

Breakfree

The Zimbabwe Coalition on Debt and Development Newsletter
Investing in people for social and economic justice in Zimbabwe



October 2008

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Dear Reader

We are pleased to share with you the *Breakfree* Newsletter once again.

Zimbabwe is going through severe social and economic hardships and the global financial and food crises pose a significant threat to people's livelihoods. The 'power-sharing settlement' reached between the ruling ZANU PF Party and the leaders of the MDC formations in September, if it succeeds, may present the political framework for addressing the economic and humanitarian crisis facing Zimbabwe. However, it is disturbing to note that neoliberal forces are ready to pounce on Zimbabwe. The World Bank, the International Monetary Fund (IMF) and the African Development Bank have publicly pledged financial support to Zimbabwe following the signing of the power sharing deal. ZIMCODD is cautious of the pledges, and asserts that Zimbabwe's future depends on the **quality** rather than **quantity** of the international support it will receive.

In this issue, Magari Mandebvu proffers some policy proposals that Zimbabwe's new Government-to-be may consider for the reconstruction of the economy whilst Deniz Kellecioglu takes a look at the global financial crisis and its likely impact on the governments of the South. Vitalice Meja critiques the current international aid regime and Richard Mambeva updates us on the issue of Economic Partnership Agreements.

ZIMCODD's struggle for social and economic justice is a reflection of the daily struggles of the most vulnerable groups of our society. These include people living with HIV/AIDS, women, the disabled and the youths. In this issue, we explore coping strategies of people living with HIV/AIDS as we profile the UTANO Support Group which is a member of the Zimbabwe Social Forum HIV/AIDS cluster.

We hope this newsletter will add momentum to the struggle for social justice. Your views and comments on issues covered in this newsletter are welcome.

Enjoy your reading!

Editor

In this issue...

- Zimbabwe GNU: What next after the Political Settlement? By Magari Mandebvu
- THE GLOBAL FINANCIAL MELTDOWN – What does it all mean? By Deniz Kellecioglu
- Establishment of foreign currency shops in Zimbabwe, where do the poor fit? By Stanley Kwenda
- ACCRA AS WE SEE IT FROM THE SOUTH By Vitalice Meja
- Current State of EPAs Negotiations in the ACP Countries By Richard Mambeva
- Coping Strategies by People Living with HIV/AIDS By Tariro Chikwanha
- Know about International Financial Institutions

Zimbabwe Statistics

Gross Domestic Product US\$5.9 billion (Dec 2006)

External Debt US\$4.9 (Dec 2007)

Zimbabwe's domestic debt stands at Z\$790 quadrillion (July 2008)

Annual Inflation rate 10.2 quadrillion percent.
(October 2008, www.cato.org/zimbabwe)

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Zimbabwe GNU: What next after the Political Settlement?

By Magari Mandebvu



From Left, Mr Morgan Tsvangirayi (MDC-T), President R.G Mugabe (ZANUPF) and Mr Aurthur Mutambara (MDC-M)

On September 14, a political settlement between Zimbabwe's President Robert Mugabe and opposition Movement for Democratic Change (MDC) leaders Morgan Tsvangirai and Arthur Mutambara was signed. The newly formed Government of National Unity faces a number of responsibilities, one of which is to formulate and implement policies that quickly alleviate the suffering of the majority of the Zimbabweans.

Here I put forward some of the possible ways in which this new government, if it works out, can explore if it is to extricate the country from its current socio-economic morass. The aim of economic policy should be to revive production and social services, re-engage with the wider world and halt inflation.

Agriculture

Reviving production would include enabling as many peasant farmers as possible to return to self-sufficiency and redistributing unused land. That means people who obtained land in 2000 and after should only be allowed to keep land they can use. It would be reasonable to allow small-scale farmers, with holdings no larger than were allocated to small-scale farmers in the resettlement schemes of the 1980s, a grace period in which they are given better access to inputs and, say

two years in which to prove they make good use of them. Those who obtained larger farms and do not use them should be immediately deprived of those farms, which should, where possible, be divided among small farmers. Those who plundered farms should be made to restore the equipment they removed or its value.

