sister organization, the World Bank (WB), began their long legacies of universal lending according to Wohlwend (2010:4) The IMF was, and still is, intended to perform two main tasks: to monitor member states' economies and to act as an international lender. Still performing these tasks, the IMF has allowed the latter to become its main purpose (Buira 2005).

It is the international lending modalities that have become area of intense debate and contentious between the developed countries who are the majority shareholders and the least developed countries, who are also the main borrowers. The World Bank and the International

Monetary Fund are the two most powerful institutions in global trade and finance. The World Bank and the IMF have forced Third World countries to open their economies to Western penetration and increase exports of primary goods to wealthy nations. These steps amongst others have multiplied profits for Western mul

tinational corporations while subjecting Third World countries to horrendous levels of poverty unemployment, malnutrition, illiteracy and economic decline. The region worst affected has been Africa according to Asad Ismi (2004:3). Anti -globalists have critized the WB and the IMF as the agency of neo-colonialism and neo-imperialist due to their operations.

The twenty first century witnessed ailing economies in Southern African countries for example Kenya, Mozambique, Zambia and Zimbabwe. In addition, Zimbabwe embarked on the popular fast track land reform programme which was made to redistribute commercial agricultural land mainly in the hands of the whites into the black people. The US, Britain and its alliances accused the Zimbabwean government of human rights abuses and imposed sanctions on the country inflicting more the already ailing economy. The IMF and the WB also responded by restricting the Zimbabwean government to access loans on the premises of high debts and incapacity to service those credits. Overall economic decline between the years 2000 and 2008 with a cumulative real Gross Domestic Product (GDP) decline of forty percent. This was characterized by hyperinflation that peaked at five hundred million percent by December 2000 and nominal GP established at $5,498 million in 2009 according to the IMF Report (2009). Faced with deteriorating economies and a stiff with the West, the government of Zimbabwe enacted the “Look East Policy” which was meant to seek for other lending partners in the East. In 2009, the inclusive government embarked on the programme to readdress Zimbabwe and the Bretton Woods institutions relationship. Tremendous efforts have been made to normalcy the relationship and for Zimbabwe to assume its role at the IMF and WB.

Despite the stiff relationship, Zimbabwe has maintained a steady relationship with the IMF and the WB. In addition, the conditionalities under the ESAP also worsen the already deteriorating economic environment. The only noticeable significant flows have been directed towards humanitarian support averaging seven hundred million dollars in 2005. Unemployment rate was high due to economic decline. The 2009 reforms, under the inclusive government have witnessed macro-economic stabilization after the adoption of the multi-currency system (dollarization).The inflation now averages one percent by October 2009 and real GDP grew by 3.7 percent according to the midterm fiscal review of July (2009). On the external trade, exposes volumes declined by 14.7% and imports increased by 12.7 percent in 2008 resulting to negative terms of trade according to the IMF Report (2010)

1.3 Statement of the Problem.

Throughout the 1970s and 80s, the IMF and the WB implemented a host of a number of programmes throughout Africa and Zimbabwe in particular, that were meant to arrest a growing and blooming government expenditure, high inflation rates, negative balance of payment, poor revenue collection against high government spending resulting in budget deficits, high unemployment rate among others. These negative economic indicators encouraged the IMF and the WB to implement Structural Adjustment Programmes (SAP), commonly known in Zimbabwe as Economic Structural Adjustment Program (ESAP), as a means to arrest the negative economic indicators alluded to above. These measures resulted in high unemployment rate, poverty, high death rate, among others. Academics and anti-globalists clearly spell out the failures of the IMF and WB in harnessing development in third world counties. In other circles, the WB and the IMF were regarded as agency of neo-colonialism and imperialist. However, despite all the negative implications of the WB and IMF operations in Africa, most sub-Saharan African countries have continued their partnership with these IFI including Zimbabwe. Major observations have been strides made by Harare to search for other international lenders other than the IMF and the WB through the look east policy. Despite all these, Zimbabwe has maintained a frosty relations with the traditional lenders the IMF and the WB.

1.4 Research Objectives.

The study was guided by the following objectives;

1. To analyses the implications of the IMF and WB operations in Zimbabwe.
2. To evaluate the WB and IMF programmes in Zimbabwe.

3. To establish mechanisms and strategies to mitigate the impact of IMF and WB operations in Zimbabwe.

4. To offer solutions and recommendations to policy makers for improvements.

1.5 Research Questions.

The study was guided by the following questions:

1. What is/are the major implications of the IMF and WB operations in Zimbabwe?

2. What has been the impact of the WB and IMF programmes in Zimbabwe?

3. What are the best strategies and mechanisms to mitigate the impact of IMF and WB operations in Zimbabwe?

4. Which legal and policy frameworks need to be addressed to improve the IMF and WB on one hand and Zimbabwe on the other hand?

1.6 **Justification of the study**.

Notwithstanding significant growth in the body of knowledge regarding the discipline of international financial studies, it remains critical for more and more studies to understand the relationship of the IFI and third world countries. Aftermath, of the disastrous results of the WB and IMF structural adjustment policies in Africa and large, little efforts have been made to find means and strategies to ensure a smooth relationship between the IMF and developing countries. This study motivated by the need to find compromising position between Africa and the IFI, and how Zimbabwe can make use of the frosty but improving relationship with the IMF and WB to capitalize on its own development agenda. An academic research, making use of the qualitative data collection technique and subjected to intervene data analysis remains critical in finding solutions to the implications of IMF and WB operations in Africa and with a particular need to find viable solutions to the challenges.

1.7 RESEACH METHODOLOGY

The purpose of this Chapter is to provide an overview of the methodology of research study, the study design, the instrument used to collect the data, and data analysis techniques. In this study qualitative methodologies have been used to have an understanding of the analysis of the implications of the IMF and the WB operations in Southern Africa. The data was collected from mainly secondary sources.

1.8 Research Design

The research used a case study method, with a particular reference to Zimbabwe. This was selected as the research design, for this study took place in a natural setting designated as a boundary system. Case study method focuses on what Burns (2000) contended as a bounded system which is an entity in itself and allows examination in depth. Burns (2000) further argues that the researcher can probe deeply, undertaking intensive analysis of the subject of the case study examining the various phenomena. Study of a particular case might reveal insights, which may relate to the typical class of events from which the case has been drawn. According to Punch (1998), a case study method allows for a variety of research questions and purposes which allows the researcher to develop as fully an understanding of that case as possible. Isaac and Michael (1995) argue that a case study is exploratory in nature and the outcome of a case study may provide information and "possible hypothesis" to guide future research. The case study is useful to pioneer new ground which allows the researcher to bring to light important variables, processes and interactions.

1.9 Data Collection

In pursuant to the collection of relevant information concerning the implications of the operations of the WB and the IMF in Zimbabwe, the researcher made use of secondary data collection techniques as alluded above. Documentary analysis or desk research was used. Various sources of documentary were identified including newspapers, articles from the internet, journals, books, and websites, among others. The researcher acknowledges intense debates and materials regarding the operations of the IMF and the WB in Southern Africa. Limited information has been availed regarding the implications of the IMF and the WB operations in Zimbabwe and it is the role of this research to fill the void by analysing various researches and spell it out clearly.

1.10 Document Analysis.

A document analysis is a useful method of gathering data about policy and practice where that is the focus of research. A document analysis was undertaken examining the background of the WB and the IMF establishment, initial operations and comparison of such operations with other regional groupings. The purpose of the document analysis was to identify what Bell (2007) describe as relationships between the IMF and the WB on the other hand and the Southern African countries and offer alternatives for further mutual beneficial relationship...

