Economic and political crises have saddled Zimbabwe with a massive debt burden. As of 31 October 2016, the country's public debt stood at US$11.2 billion (79 percent of GDP) of which US$7.5 billion (53 percent of GDP) is external debt. Of the US$7.5 billion external debt, US$3.2 billion is in arrears (Gov. of Zimbabwe, 2017 Budget Statement). The continued accumulation of external payment arrears since 1999 has undermined the country’s creditworthiness, resulting in the deterioration of relations with major creditors and compromising the country’s ability to secure new sources of financing.

In March 2012, the country adopted the Zimbabwe: Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDS). In June 2013, Zimbabwe signed a letter of Intent towards the International Monetary Fund’s Staff Monitored Programme (SMP), a critical step towards re-engagement with the Paris club creditors. Then in October 2015, Zimbabwe agreed with creditors in Lima to accelerate re-engagements with the international community.

On 20 October 2016, Zimbabwe settled its overdue obligations to the IMF amounting to US$107.9 million. The IMF Board removed sanctions on Zimbabwe that relate to remedial measures applied on account of overdue financial obligations to the Poverty Reduction and Growth Trust (PRGT). The remedial measures removed related to: declaration of non-cooperation with the IMF, suspension of technical assistance; and removal of Zimbabwe on the list of PRGT-eligible countries.

Now the country is under a so-called Staff Monitored Programme in which the IMF provides technical assistance and monitors implementation progress. The process of re-engagement with the IMF makes a consideration of Zimbabwe’s past experiences very timely. The future is far from certain. The IMF projects that real GDP for Zimbabwe will shrink to -2.5 percent in 2017. The IMF projects that Zimbabwe will only experience a modest recovery of 1.6 percent in 2021.

Inequality and Labour at Independence

Zimbabwe joined the IMF at independence in 1980 and was caught in between two different economic ideologies of socialism and capitalism. Because of the historical imbalance in the political and economic sphere, the white minority (about 2 percent of the population) controlled almost 70 percent of arable lands. While the government adopted socialist concepts to address the inequalities, there was pressure on the government to adopt capitalist principles. The then Prime Minister Robert Mugabe remarked as follows: ‘my government, committed as it is to socialism… recognises the existing phenomenon of capitalism as an historical reality, which because it cannot be avoided has to be purposefully harnessed, regulated and transformed as a partner’.

The labour market was also in favour of the white minority. As of 1982, the black population (96.7 percent) had a share of wages in employment at 60 percent, while the white population (2 percent) had a share of wages of 37 percent. The remaining 0.5 percent was shared between the coloured and Asian population, but more in favour of the coloureds. In an attempt to close the wage gap, the government commissioned the ‘Riddell Commission, 1981’ to look into issues of income inequality. The Commission Report highlighted ‘the necessity for action and for the introduction of policies directed specifically at alleviating poverty and narrowing differentials...’ According to the Commission, there was a need for a policy shift towards ‘growth with equity through planned change,’ as opposed to the prevailing situation of ‘growth with widening inequalities’. On the minimum wages issue, the Commission also recommended that the basis for determining minimum wages should be solely on the needs of the workers and their families and not on the place of work or the type of work performed. Whether a domestic or a factory worker, the criterion of need should determine minimum wages, hence the concept of the Poverty Datum Line (PDL) should be the determinant of the minimum wage.

The government intervened in the labour market by stipulating minimum wages to reduce the widening wage inequality and also to reduce poverty levels. The minimum wages for domestic workers and farm workers were improved to Z$30 (US$47) per month while industrial workers’ wages were pegged by government to Z$70 (US$85). In contrast, few whites earned less that $750 per month in 1980. The government introduced free primary schools, subsidised secondary school, and introduced free health services for all earning less than Z$150 (US$235). The GDP growth rate between 1979-1989 was 4 percent per annum. Here was a period of rapid transformation.