There is no objection to some white farmers getting some of their farms back, if they can use them for the benefit of all. Since most white commercial farms before 2000 were not fully used, any owners whose farms were restored to them should receive only the area of land they were then using. Any usable land not returned to them should be distributed among small farmers, under an agreement that they could share the facilities for transport, storage and marketing of the remaining large farm. Most of the fully-utilized commercial farms were in agro-ecological region 1, mostly the Eastern Highlands, and were specialized, requiring special skills. They are not the largest farms, but should be very productive. We must not forget that black commercial farmers were also dispossessed. They were serious farmers and are more likely to still be around. They too must have their land restored on the same terms.

Manufacturing

In manufacturing and mining, the emphasis should also be, not on merely increasing production, but on rebuilding the country's industrial capacity destroyed since the introduction of ESAP in 1990. This implies:

- Restoring infrastructure - roads, railways, electricity and telephones
- Favoring industries which maximize profitable employment
- Ownership and profit-sharing arrangements that benefit the majority of Zimbabweans.

This implies reversing the de-industrialisation which occurred under

ESAP and careful control of the conditions under which foreign companies, either the old transnationals or those from ZANU-PF's 'friends' in the East, hold ownership and are allowed to expatriate a share of the profits. Emphasis should be placed, even in mining, on maximizing value added to the raw product extracted. This emphasis has been largely lacking in the mining enterprises which have expanded since 2000. Their ores and mattes are exported with the minimum of processing, only undertaken in order to reduce the bulk of ore exported, e.g. platinum and nickel mining.

A further complication here is that the ZANU-PF elite have used political power to establish their economic power. They own many of what businesses remain, but they are parasites, more interested in making a quick buck by selling off assets than in using them for productive purposes. But they are there, and dislodging them from economic power will be more difficult than dislodging them from political power.

Trade

International agreements signed by the illegitimate regime since the 2000 election should all be reviewed. Examples include Economic Partnership Agreements with the EU and the rules of the World Trade Organization. Rules on intellectual property rights hamper, among other things, public health by restricting access to both modern and traditional medicines.

More serious efforts need to be made to co-operate with other African and Third World countries

- a) to achieve a more just international trade and economic order
- b) to co-ordinate industrial development in Africa so as to increase the continent's self-sufficiency.

This implies that larger manufacturing enterprises may need to be regional in their scope. The days of autarky in which every small state aspired to having its own steelworks and its own airline are over. The choice of what production to revive or develop should always be made in the light of regional consultation and regional plans. One example of a missed opportunity was Zimbabwe's attempt to produce all the crops it consumed and all its industrial needs in the 1980s. If we had recognized that we did not produce particularly good coffee but Tanzania did, we could have bought all the coffee we needed from Tanzania, thus giving them an income they could use to buy farm implements and machinery from us. Both parties would have benefited and the transactions would not need the use of any currencies other than our own.

Health and Education

Health and education services need to be rebuilt as a condition of healthy growth of production. Calls for universal free health care and schooling need to be matched with a care to keep the costs of the services as low as possible:

1. In Education:

- We need to concentrate on essentials. In the 1980s, insistence on such inessentials as school uniforms and artificially high building standards for rural schools increased costs beyond what poor communities could bear. Such rules should be abolished. Locally acceptable reasonably durable school structures should require the minimum of manufactured components. Cement will often, but not always, be necessary, but there is no need to insist on factory-made bricks or prefabricated roof structures.