Document analysis can provide an objective and historical source of data for a research study (Robson et al., 2001). Burns (2000) suggested that documents can be used to corroborate evidence from other sources and specify events and issues in greater detail than available through other data gathering methods. However, Burns (2000) cautioned that documents as sources of evidence may not be accurate and may contain bias and specific points of view which must be questioned. These limitations can be a threat to the researcher, as it would be difficult to generalize the implications of the WB and the IMF in throughout SADC.

1.11 LITERATURE REVIEW

International Institutions as a field is pregnant with vast literature covering the implications of these Institutions globally. In particular, the Bretton Woods Institutions which are sometimes called the Bretton Woods Financial Institutions referring to their dealings with economic and financial matters. These include the World Bank which gave birth to the International Monetary Fund.

Much of the 21st century literature has been trying to explain the role of the WB and IMF closely looking at the reasons for their establishment. Mengisteab and Logan (1995) notes that the IMF and WB were created in the wake of World War two at the Bretton Woods Conference in New Hampshire. Their incorporation was motivated in large part by the pressing needs of the post war international economy and the desire to erect a last piece. The IMF was designed to promote relative exchange rate stability, to provide liquidity for shortterm balance of payments deficit and to manage exchange rate payments. The World Bank would focus on the reconstruction of besieged European nations and the development of less advanced economies for example Zimbabwe's economy in the 21st century after having provided for the reasons that binds these institutions. Scholars like Chakaodza (2003:9-15), Mathoma (2000) provide arguments for the irrelative of these institutions in African set up arguing that they were created for European development after second World War. The year 2000 marked a difficult phase for Zimbabwean economy due to internal and external pressures. This does not save these institutions but one goes further and examine the institutional role in Zimbabwe's economy regardless of other pressures.

Limited information has been availed regarding the implications of the IMF and the WB operations in Zimbabwe and it is the role of this research to fill the void by analysing various researches and spell it out clearly. In 2004, Zimbabwe was stroke with economic sanctions by the World Bank and IMF. These sanctions were theoretically based on the view that the country had a high debt rate which needed a debt clearance according to Moyo(2000).Other scholars like Madhuku and Sachikonye (2004) argue that Zimbabwe's economy was stroke by economic policies such as the land reform program as well as a one party regime advocated for by the government. However Mengisteab and Logan (1995) argue that these institutions profound a neo-liberal economic adjustment program premised upon free market enterprise in ideological terms.

Sabelo (2007) also postulates that WB initiatives will continue to dominate and take precedence over autonomous development initiatives by the nationalist's political elite in Africa. This is also supported by Chakaodza (2003) who explains how these institutions had already gunned down Zimbabwe's economy before the twenty first century by the structural adjustment program. Watkins notes that SAPs require governments to: raise interest rates, thus reducing access to credit: cut public spending, (including eliminating subsidies for food, medical care and education); increase exports; privatize state enterprises; and reduce barriers to trade and foreign investment such as tariffs and import duties as a strategy to lure Foreign Direct Investment (FDI) which is considered critical for economic development. These measures are supposed to generate export-led growth that will attract foreign direct investment and can be used to reduce debt and poverty. Most of the southern African countries have implemented SAP includes; Zimbabwe, Zambia, Mozambique, Malawi, DR

Congo among others. The results have been devastating as most of the country purge into more and more poverty and underdevelopment.

It is also of greater importance to note the member states who dominate within these monetary/financial institutions, Britain the former colonizer of Zimbabwe, America, France, Russia and China. Chigora (2006) specializes on how Zimbabwe lost its good relations with Britain. Although this was before the twenty first century, it is of greater importance to take note that it was in the late twenty century and prompted negative relations in the twenty first century which saw institutions like WB and IMF abandoning Zimbabwe because they are highly influenced by these Western Countries.

Rosock and Simmonds (1999) notes that the Bretton Woods Institution uses quite complicated approaches especially to African nations who appears to be desperate for financial assistance. The after approach emphasizes as regressive in the ex-ante approach which is based on conditionality, a method that premises financial assistance on a recipient nation's compliance with certain measures. When those measures are designed to effect lasting peace, conditionality functions as a device for conflict preview. Ismi (2004) observed that although most of the developing countries would be facing some economic challenges such as high budget deficits, unemployment rate, high inflation, poor service delivery, corruption and other negative economic indicators, the IMF and the WB prescriptions failed to achieve its intended purpose as most of the third world countries faced more economic challenges. To illustrate this opinion, Ismi (2004) observed that during the 1980s, Zimbabwe's economic growth rate averaged about 4% a year. Its exports were increasingly manufactured goods, debts were regularly repaid, food security was attained, and education and health services were greatly expanded by major increases in government spending. Consequently, the infant mortality rate fell from 100 per 1,000 births to 50 between 1980 and 1988 and life expectancy increased from 56 to 64 years. Primary school enrolment doubled. However, Zimbabwe implemented structural adjustment in 1991 when it signed an agreement with the IMF in exchange for a $484 million loan. The government turned to the Fund in an effort to "jump start economic growth" after several years of economic stagnation. These measures brought "massive closings of companies," leading to increased poverty and unemployment. The Zimbabwean economy went into recession in 1992 when real GDP fell by nearly 8%. Twenty-five percent of public workers were laid off and unemployment reached between 35% and 50% in 1997. By 1999, 68% of the population was living on less than $2 a day and with the collapse of wages, many workers lived far below the poverty line.

The strong influence over economic policies that IMF and the WB has is another significant feature that legs behind Southern African Economic Countries especially in Zimbabwe in the twenty first century. George (2007) note that the inability of many countries to repay their debts has made them depend on new icons. IMF has the power to declare countries credit worthy or not. To get a seal of approval countries have to accept the conditions of Structural Adjustment Program. They have to restructure their economies according to International Monetary Fund and World Bank's guidelines otherwise; they will have virtually no choice to get loans from public creditors anywhere.

1.12 THEORETICAL FRAMEWORK

1.12.1 The dependency Theory

Dependency can be defined as an explanation of the economic development of a state in terms of the external influences--political, economic, and cultural--on national development policies according to Ferraro (1996). The major proponents of the dependency theory include Andre Gunder Frank, Prebisch,So(2000) observed that the dependency theory recognize that the reasons of third world under - development is a result of the historical relations between the north and the south. Historical relations that emanate from slavery, colonialism, neo-colonialism among others, which disadvantage developing countries in terms of the current trade prowess. So (2000), further noted that, in an effort to readdress the imbalances, the proponents of the theory such as Prebisch argues that third world countries should expedite the process of industrialization by substitution of a large part of current imports by domestic production. Initially, domestic industries were to be protected from external competition by tariff and other restrictive measures possible under the circumstances. The import substitution by domestic products and employ restrictive measures contradicts directly the conditionalities that are encouraged by the IMF and the WB. The IMF and the WB rather encourages countries to open up their economies to further investment from the foreigners (FDI). Dependence proponents view the IMF and the WB as an agent of the West that is established to pursue the interest of the developed countries.

Ferraro (1996), the premises of dependency theory are; the poor nations are almost all former colonies of the developed nations and their economies were built to serve the developed nations in a twofold capacity, as sources of cheap raw materials and as highly populous markets for the absorption of the developed nations manufactured output. This clearly explains the distinction articulated by the dependency theory that the world is divided into two; the centre and the periphery, or the developed and the developing, with the periphery which refers to most third world countries who are underdeveloped slaves servicing the interest of the centre or the West.