Intervention by the IMF and World Bank

The IMF and World Bank became Zimbabwe’s partners in the transformation process during the 1990s through the Economic Structural Adjustment Programme (ESAP). It suffices to say ‘he who pays the piper calls the tune.’ The IMF and the World Bank policies were meant to open up a sleeping economy
that had been shut out of the world because of the sanctions imposed on Rhodesia during Ian Smith's regime after he declared the so-called Unilateral Declaration of Independence (UDI) in 1965.

The economic policy package prescribed by the IMF and the World Bank was a market driven economy that included trade liberalisation, deregulation of the labour market, financial sector reform, institutional reforms that included parastatals reforms, commercialisation, privatisation, and measures to mitigate the social costs of the structural adjustment. The working class were promised a pie in the sky: the measures were to facilitate employment creation, economic growth and alleviate poverty. It was promised that the overall lives of the people would be transformed for the better. The implementation of the new measures in the 1990s plunged Zimbabwe into chaos. Real wages dropped by 30 percent between 1991-1995. Subsidies were scrapped, including the subsidy on bread, and schools and hospitals were commercialised with poor parents unable to afford school fees. Instead of employment creation, there were massive retrenchments of workers. Prices of goods and services increased coupled with shortages and high inflation levels.

The Zimbabwean workers have nothing to celebrate from the IMF. It is only known for its anti-worker policies encouraging labour market flexibility and market driven policies that have failed and caused misery and widened inequalities. Again in 2015 the IMF advised the government to reduce its expenditure by cutting the wage bill and implement what it called ‘the ease of doing business’ rhetoric that saw the government of Zimbabwe amending its laws to fast track job losses. The Labour Amendment Act No. 5 of 2015 imposed a retrenchment package of one months salary for every two years served by an employee. It gives employers the right to apply for exemption to the Retrenchment Board if they allege inability to pay and a failure by the Board to respond within two weeks makes the application successful. The law does not provide for the right of the employees to be heard in such application to the Retrenchment Board. The IMF is supposed to advise the government to broaden its income base, put strict control measures and stop corruption. The Zimbabwean workers are still dreaming of the social investments they enjoyed in the 1980s.

In as much as credit lines were given to the country, the IMF has had a tendency of ignoring the workers’ voice. However of late this has changed. In 2016, the ZCTU was surprised to be called for discussions with IMF representatives. Another meeting has been scheduled for March 2017. In 2016, the ZCTU requested the IMF to change its approach to funding, and demanded that the IMF’s funding be conditional on respect for workers’ rights and human rights. The IMF must not continue to fund regimes that suppress human rights and workers’ rights. It is the view of the ZCTU that if the IMF is concerned about economic development at whatever human cost, then it is better to disband it. The IMF must not reverse the gains achieved by the UN when it adopted the Universal Declaration of Human Rights 1948, expressly recognising labour rights. Any funding must seek to give effect to the Declaration, and must not be driven by the appetite for profit at the expense of human life. In a 2015 paper, ‘Power from the People’, IMF researchers recognised the importance of trade unions in bridging inequalities. The ZCTU welcomes this recognition of the importance of unions and believe that this recognition must guide the IMF’s funding programmes. The IMF must stop sprucing up the Zimbabwean government until there is political will to respect labour rights and human rights. There is plenty of evidence of labour rights violations in the country. The ILO Commission of Inquiry Report, 2009 highlighted ‘a clear pattern of arrests, detentions, violence and torture by the security forces against trade unionists that coincide with ZCTU nationwide events, indicating that there has been some centralized direction to the security forces to take such action and that detentions and targeted violence have been used to intimidate both leaders and rank and file members of the trade union in a systematic and systemic manner’. It is our hope that any IMF future funding must have a social clause on human rights and labour rights promotion and compliance.

Recent Re-engagement

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The government dumped ESAP around 1996, with Mugabe admitting that it had failed. The relationship with the IMF came to a halt. The economic failures are not to be blamed on the IMF and World Bank alone; the government shares equally the blame. It failed to manage the economy and felt a political power loss, it engaged in populist policies such as the awarding of unbudgeted war veterans gratuities and intervention in the Democratic Republic of Congo war without planning.

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