- We should revisit the policy of 'education with production' (ZIMFEP). This is not a matter of every school keeping a few chickens when teachers who can supervise their rearing are scarce, but it is a radically different approach to education, designed to develop the inherent skills of all pupils, which differ, rather than sacrificing the majority to the few who will excel in a competitive academic system. ZIMFEP scored some notable successes in this direction. The original inspiration and methods of Botswana's Brigade movement and the Foundation for Education for Production which grew from it should be studied once again and adapted to our situation. Pupils can be involved in building their own school, parents provide home-made bricks and other materials, and the educational programme can be built around different appropriate activities producing saleable products. This should both reduce costs and teach the children useful skills for life. Naturally, such a policy requires teachers who are committed and have the necessary skills, so it cannot be instantly imposed on all schools as was attempted in the 1980s, though this should be the aim in the medium term.

2. In **Health** care:

- a. The emphasis on primary health care should be restored. Providing clean water, adequate instruction about common ailments and a network of village health workers costs much less than letting health problems develop until every patient needs expensive hospital treatment. There should be a pyramid of referral, from village health worker to local clinic to doctor and/or hospital. This actually releases

money to provide the specialist services which hospitals should concentrate on.

- b. What was said about reducing unnecessary costs in education applies in health care also. Nurses do need to wear a clean uniform at work. Rural clinics do not need to be built with factory-made bricks and mass-produced roof trusses. Clinics could provide a market for good quality local materials produced by a nearby school.

- c. Traditional herbal and other remedies should be used as widely as possible. They have been researched to some extent, both by Professor Gelfand and his collaborators and by ZINATHA. Research should continue and application in practice be speeded up.

It cannot be repeated too often that the most devastating epidemic diseases were conquered in Europe before the development of modern drugs and vaccination. Clean, safe water supplies and effective sewage disposal systems were the basis of improvements in health which made for healthier and more productive workers. All these things require money. Not only do we have no money at the moment, but we are burdened with the current junta's illegitimate debts.

Public Debt

A thorough debt audit is needed, to be followed by outright rejection of the debts of the illegitimate regime since they lost the 2000 referendum and therefore would clearly have lost the parliamentary election if it had not been rigged. In the real world, some compromise with creditors, who have more power than we do.

Debts incurred to pay for the junta's continued repression should be rejected outright. Any loans that really served to improve the people's livelihood or national infrastructure (if there were any) should be

repaid as well as we can. The most difficult issue will be debts that seemed to be incurred for constructive projects, but the money ended up corruptly in a few private hands. Creditors might say they signed the agreement and gave the loan in good faith, so what happened after that is our problem, not theirs. We cannot afford to alienate all possible creditors, so this might require delicate negotiation. We will need to be careful that government negotiations and arrangements for any future loans are transparent and respond to the people's real needs. The debt audit should help set up a process for monitoring this, and the audit or negotiations over illegitimate debt should show who are the most suitable lenders to approach in future. Loans without strings are probably an impossible dream, but we need to know who has the least strings, the lightest, or strings that lead in a direction we really want to go.

How practical are these suggestions?

It depends on whether we get a GNU with business continuing more or less as usual, or a real transition to a democratic order. A GNU could not challenge the legitimacy of the regime since 2000, since it would be a direct descendant of them. A transitional authority could make a clean start, economically as well as politically. Thus, while a transitional authority would have to put some policy issues 'on ice', to be dealt with by the democratic government which the authority exists to bring to birth, but in the long run the legitimacy of trade agreements and debts incurred by previous administrations (including the legitimate but corrupt ZANU-PF regime before 2000) could be more easily questioned.