In addition Ferraro (1996) notes that Wealthy nations actively perpetuate a state of dependence by various means: the influence may be multifaceted involving economics, media control, politics, education. Wealthy nations actively counter attempts by dependent nations to resist their influences by means of economic sanctions for example in Zimbabwe after embarking on the fast track land reform programme and/or the use of military force for example Iraq under the disguise of accusing Iraq to be in possession of weapons of mass destruction. The inflow of capital from the developed countries is the prerequisite for the establishment of economic dependence. This inflow takes various forms: loans granted on enormous terms, investment that place a given country in the power of the investors, almost total technological subordination of the dependent country to the developed country, control of a country's foreign trade by the big international monopolies. The WB and the IMF are also heavily criticized for creating conditions of dependence through provision of loans with high interest rates. The debt crisis, which caught most of the African countries including Zimbabwe, Zambia, DRC among others clearly fit within the capital flow that creates the dependence as alluded to by the proponents of the dependence theory.

In an effort to pursue developed, the major proponents of the dependency theory argues for de-link/ cut the umbilical code according to addition Ferraro (1996). De-linking en-tells developing countries cutting trade relations with the West and engage in South – south cooperation and trade. Trading among third world countries would be considered fair and equal with the capacity to ensure mutually beneficial relationship. In addition, the proponents argue for the promotion of domestic industry and manufactured goods at the expense of external goods and services. Proponents also argue for the prescription on forbidding foreign investments and encourage third world countries to consider nationalization

The major critique of the dependency theory argues that the theory fails to take note of the internal inherent obstacles and solely blamed the external influences for lack of development in third world countries. Most African countries obstacles to development emanate from matters of poor corporate governance, corruption, lack of accountability and transparency. These issues are considered more critical to development. The mere blame of the Western countries is considered unfortunate because as other previous colonized countries have achieved development for example, the dependency theory fails to explain the massive development of the Asian tigers including South Korea. South Korea is one of the countries whose development agenda equally suits the Western world.

1.12.2 Liberalism

Liberalism is classically defined as an attempt to limit the power of the state for the sake of individual freedom. One of the major proponents of the liberalism theory includes John Locke. This is attested by the fact that hardly anyone speaks out against freedom or democracy anymore, which are the primary values of liberalism made a number of assumptions. The major assumption rest on the notion that individual is at the centre and the individual's desire freedom above everything. Economic actors are rational players whose desire for freedom is unquestionable. Free, rational actors naturally create markets natural. Liberalism advocates for the free market economy, where there is a restricted government involvement into the market. The liberalism theory recognized the importance of allowing the elements of the economy that is the supply and demand to meet and determine the price and quality. Free market economy encourages competition and hence efficiency and effectiveness.

1.13 Limitations

In the conduct of the study, the researcher witnessed a myriad of challenges; however, mitigation mechanisms were diverse to minimize compromise of the research quality. One limitation faced concerns the adequacy of the available information sources or relevance and suitable information to the research appeared. Relevant information is important because it assist in making reliable and informative conclusions regarding the impact of the IMF and WB operations in Zimbabwe. Relevant information as a challenge was exacerbated by the notion that most of the information regarding the operations of the WB and IMF concentrate on the effects and override issues of international relations that is the relationship of the WB and IMF and the developing countries. To easy the challenge, the researcher made use of the documentary research such as internet where contemporary information is readily available, in addition information regarding the implications of the IFI operations in Zimbabwe is also available in government departments and text books.

1.14 Delimitations

The study concentrated on the implication of Bretton Woods Institution's system on Southern African economies in the 21st century. The operations of the WB and the IMF are global that's it operates throughout all the continents, however this research will focus mainly in Southern Africa on countries under the regional auspices of the Southern African Development community (SADC) and further concentrate on Zimbabwe. It does not look on Africa at large neither the Sub-Saharan context. The IMF and the WB operations started in the 20th century. In addition, there has been immense development since the 1950s. This study although recognize the importance of the IMF and WB operations in the 1970 and 80s; the research intends to focus on the contemporary effects that is the 21st issues. The study therefore, focuses on the contemporary implications of the IFIs operations in Zimbabwe.

1.15 Conclusion

Southern African countries are the major recipient of the IMF and WB official development assistance in the form of loans under the Structural adjustment programmes. The conditionalities that are set as a requirement for the borrowing country to access the financial assistance had had a disastrous effects to the southern Africa countries, with Zimbabwe after implementing the ESAP faced high unemployment rate, an increased in poverty levels as more and more people were retrenched from the workforce and a mushrooming informal sector. The social services sector was also not spared as the education and health sector succumbed to the negative effects of the ESAP. The conditionalities entails massive retrenchment of the civil service which was considered to be bloated, ineffective and inefficient; reduction on government spending especially on critical services such as health and education, de-regulation of the market thereby allowing the supply and demand to interplay and determine the economic environment; commercialization and privatization of the government owned companies or parastatals as they were considered an unnecessary bargains to the state. In Zimbabwe, the socio-economic environment was characterized with high levels of poverty. This study analyses the implications of the IMF and WB operations in Zimbabwe. In the next chapter, the study explores the methodology used to gather the data.

1.16 Chapter Outline

The research is broken down into four chapters:

Chapter One: Introduction

The Chapter introduces the research with background to the problem, statement of the problem as well as research questions and objectives. The study is also justified with the provision of research methodology and literature review. Liberalism and Dependency Theories were selected to support the relations between the two variables.

Chapter Two:

The chapter focuses more on the Bretton Woods Institutions. It provides the Origins and operations of the World Bank and International Monetary Fund.

Chapter three

There is an overview of the Southern Africa and Southern African States, description on the transition from SADCC to SADC as well as the intervention of the Bretton Woods Institution in Southern Africa.

Chapter 4

The chapter will present data findings, analysis of the information provides for conclusions and recommendations in Chapter 5

Chapter 5

The Chapter concludes the research as well as giving recommendations to various stakeholders.

2 CHAPTER TWO: The Bretton Woods Institutions

2.1 Introduction

This chapter provides a historical and overview of the formation and operations of the Bretton wood institutions. The WB and the IMF were born during the time of World War Two, after a realization that the major cause of the war was economical as compared to political differences. The Bretton woods institutions were therefore established to avert another war, as states would cooperate and operate within a regulated international system with institutions such as the World Bank and the international monetary fund guarantees the safety of all the country's economy. The chapter borrows authoritatively, the writings of other distinguished authors in the field of international political economy.

2.2 The Origins of International Financial Institutions.

The United states of America, Great Britain, France, Russia and the 40 other countries from Europe, met at the end of the World War Two in New Hampshire, to establish and lay the international financial order. In the 1920s, mercantilist policies mostly referred as the "bigger thy neighbour "which entails and promote protectionism. Countries fallen into the belief that to achieve economic development they had to protect their own internal economic growth from external competition, then employed such tactics that prevented the other countries in achieving their own development. Countries employed high tariffs and import duties. Most of the country, motivated by the realism and mercantalistic mentality employed the same technical aspect thereby causing the Great Depression.

The Great Depression, an economic catastrophic was identified as the major cause of the World War. The Great Depression contributed to the US and European risen of fascism and subsequently the war. Around the end of the Second World War, most parts of Europe had been destroyed by war. Destabilized the whole of Europe as all the countries. Levin Institute (2010) notes that in July 1944, the United States, Great Britain, and France, Russia among others sent representatives to meet at Bretton Woods, and discuss the post-war international financial order. This was motivated by the need to avert another war induced by economic challenges. Levin Institute further notes that the new world financial order was expected to prevent another worldwide economic cataclysm like the Great Depression that had destabilized Europe and the United States in the 1930s and had contributed to the war.

On the side-line of the United Nations meeting, the representatives of the states indicated above establish what was commonly known as the United Nations Monetary and Financial Conference. The United Nations had set to establish a world governing body, creating a systematic body of rules and regulations under International Law as a strategy to regulate states conduct or relationship among states. The United Nations Monetary and Financial Conference or the Bretton Woods conference, at the end of the conference established the International Monetary Fund (the IMF) and the World Bank (WB), to prevent economic crises and to rebuild economies shattered by the war. Critics of the WB and the IMF has pointed out that because the Bretton Wood institutions were created to rebuild the economies of the war devastated Europe, they crafted policies and operational frameworks that were favourable and to see through the successful reconstruction of the European cities. Loan facilities that were extended to most European countries had long repayment periods in addition to low interest rates. Most of the European countries managed to find their feet again and rose to be economic giants again. However, since the diversification of the IMF and the WB to cover non-European countries, the new conditionalities have been citizen as harsh and making it difficult for the recent part to achieve economic development. The conditions that Africans for instances are required to implement or set before receiving the loans are mainly harsh with devastating results.

Easterly (2001) observes that the Bretton Woods institutions addressed strategically the two main causes of the pre-war economic downturn and obstacles to future global prosperity, the lack of stable financial markets around the world that had led to the war and the destruction caused by the war itself. It is important to note that at the time, the IMF and the WB had no other intended objective but to ensure that wars because of disorders international financial marketing were averted and never returned. The establishment of the WB and the IMF were therefore to establish set of rules and regulations that members of the United Nations were expected to follow in their operations. In addition, the IMF and the WB were also expected to extend hand of financial assistance to any member bound to be in a financial mess. Easterly sum up by noting that the IMF was established to ensure stabilization of global financial markets and national currencies by providing the resources to establish secure monetary policy and exchange rate regimes, while the World Bank would rebuild Europe by facilitating investment in reconstruction and development.

2.3 The International Monetary Fund

At the end of the United Nations Monetary and Financial Conference, agreed to set up the International Monetary Fund's (IMF) through the Articles of Agreement. According to the Articles of Agreement, the IMF has a number of responsibilities which include promoting international monetary cooperation through a permanent institution that provides the machinery for consultation and collaboration on international monetary problems; facilitating the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy; promoting exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation; assisting in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions that hamper the growth of world trade; giving confidence to members by making the general resources of the IMF temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity; and in accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

In simple terms, the IMF is mandated to facilitate the co-operation of nations on monetary policies, including provision of the necessary financial resources for both the consultation and the establishment of monetary policy in order to minimize the effects of international financial crises. The previously disorderly, international financial system need to be regulated and the IMF is expected to play that financial governance role and in addition, the IMF was/is expected to offer assistance when signs of a disaster are illuming. The IMF is also expected to assist the liberalization of international trade by helping countries increase their real incomes while lowering unemployment. Anti-globalist have criticised this role, to the extent that the IMF has been labelled an urgent of neo-liberalism and imperialism. The IMF has been on the fore-front requesting borrowing countries to open up their border to foreign direct investments; however in most cases the third world countries have found out that their economies has been flooded with cheap imports from the developed countries. Rather than creating the intended employment, these third world countries have been exporting their labour to the developed nations, thanks to the policies of the IMF.

The International Monetary Fund is also mandated to assist in the stabilization of exchange rates between countries. After the global depression of the 1930s, it was noted and considered to be vital to establish exchange rates among currencies that could hold value. In addition, the IMF would then be expected to serve as mediums of international exchange, and resist any speculative attacks.

This role has also found the IMF requesting for the deregulation of the financial market when implementing the Structural Adjustment programme. One of the condition of receiving the IMF financial facilities, has been the request that the borrowing government should deregulate its financial market and leave every to the market driven elements of supply and demand according to the Articles of Agreement,Woolwend D(2000). The ultimate results expected would ignite on the economic activities and achievement of the positive balance of payment. In Zimbabwe, this conditionalities led to the total collapse of a once vibrant manufacturing sector and also contributed to the high unemployment rate. As that is not enough, poverty levels also increased as more and more people started to live under the poverty datum line. The IMF is expected to maintain a multilateral system of payments that eliminates foreign exchange restrictions. Countries are thus free to trade with each other without worrying about the effects of interest rates and currency depreciation on their payments.

It is important to note that the Bretton Woods system was a response to dual needs of standards code of behaviour for inter trade, payments, and a source of borrowing for nations with temporary balance of payments deficits. Easterly W(2001) notes that the IMF was set to facilitate the expansion and balanced growth of trade, to offer policy recommendations to countries faced by balance of payment position and to make financial resources available to member countries. The IMF demands for certain degree of economic reforms as conditions for financial assistance and the IMF abandoned its original mission in favour of restructuring national economies. Restructuring plans or SAPs list an average of 114 conditions for a country in return for capital investment. In each case those on the receiving end have to remove trade barriers, sell national assets to foreign investors, slash social spending and crush trade unions

2.4 The World Bank

Initially the World Bank was well known as the International Bank for Reconstruction and Development (IBRD). The World Bank was initially established to assist the war tone zone of Europe with reconstruction, therefore its main area was reconstruction and development hence the name IBRD.Wohlwend D (2000) articulate that the World Bank started to conduct some expatiation beyond its initial scope and purpose of rebuilding Europe. Four additional organizations were then established which are namely; the IBRD, the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). The IBRD and the IDA focus mainly on public sector monetary policy and provide low-interest loans, interest-free credit, and grants to developing countries. This has been the facility that most developing countries has access to in their interactions with the World Bank. In addition also to its initial purpose, the bank is mandated to affect policies to governments by providing macroeconomic policy advice, technical advice and research. This has expended the role of the WB from merely looking on financial matters but also to other issues that are of relevance to the development of the country. As more and more countries approached the WB and loans extended to them, the WB recognize that, some of its policies were not being implemented or failed to take on-board because of other external elements. The remaining three institutions that belong to the World Bank Group focus more on private market interactions, providing funding, insurance, and dispute resolution for private sector projects.

The mission statement of the IBRD states that it "aims to reduce poverty in middle-income and credit worthy poorer countries by promoting sustainable development, through loans, guarantees, and non-lending-including analytical and advisory-services." The World Bank aims at issues such as building infrastructure (power plants, roads, dams among others), humanitarian emergencies, natural disaster relief, poverty reduction, gender equality, infant mortality, education, and long-term development issues. Furthermore, the World Bank tries to foster social reforms to promote economic development, such the empowerment of women, building schools and health centres, provision of clean water and electricity, fighting disease, and protecting the environment. The Levin Institute (2010) notes that since the turn of the new millennium, the World Bank in accordance with the Millennium Development Goals

(MDGs), drafted by the United Nations at the Millennium World Summit, and has been working flat out to support the achievement of those goals.

While the IMF has mainly concentrated on financial regulations, the WB took an action oriented strategy by funding capital projects with a bearing to national development such as roads, dams and power stations. In addition, the WB has also take into consideration the need to offer both technical and procedural advice to developing countries. The WB has also not been spared by the

2.5 Conclusion

The International Financial Institutions were established to avert another world war disaster. The causes of the Second World War were mostly attributed to the economic challenges that be-followed the European countries in the late 1920s. The Great Depression was mainly attributed to the beggar thy neighbour policies which include the comply of high tariffs and import duties as a strategy to protect one's economy. The policies led to fascism and subsequently to be as states were being individualistic and not supportive of one another. To avert such a situation, the United nations Monetary and Financial Conference set on the side of the United nations Conference to deliberate on the financial system and to set the new world financial order. Within the same framework, the IMF was established with the mandate to regulate and manage currency exchange system and the WB to offer financial assistance for the rebuilding and construction of the war tone zone of Europe. The two IFIs moulded themselves and expanded their mandate to include provision of technical advice to member states. The operations of the IMF and the WB has had a devastating effects to most third world countries especially those in Africa, as the polices caused untold suffering. The next chapter intends to examine the Southern African countries economies before and after the interactions with the IMF and the WB.