The other big challenge is to spread the ownership of the means of production, which has been concentrated in the hands of the ZANU-PF political leadership and their foreign cronies who, whatever the chefs say or even believe, all too often turn

out to be their masters. A GNU that does not break the political grip of ZANU-PF would have no hope of loosening its economic grip. We may have to recognize that some of them have a place, if they can earn it, in a new people-oriented Zimbabwe. For example, and you may not agree with this example, but I am more concerned with the principle it illustrates, Solomon Mujuru was one of the first to become very rich. There must have been corruption in that process, but, having acquired farms and businesses, he seems to have tried to run them as businesses. It looks as if he learned some time ago that he can't live on plunder, but must produce. That has a lot of implications for how he acts in the political arena also, and we have seen he is not the most intransigent of ZANU's leaders. That could be a sign that he will bend more than most to a changed situation. You may disagree with me about him, but I am not trying to defend him as an individual, only to point out a kind of individual who can be found among them. If we have to do deals with some of them, it is individuals who fit somewhat my interpretation of where he stands that we should hope to find the most co-operative (or the least unco-operative).

However, a transitional authority could not ignore the massive problems and suffering of the people, which would require some economic decisions. Even though it should not be their job to lay out any lines for economic policy, which should be the responsibility of a new, democratically elected, government, no such decision could be made without laying some tracks which a subsequent government would find it difficult not to follow. The need for the people's organizations to be constantly alert will not decrease during the transitional period, either as regards developing political governance or the economic direction the country is to take.
(Magari Mandebvu is a social and economic justice analyst)

Compiled from: bbc.co.uk market data & indexindicators.com

THE GLOBAL FINANCIAL MELTDOWN – What does it all mean?

By Deniz Kellecioglu,

The current global financial recession will probably lead to increased hardships for people of the Global South who are already living under dire economic, social and humanitarian deprivation. What started on the financial markets will continue into the real economy, where most ordinary people try to make their living. For Zimbabweans, the events could pose another obstacle to turn around their economy, even with an improved political environment.

The global financial meltdown

Stock exchange markets	Last month change (%)	Diff. between 1 year highest and lowest (%)
SA Johannesburg all shares	-23	-40
UK FTSE All Shares	-19	-43
Pan European FTSEurofirst 300	-18	-47
Russia Trading System	-46	-73
India Mumbai Stock Exchange	-25	-52
Pakistan Karachi Stock Exchange	-16	-44
Hong Kong Hang Seng	-28	-55
Japan Nikkei 225	-33	-51
USA Dow Jones	-16	-39
USA Nasdaq	-23	-43
Argentina Buenos Aires Merval	-38	-60
Brazil Sao Paulo Bovespa	-22	-52
Mexico City Bolsa	-20	-42
Sweden OMX Stockholm all shares	-22	-45

Great financial losses are being felt on various stock exchange markets (where one buys and sells capital shares of companies). The value losses have not been experienced since decades, ranging between 16-46 percent during the last 30 days, and even more for the past months (see table above).

Parallel to the stock markets, the foreign currency exchange rates are seriously disturbed. For instance, the South African Rand (ZAR) has tumbled down to about 11ZAR/USD lately, losing about 30 percent in just few weeks.

The origins to the current global meltdown

The origins of the problem are very simple, actually: *greed* and *bad credits*. More technically, the problems accumulated when American banks handed out much more loans (particularly to the property sector) than what was being paid back. The banks even lent out to high risk market segments. The banks did not care because they sold these loans to other financial institutions. These financial institutions, in turn, were hoping to get most of the money back, with profit, since the loan agreements were bought cheap. However, with so extreme amounts traded, the risks could not be overseen. In the end, the total credit expansion (the amount of borrowed money) became too big for people and companies to pay back. As a result the banks and other financial institutions faced money shortages. The crises became all too apparent.

The credit expansion had turned into a growing financial balloon. With money shortages, financial companies were not able to pay their liabilities. Hence, other companies became affected by the money

shortages. This led to falls in share values on the stock markets.

The potential consequences to the Global South

All events in the money markets will eventually affect the real economy on the ground. Lower capital values and incomes will translate into lower spending (consumption and investment), which translates into lower sales, which translates into even lower income levels and lower capital values, creating a vicious circle. United States capitalist structures and mechanisms sparked the current distortions in the world economy. However, research has shown that the capitalists (who created the recession) will take very little of the burden, if at all. This is because they are always one step ahead, due to the vast resources and information at their hand. Ordinary citizens in developing countries, who did not have anything to do with the credit crunch, will be hardest hit. This could happen through the following channels.