3 CHAPTER THREE: SADC and the intervention of the Bretton Woods Institution

3.1 Introduction

This chapter presents a historical and overview of the Southern African economies under the banner of the Southern African Development Community (SADC), before and after the intervention of the Bretton Wood institution. The chapter intends to explore in a homogeneous manner, the similarities and differences that exists in varies SADC countries. The Chapter also borrows authoritatively, the writings of other authors who have researched and authored intensely on SADC economies. The SADC shares a lot of historical development dated back from the struggle for independence when the black majority freedom fighting movements cooperated and engaged one another. The chapter will therefore offer a historical perspective of the development of SADC as both a political and economic integration regional block.

3.2 The Southern Africa and SADCC

SADC stands for the Southern African Development Community and a predecessor of the Southern African Development Cooperation Conferences, (SADCC). SADC countries share a common history, a history for the attainment of the struggle for independence. Most countries such as Zimbabwe, Mozambique, Namibia, and Democratic Republic of Congo had to engage in an armed struggle to over-through mostly the white racist European government. Most black political movements that were against the white supremacist began to cooperate an assist one another for the common purpose of achieving independence. The most significant institutions to coordinate the fight against colonialism can be traced back to the Lusaka Declaration of 1980. According to Schoemani (2000), the Lusaka Declaration was a result of the Front Line States' resolution to cooperate in the fight against the then South Africa apartheid government and Namibian colonialism.

The Front line states included Zimbabwe, Mozambique, Tanzania, Botswana, Zambia among others, were of the view that they needed to cooperate both at political and economic level to eliminate and isolate the South Africa and Namibian apartheid government. Schoeman (2000) observed that the Front Line States operated an ado conference but operating at both the summit and ministerial level. In addition, the Front Line States were not institutionalized, therefore lacked a secretariat who operationalize the resolutions and also make strides in achieving set objectives. The Front Line States as an organization lacked a formal treaty or Constitution thereby there were no rules and regulations in their conduct, no checks and balances and transparency as well. The organization depended heavily on individual leadership and initiatives of the summit. It is important to note that although the Front Line states were more politically inclined, there was an understanding that the economy could also be used to isolate the apartheid government in Southern, hence the need to cooperate economically. In addition, the FLS also recognized that regional integration as emphasized and advocated for, by the Lagos Plan of Action was a way to achieve internal economic growth.

Clapham (2001),summarized by observing that independent Africa countries tended to strive for regional cooperation for the sake of safeguarding and strengthening individual statehood and the FLS therefore, set the pattern for the way in which post-colonial regional cooperation in southern Africa would develop. Each FLS cooperated and contributed according to its means and needs in terms of its own definition. There was constant and explicit recognition of each other's independent sovereignty and that this was not to be compromised through cooperation. To emphasize that the whole purpose of regional cooperation served to strengthen the state and to ensure that independent statehood would come to the rest of the region (Zimbabwe, Namibia and South Africa) the minimum level of institutionalization was allowed and catered for. No formal agreements underpinned the establishment of the FLS and in the case of SADCC there would be no Treaty. Cooperation was largely characterized by crisis response as the way in which it was managed.

3.3 From SADCC to SADC

The transformation of the SADCC to SADC was a recognition of the new international trends both political and economical and the acknowledgement that the global system had moved from the emphasize of security from a militarily point of view to the human oriented, environment, food security, economic, social, technological among others. SADCC as alluded to above, a creature of the Front line states was mainly motivated by political emancipation of the black movement with minimal recognition of economic issues. Shoeman (2004) observed that in 1992, Windhoek, Namibia, the SADCC was transformed into the current SADC with the addition of three more members, South Africa, Mauritius and Namibia. SADC was later joined by three more countries the Democratic Republic of Congo, Seychelles and Madagascar. Although the Seychelles left the organization in 2001, it is included in this work for its historical membership. The region has diversity economic dispensation; each country in the region is different according to its economic structure and its degree of development. However, according to the World Bank (2007), the region remains one that belongs to the poorest in the world; the GDP throughout the SADC is about 420 billion U.S. dollars in 2007, which is not even one present of the world GDP.

It is important to note that the transformation of SADCC into SADC represents a respond to continental and international trends. Under the predecessor of the African Union (AU), the Organization of African Union (OAU), efforts were already underway to establish a continental free trade arrangement through the Lagos Plan of Action. Furthermore, on the international scale on the political ground, the war of ideology that is Cold war had ended with the demise of the apartheid in South Africa. There were growing concerns towards the emphasize of security as military interventions to rather human oriented that is food, environment. The end of the Cold War with the supremacy of the capitalism against communism meant that the new world economic order was going to be neo-liberal going forward. The neo-liberal economic paradigm became the new ideological driving most government and SADC were not spared as matters of economic began to be considered in the new SADC paradigm arrangement.

A number of programmes earmarked for development were established under the SADCC that required heavy capital investment. Projects in infrastructural development such as road, energy water, education, health among others. Although no formal documentation existed for the SADCC the quest to ensure economic growth was overwhelming and demanded action on the part of the summit. To those effects, a number of conference papers were produced that emphasized all the member states to engage in national development. As more and more countries gained independence, some of the issues such as military cooperation lost their relevance and new emerging matters were then put on the table for discussions.

It can be noted that at the time of the transformation of SADCC into SADC, the Bretton Wood Institutions that is the IMF and the WB were already operating in Southern Africa. Debates and studies were also underlay regarding the programmes of the WB and the IMF. Countries such as Zimbabwe were in the process of implementing the Economic Structural Adjustment Programme (ESAP). One can therefore conclude that the globalization process instituted at the global level of IFIs had an impact to the formation of SADC and to the general policy guidelines of the SADC. Under the guise of the OAU, Lagos Plan of Action, SADCC started to engage in formal negotiations to transform itself into an economic regional block with a legal mandate under international law. In addition to that, the fall of South Africa apartheid government coupled with the demise of the cold war, meant that the SADC was to take the neo-liberal root that was already being advocated for by the IMF and the WB. The policies of SADC therefore has also represented or reflected the neo-liberal tenets.

3.4 The SADC

SADC was established by the SADC treaty of 1992 which was adopted in Windhoek, Namibia. The SADC Treaty indicates a distinctive paradigm shift from the non-legal or constitutional body under both the FLS and the SADCC. The treaty is/was an initial point of departure and a defining moment as the institution would carry a legal standing, thereby creating a secretariat and sub committees that would monitor the implementation of various programmes to be instituted. The SADC, treaty establishes the guiding principles to include; sovereignty equality of all members; solidarity, peace and security; human rights, democracy and the rule of law; equity, balance and mutual benefits and peaceful settlement of disputes. In a number of occasions, SADC countries have allowed been criticized for inadequacies in operating under the guiding principles. The principle for human rights, democracy and the rule of law has been violated as a number of countries have been criticized for undemocratic tendencies such as unfair conduct of national elections. On the positive note, SADC remain relatively peace as compared to other regional groupings in Africa. However, concerns have been raised that there is need for the countries to borrow the human security orientation such as environment, food among others where the region is still lagging behind as it is one of the poorest in the world.

The SADC treaty also maintains that the regional grouping was formed for the purpose of achieving development and economic growth, alleviate poverty, enhance the standard and quality of life and support the socially disadvantaged through regional integration. The treaty further noted that SADC is responsible for promotion and defence of peace within the region, promote self-sustaining development, strengthening and consolidation the long standing historical, cultural and social common values among others. SADC therefore, is a regional body meant to facilitate the process of economic integration. SADC is established to facilitate processes such as free trade area arrangements, common currencies and foreign currency exchange control mechanisms among others. It is important to note that the policies of regional integration through the creation and establishment of free trade zones on the basis of removal or reduction of import duties, tariffs and rather the need to attain a positive balance of payment resonate well with the IMF and the WB structural adjustment programme. This also explains the major criticism that is mainly extended to these regional groupings.

3.5 IMF and the WB in SADC States

The struggle for independence had an important contribution towards the policies that SADC countries enacted immediately after independence. Countries such as Zimbabwe, Zambia among others, because they were supported and funded financially and militarily by the Russia and China pursued command policies that entail the dominance of the state in distribution of resources and advancing national interest. However, since the end of the cold war, an ideological welfare between the West capitalism or neo-liberal policies and the East, communism or command policies, resulted in the establishment of the new world order. Most Southern African countries have adopted and implemented the IMF and the WB neo-liberal policies through the structural adjustment policies.

The IMF and the WB started to offer recommendation for the adoption of their neo-liberal policies in the late 1970s to the 1990s. Most SADC countries have been implementing the IMF and the WB structural adjustment programmes. (This subject has been well covered in chapter 3 and 4). It is also important to highlight that SADC as a regional organization have also been advancing the same neo-liberal policies being advocated for by the IMF and the

WB. The general effects have been similar throughout the region such as an increase in poverty, unemployment rate.

3.6 Conclusion

In conclusion, SADC countries share a common historical heritage such as the struggle for the attainment of independence through waging a protracted war against white supremacy. SADC is a region endowed with a vast of natural resources although its inhabitant remains poor, living under a dollar per day. SADC was born from the Front Line States, which was mainly an informal organization which met at both the summit and ministerial level and composed of already independent states who were establishing an organized system to assist fellow Africans who were still fighting the war for independence. The FLS were mainly formed to over-through the South African apartheid government and see through the decolonization of Namibia. In 1980, the FLS was transformed into the then known SADCC, the Southern African Development Community Conferences which also met at both the summit and ministerial level. The SADCC was criticized for its lack of a legal standing as it remains an informal organization. In 1992, the SADCC was transformed into a more efficient organization with a legal creation in a form of a treaty, the Southern African Development Community (SADC). The current SADC has an establishment of 14 countries with a legal standing in a form of a treaty. In addition, the SADC is established to facilitate economic integration through free trade zones. One major criticism against regional groupings has been the notion that their policies they advocate for resonate well with policies and programmes funded by the IMF and the WB.

4 CHAPTER FOUR: RESEARCH FINDINGS AND PRESENTATION

4.1 1ntroduction

The attainment of independence on 18 April 1980 brought a new economic dispensation, a previously dominated and managed by the whites to a majority, black owned and managed. Since the 1980s, the WB and the IMF have implemented a number of programmes in Zimbabwe but the most commonly known programme with intense replications has been the Economic Structural Adjustment Programme (ESAP) of 1991, whose implications have also been of wide debate. This chapter will present the implications of the IMF and the WB operations in Zimbabwe. An analysis will also be presented to emphasize the points raised through various desk researches.

4.2 **Zimbabwe's Economy at Independence**.

Zimbabwe formerly Southern Rhodesia attained its independence on 18 April 198, after a protagonist civil unrest that endured for almost seven years of armed struggle by the majority blacks against the few minority whites who had centralized power. The historical reality bestowed on the notion that the few racist whites controlled both the political offices and dominated the economy as the owners of capital and industries. This historical reality remains a decisive factor in national policy decision making to this day. From the onset, the new black government led by President, R. G. Mugabe faced the major challenge of reconstruction, development and realigning of the inherited national policies structure previous dominated by whites into a new socio-economic dispensation.

The majority who were blacks did not own much of the materials gains which was a reflection of the white domination in the economy. Inherited national policies formulation and process needed a paradigm shift from the few white minority and be transformed into majority black focused institutions. The Rhodesian economy was embedded with high inequalities in wealth distribution, which was reflected in many sectors such as tourism, manufacturing, agriculture, banking, among others with land ownership being the most visible. Land ownership has always been identified as the major reasons that ignited the armed struggle. Against this background, the new government was heavily laboured with the need to readdress the inequalities brought by the racist policies, hence, the first decade of

Zimbabwe independence was earmarked for reconstruction, reconciliation and affirmative action as a strategy to empower the previously blacks. Affirmative action programmes were conducted in many sectors including banks, tourism, and agriculture, employment in parastatals and government and social services.

4.3 Growth with Equity.

The notion to readdress the previously dual economy where 80% of the population were blacks living in the rural areas and receiving less than 20% of the national cake and the 20% of the population living in urban areas and receiving much of the a national cake. The new government motivated by the need to attainment development realized that there was need for such development to take into account the yesteryear challenges and developed the Growth with Equity policy. The Growth with Equity notion was implemented throughout the whole sectors, such as health, agriculture, education, social services among others. The major noticeable and popular policies include; the Health for All, Education for All among others. The previous white racist government led by Ian Smith developed policies that suits and benefits the white minority at the expense of the black majority and it was therefore, the responsibility of the new government to implement policies that are gender responsive, racial neutral and people oriented development.

One of the policies that were pursued by the new government at independence was the reconciliation which was meant to ensure peaceful co-existence. The seven years of war had left hatred connotations not only between the whites and the blacks but also among the blacks themselves. The reconciliation policy was heeled as one of the best policies of the post-independence in Zimbabwe. According to Zhou (2012), the nationalist agendas of nation building was most manifest in the adoption of the policy of reconciliation in Zimbabwe. The policy was based on the need to build sustainable peace, equality and peaceful co -existence between races and ethnic groups in the country. This policy thus symbolized a radical departure from the era of racial discrimination and parallel co-existence. In a statement after the announcement of the first democratic elections in independent Zimbabwe, the then Prime Minister Robert Gabriel Mugabe emphasized the need to establish a society in which there is "space for everyone...a sense of security for both the winners and the losers - forgiveness and forgetting." (Davies et al, 1981, 206).

The new government inherited a viable economy with a strong agricultural base, manufacturing sector, tourism, and beef industry among others. Zimbabwe was regarded as the bread basket of Africa, with other Statesman calling it the "Jewel of Africa". Zimbabwe attains an average of 5% economic development (Gross Domestic Product) throughout the 1980s. The government was able to fund itself with little assistance coming from the donor community. At this period, the IMF and the WB were not visible in Zimbabwe. It is important to note that when Zimbabwe implemented the IMF and the WB, ESAP in Zimbabwe little attention was given to the historical developments and challenges for instances, ESAP ignored the hot potato issue of the land reform. The WB and the IMF policies also did not consider the racial imbalances that existed prior to the 1980s.

4.4 Zimbabwe under ESAP

Ismi (2004) notes that Zimbabwe adopted and implemented the Economic Structural Adjustment Program (ESAP), in 1991 after protestant negotiations that resulted in the signing of an agreement to the tune of $484 million loan facility with the IMF. In support Zhou (2012) defines ESAPs as neo-liberal, market-driven policy instruments, which were adopted as prescriptive solutions to the economic crises of the 1980s. The early years of the 1980s, was witnessed with intense economic development with a 5% growth rate being registered year in and year out. The agricultural sector which received subsidies performed well and was the largest foreign currency earner. Zimbabwe was considered the bread basket of Africa with its capacity to feed the rest of Africa. The manufacturing sector was also booming mainly because of the well performing agriculture sector which feed the manufacturing industry with raw materials. The mining sector is worth mentioning, Zimbabwe is endowed with a myriad of minerals resources. The mining sectors among others equally important sectors performed well. However, the late 1980s, witnessed a drastic decrease in economic growth, high budget deficits, blotted civil services with many ghost workers, high unemployment rate, incompetency by the state owned companies, inefficiency and ineffectiveness by the government among others. These challenges resulted in the government of Zimbabwe stretching its hand to seek for soft loans to be able to finance its economic development and kick start or going back to the hey days of the 1980s.