Lower capital values → higher risk perception → lower investments

When capitalists have their capital assets valued less, and the investment risks seem higher, they tend to avoid investments in developing countries, which are most often perceived as more risky areas than developed countries. This will ultimately mean lower economic activity in these areas.

More expensive foreign currencies → higher prices → more expensive imports

When business has to pay more for imports, they tend to increase their prices. For instance, Zimbabwean imports from South Africa will be more expensive since SA goods will be priced higher in order to compensate for the Rand weaknesses against other currencies.

Lower global incomes – lower demand – lower prices on export products

When people and companies earn less, they will buy less. This is particularly true for “luxury” products, for instance travelling to Africa. This could also be true for other export products like coffee, tea, cotton, tobacco, etc.

Lower income levels → lower remittances

The transfer money from abroad is a significant source of many household incomes in developing countries. If more people become unemployed and/or face less incomes the remittances are likely to decrease. The UN organization International Labor Organization (ILO) estimates that 20 million persons will be unemployed as a direct effect of the current financial meltdown.

Government bailouts & national budget revisions → less development aid spending

Most governments put up huge amounts of money to inject into the affected banks and financial institutions. In so doing, they may lower resources for development aid, even though it is a small fraction of the bailout amounts (about 3-5 percent). Unfortunately, money continues to matter more than people, and sadly enough, some people seem to matter more than other people.

Financial focus → less focus on sustainable development

Politicians are already very busy with various summits on how to tackle the financial disturbances. They are less likely to prioritize more concrete world development issues, like climate change, poverty, urbanization, human rights, and polarizations between nations and regions. If so, the challenges facing ordinary people will be prolonged.

International Financial Institutions to regain dominance → more neo-liberalism

The World Bank and the International

Monetary Fund (IMF) are struggling to remain relevant and the global financial meltdown presents them with one such opportunity. The World Bank is keen to double its lending with another USD 40 billions. The IMF is already in the process of writing new loan agreements with troubled countries. This is not promising since these institutions push for a neoliberal agenda (force liberalizations so that the rich make money and impose power) that has been proved to disadvantage people in poverty.

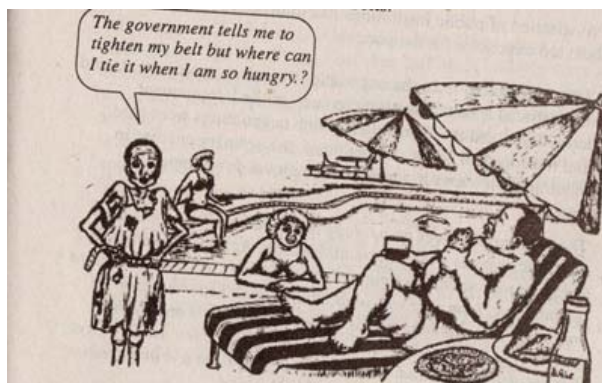
All together → deepened poverty and increased inequalities

Research shows that the consequences of financial recessions are increased number of people in poverty and widened inequalities. In essence, this is because any fraction of lower spending is significant for people with lower incomes. Also, financial recession always brings value losses of the little money they have (tough currency losses and higher prices).

Tougher conditions await already marginalized people. Therefore, we need to work harder to protect their rights in the pursuit of a more just world.

(Deniz Kellecioglu is a Policy and Advocacy Economist, ZIMCODD/Africa Groups of Sweden)

Establishment of foreign currency shops in Zimbabwe: Where do the poor fit? *By Stanely Kwenda*



There was much pomp and fanfare on this particular Friday when the affable Reserve Bank of Zimbabwe Governor, Gideon Gono, rounded up as he usually does, the business and political goons to his glass-like monolith offices to announce that he had licensed 600 shops to sell goods in foreign currency.