ESAP was also considered as a reversal policy of the big government which were pursued in the 1950s and the 1960s, which advocated for the inclusion of the government in the administration of the economy and distribution of resources among citizens. The ESAP prescription entailed privatization and commercialization of some state owned companies, reduction of government expenditure on social services such as health and education and replaced with the introduction of user fees in the health and education sectors, retrenchment or rationalization of the civil service with a reduction of 25%, withdrawal of subsidies including in the backbone sectors of the economy among others. This study presumes on the need to analyse the implications of the above prescriptions on Zimbabweans up to date will be making reference to matters of concerns.

The WB and the IMF prescription were premised on the assumptions that the market driven economy is the best in resources distribution and achieving efficiency and effectiveness in the operations of government. The market driven economy suggest limited role of the government as the government is considered of less importance or has no role to play in the market. The forces of supply and demand are therefore, argued to be best left on their own to decide on the price, quality and quantity with the ultimate efficient resources mobilization and distribution. The government was therefore expected to play the role of creating a conducive environment and left other issues to the market. In support, according to Zhou (2012), the Economic Structural Adjustment Policy Document of (1990:6) acknowledged de-emphasize of expenditure on social services and put emphasize on investment in the material production sectors such as agriculture, mining and manufacturing". The IMF sought to achieve the following targets;

1. Achieving an annual Gross Domestic Product growth rate of 5% during the period 1991 – 1995
2. Raising savings to 25% of GDP;
3. Raising investment to 25% of GDP;
4. Achieving export growth rate of 9% per annum during the period 1991-1995;
5. Reducing budget deficit from 10% of GDP 5% by 1995; and
6. Reducing inflation from over 17% to 10% by 1995.

4.5 The Manufacturing Sector.

The International Monetary Fund's structural adjustment programme on Zimbabwe recommended for the reduction on import duties and trade tariffs, eliminating foreign currency exchange controls which was mainly dominated by the Reserve Bank of Zimbabwe (RBZ), removing of protectionist policies for the manufacturing sector, lowering the minimum wage, deregulating the labour market, ending employment security, cutting the fiscal deficit, and deregulating financial markets. This was hoped that the manufacturing sector would ignite into an economic boom and drive the economic growth agenda. The manufacture was previously protected through protectionist or mercantilist policies such as high import duties and tariffs to scare away competition and promote domestic products. The manufacturing sector had a strong position in the SADC. The reduction of tariffs and import duties meant that the border were open to other manufactured products from outside the country, thereby subjecting the local manufacturing sector to further competition.

To summarize the challenge, Ismi (2004) argues that the IMF measures brought untold suffering with company's closure subsequently directly or indirectly causing an increase in poverty and unemployment levels. Ismi further noted that immediately, the Zimbabwean economy graced into recession in 1992, with GDP sharply felling almost by nearly 8%. Twenty-five percent (25%) of public workers were laid off and unemployment reached between 35% and 50% in 1997. By 1999, 68% of the population was living on less than $2 a day and with the collapse of wages many workers lived far below the poverty line. The regrettable collapse of the manufacturing sector meant that the unemployment rate would sharply increase and indirectly, families would be subjected into further poverty. The competitiveness and the readiness available domestic market were occupied by foreign products.

4.6 The Social Service

The social services include the education, health, shelter, water among others were greatly affected in a negative manner. The IMF and the WB under the ESAP required a reduction by government into social services spending and recommended for the introduction of user fee to those in need of such social services. The IMF required that Zimbabwe reduce non interest expenditures by 46%. Though the government never met this incredible target, health care spending under the SAP fell to 4.3% of the budget in 1996 from 6.4% in 1990. The per capita budget for health care fell from U.S. $22 in 1990 to U.S. $11 in 1996. The previously well implemented with noticeable positive results, the Education for All and the Health For all policies faced total collapse. Poverty levels increased, high mortality rate among other challenges faced in the social nets sector. The introduction of the user fee meant that the majority of the people would be limited in accessing health, education among other social services since they could not afford to raise the money required. The IMF and the WB predication was that if, the government reduced spending on social safety, then a huge chunk of capital would be raided for other big projects with the capacity to drive the economy and achieve economic growth. In a nutshell, the World Bank (2003) summarized that the 350 million people (more than half of Africa's population of 682 million) lived below the poverty line of US$ 1 a day, a 75% increase over the 200 million figures for 1994. This clearly shows that SADC citizens were left far off with the IMF and the WB policies.

In addition, Ismi (2004) noted that as a result of the SAP, health care systems collapsed throughout the African continent creating a catastrophic condition, for example, more than 200 million Africans have no access to health facilities as hospitals, clinic and medical systems have collapsed. Due to the SAP, those hospitals that remained open were generally left understaffed and without essential medical supplies. This has also contributed to the scourge of diseases going on unchecked, leading most alarmingly to an AIDS pandemic. Ismi further observed that; "with about 12% of the world's population, Africa accounts for 80% of the world's deaths due to AIDS and almost 90% of the world's deaths due to malaria. More than 17 million Africans have died of HIV/AIDS and an estimated 28 million of the 40 million people living with the disease worldwide are in Sub- Saharan Africa. More than 12 million African orphans have lost their mothers or both parents to AIDS. Presently, Malaria is killing 900,000 people annually across the continent and according to the World Health Organization (WHO) 3.3 million Africans will have tuberculosis by 2005.

4.7 The Education and Health Sectors

Zhou (2012) observes that Zimbabwe’s budget for the public health has been deteriorating at an alarming rate since the inception of the IMF and the WB economic adjustment programmes. Zhou further noted that the per capita budget, since 1992 has fallen sharply thereby creating heavy challenges for prevention and management of disease with clinics and district hospital affected most. The education sector was not also not spared, education spending declined significantly under the ESAP for primary and secondary schools to 36% and 25% respectively between 1990-1994. Zimbabwe started to experience labour unrest on the onset of the ESAP; civil servant's wages fell by at least 26% during the same period. It was the establishment of user fees for both the education and health care facilities that led to a number of patience failing to access medical aid and in some cases the cost increases for patients by 1000%. School drop out for both primary and secondary also started to be experienced. This resulted in a serious consequences impacting on the access to health care services in both urban and rural particularly for the poor. Ismi (2004) noted that the drop in health care spending has caused a 30% decline in the quality of health care services. By year, 1993, as many women were dying giving birth at an alarming rate. High rates of stunting and wasting in children under five were found in 1998 especially in rural areas. Infant and child mortality rates also increased and life expectancy at birth dropped from 61 to 48 years. By 1995, the number of cases of tuberculosis had quadrupled.

4.8 Balance of Payment.

Trade liberalization failed to achieve a positive balance of payment as Zimbabwe experienced a growing importation with a diminishing exportation. The once anticipated and projected manufacturing industry collapsed and led into massive retrenchment and sharp unemployment rate. The country's external debt also increased as Zimbabwe failed to generate enough foreign currency for its own economic activities and relayed more and more on loan facilities from the off shore market. The country's debt increased to an alarming rate, concurrently, Zimbabwe failed to services its debt thereby plunging into a debt crisis. It is with interest to note that the effects of the SAP in Zimbabwe were so cross cutting and multifaceted, as one sector led to the other sector challenges.

4.9 Governance

The IMF and the WB has been criticized for failing to take into consideration matters of good governance. Although, the conditionalities that are set by the IMF and the WB were considered reasonable, there has been criticism directed on the poor governance system by the receiving countries. Corruption, lack of transparency and accountability, bureaucratic tendencies and incompetence characterizes most of African government hence and policy towards economic growth should consider the eradication of the above issues. The IMF and the WB's SAP did not consider issues of good governance resulting in most countries abusing the loans. Some of the SADC countries leaders were criticized for using the loans for personal fulfilment for example, RDC formerly Zaire made headlines when its leader squander the IMF loans for his own benefits.

One tenet of democracy that was heavily not considered by the IMF and the WB was public consultations. ESAP was elitist, top -down approach with minimal or no consultations of the public were also the ones that are most affected by the policies. Good policies are the ones that involve citizenry's participation from policy formulation, implementation, monitoring and evaluation. In this case, the IMF and the WB did not consult the public and agreed to implementation the SAP with the government officials, which is also a reason for massive resistance by the populace. In Zimbabwe, labour and food riots started to be experienced as people did not accept the imposition of elitist views upon their life.

4.10 Conclusion

In a nutshell, the Bretton Wood institutions Structural Adjustment Programmes (SAP) have a devastating impact to the Zimbabwean economy. Zimbabwe adopted the Economic Structural Adjustment programme in 1991 after protestant negotiations with the IMF. The ESAP was meant to readdress the economic challenges that Zimbabwe was facing such as high inflation rate, negative balance of payment, high unemployment rate among others. ESAP prescribed for a massive reduction on government spending on social services, rationalization of the civil service, privatization and commercialization of state owned companies among others. These measures were meant to ignite economic development and create a market driven economy where resources are effectively distributed. The ESAP had a devastating effect to the country's social services, with challenges on access to health and education services. The country further experienced more and more imports and compared to the exports thereby affecting the balance of payment. The once vibrate manufacturing sector also collapsed thereby retrenchment became the order of the day. The WB and the IMF programmes has had a devastating effects with little achievements noted.

5 CHAPTER FIVE- CONCLUSIONS AND RECOMMENDATIONS

5.1 Introductions

This chapter presents the conclusions and the recommendations derived from the research findings and presentation (Chapter 4) on the implications of the IMF and the WB operations in Zimbabwe. The IMF's ESAP had a myriad of negative consequences in Zimbabwe. The ESAP meant to ignite economic activities and raise standards of living left a serious mark on Zimbabwe with a number of sectors being affected. Some of the previously gloomy sectors as the manufacturing sector, social services, mining and the agriculture were so affected that consequently the line, direct or indirect sectors were also affected such as labour among others. The chapter also offer recommendations for improvement to the policy makers and the executive, for future references and other engagements that may arise between the Bretton wood institutions and the government of Zimbabwe.

5.2 Conclusions

In a nutshell, the WB and the IMF programmes (SAP) have far negative consequences in Zimbabwe and in SADC at large. The previously booming sectors such as the agriculture, mining, tourism, health, education and social services were reduced to ashes with high unemployment rate, high inflation rates, public sector inefficiency and incompetence among others. Due to the requirement or prescription for the reduction and rationalization of the civil service, the unemployment rate sharply increased and in some cases doubled. The manufacturing sector collapsed with companies closing. The social services was also not spared as the health and education sector faced immense challenges such as school drop outs and limited access to health services respectively. The country plunge into a debt crisis, the anticipated exportation was minimal whilst the importation increased. The country failed to fund its domestic capital projects hence relayed more and more on external loans. Further Zimbabwe failed to service the loans thereby creating a debt crisis. The once vibrate manufacturing sector also collapsed thereby increasing unemployment rate. The IMF and the WB has been criticized for failing to take into account issues of good governance in their policy pronouncement. The study therefore recommends for the inclusion and study of governance to ensure that the borrowing country has strong institutions to implement their programmes. IMF and the WB programmes should also consider the historical perceptions in their policy pronouncement to ensure policies that meet the equality and equity.

5.3 RECOMMENDATIONS

5.3.1 Historical development

The IMF and the WB prescriptions focused on redresses the negative economic indicators such as a negative balance of payment, high budget deficits, high inflation rate and employment among others. It is important to note that most of the SADC including Zimbabwe's economies still reflect the colonial imbalances and the government still has a notion and obligations to pursue policies that seek to achieve fairness and equality. The WB and the IMF policy prescription failed to take into consideration the historical developments that Zimbabwe went through as such some of the policies were doomed to fail. The prescription to retrench the civil service meant that the previously disadvantaged blacks would suffer most as they were the majority employed by the government and the indirect costs would also be great. A reduction in subsidies also failed to take into consideration the historical disadvantages or discrimination of the blacks by the whites, as sectors that blacks heavily depends on were left to the market driven operations such as the health and education. Most of the blacks had little access to health and education, hence subsidies were considered an affirmative action to achieve equity and equality since the majority blacks would also access health and education facilities for free. The introduction of user fees for the majority blacks, who had only achieved independence, meant that they would not be able to access health and education, thereby increasing disadvantaged them. This study therefore recommends for intense historical study by both the IMF and the WB on one side and the loan facility receiving country on the other side and for the IMF and the WB to prescribe policies that also intend to achieve equity and equality in economic growth.

5.3.2 Social services

The availability of social services remains critical to an economic endeavour in Zimbabwe and Africa at large. The majority of people in Zimbabwe and Africa are still living under the poverty datum line with many on less than a dollar per day. Poverty and unemployment levels are still high therefore any intervention in Zimbabwe should take into consideration the need to ensure that social security and safety are well placed and managed. The IMF and the WB's ESAP failed to put into consideration the status of the Zimbabwean citizens, thereby creating a catastrophic situation with an increase in diseases, school drop outs and the general social moral fibre. This research, therefore recommends for that any future negotiations on economic development between Zimbabwe and the IMF and the WB should be cantered on the need to increase social safety nets and avoid any strategy that would derail or reduce such economic development. This research emphasize that the receiving country should not bulge into accepting loan facilities with conditions that overrule the significance of upliftment of social nets.

Careful considerations should be made to ensure that an economic growth responsive policy should seek to protect the poorest. Any policy that ignores this fundamental consideration should be the basis for its refusal by Zimbabwe and Africa at large. Intensive consultations should also be made to bring everyone on board. The policies should be bottom up oriented and not top – down as the situation at ESAP. Citizens should be consulted and allowed to air their views regarding the loans conditionalities so that when implemented the policies have the people's support. It is important to note that the IMF and the WB's ESAP was greatly critized for its elitist nature, top- down approach, hence to ratify this challenge, the study recommends that the IMF and the WB policies should also include consultative programmes with the masses.

5.3.3 Governance

The IMF and the WB prescribed their policies on government with weak institutions with a questionable ability to implement the policies effectively and efficiently. Most of the countries in Africa face challenges of poor administration, corruption and bureaucratic tendencies. In such a situation, there is need for the IMF and the WB to consider these matters since their programmes has the capacity to fill up corruption activities. This study therefore, recommends that any further loans agreement negotiations between the IMF and the WB on one hand and the SADC countries on the other hand should take into consideration matters of governance such as the rule of law, corruption, transparency, accountability among others. Countries with weak institutions should be first supported and strengthened to assist them when implementing the policies.

5.3.4 Public Consultation

One element that was continuously overlooked by the IMF and the WB was the public involvement in their policy formulation, implementation, monitoring and evaluation. The public felt as ESAP was a government imposition on their life and a violation of their rights; thereby a sage of labour and food riots throughout the country. People were not identified with the policies therefore resistance was imminent. This research therefore, recommends for the IMF, the WB and the borrowing country should engage citizens in their policy implementation to ensure that the public has a buy in into their programme and when comes time to implement they would not face resistance.

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