And, as is the case with the Zimbabwe of today, hordes of people came out to endorse the mediocrity of the RBZ, which has for a long time now supervised the silent collapse of what once Southern Africa's best performing economy outside South Africa. Many, even the usually sensible individuals, moved to heap praise on Gono for what in their own words was a long overdue move of licensing foreign currency shops. Many argued in front of television cameras that the establishment of these shops will help fill up the empty supermarket shelves, it will increase foreign currency inflows in the country, it will help boost government's dry foreign currency coffers and ultimately restore the government's ability to procure the critical resources needed to oil the functioning of the moribund economy.

But we have heard these arguments before when such initiatives as Homelink were introduced as well as the remittance of foreign currency from the Diaspora without any questions being asked. But after the introduction of those moves what did we see? Those same people who were arguing purportedly for the better of the country, starting using the foreign currency earnings to bankroll the ZANU PF political machinery, buy cars for partisan judges, import farming implements which were distributed to ZANU PF supporters yet these were supposed to benefit all Zimbabweans. It's a fact that many Zimbabweans, particularly those in residing in cities, now use United States Dollars and South African Rands to carry out simple everyday transactions because the RBZ

governor and his cronies in ZANU PF have finally managed to bury the power of the once sought after Zimbabwean dollar into the grave.

While the establishment can be justified if you consider those in the diplomatic community who were now being forced to import even tomatoes and bottles of wine from as far afield as Pakistan and France. If one takes a critical look at the greater Zimbabwean society the foreign currency shops puzzle just doesn't fit. Here I am talking of the teacher in Mberengwa, the policeman in Binga and old granny in Zvimba. Where will they get that American dollar to buy stuff from these foreign currency shops? Will those shops selling in foreign currency also pay their workers in that currency, will the government get tax in that currency and will it also in turn pay teachers in foreign currency? In fact the argument by doctors and other civil servants to be paid in United States dollars now holds more water than ever before. In his speech on the occasion to unveil his latest economic mending trick, Gono, told guests that he had relaxed all the obnoxious requirements that one has to go through before he/she can access foreign currency from Foreign Currency Accounts and that one can now easily go to Roadport to buy foreign currency and use it to procure goods for the newly established shops. What continues to puzzle me is that despite these pronouncements which are now criminalizing the Zimbabwean society, police officers still hunt down innocent citizens trying to make a living at the numerous streets corners of the capital. These other arguments that other shops will continue to sell goods and services in the local currency does not hold any water because everyone even football clubs are seeking to join the foreign currency bandwagon by charging in foreign currency.

The introduction of these foreign currency shops needs to be received because they only serve to widen the gap between the few haves and many have-nots. These shops will only serve the rich and corrupt business people and politicians. What they will only do is to further raise the ire of already disgruntled teachers and doctors and other skilled professionals and put to a halt these two important services to the nation. One however hopes that the little foreign currency that is trickling into the RBZ coffers will be used to procure scarce hospital medicines, rehabilitate infrastructure such as sewers and reticulation systems which have passed their sell by date, not to buy expensive cars and not decorate offices of the incoming cabinet ministers. The country can not just afford that kind of extravagance at any given time. It is time we break free from such self destructive habits and move on to the path of growth and not to proud ourselves of being the highest country in the south with the highest number of Mercedes Benz vehicles per capita but with nothing to show for it except hordes of refugees and a big empty begging bowl.
(Stanley Kwenda is a Zimbabwean Journalist and blogger
www.tatamburatimes.blogspot.com)

ACCRA AS WE SEE IT FROM THE SOUTH

By Vitalice Meja

Ministers from more than 100 donor and developing countries who met in Accra on 4-6 September 2008 agreed upon an 'Accra Agenda for Action' to improve the quality of aid. However, the Agenda contains few concrete commitments or deadlines for reforms.

As Africa went to Accra, Ghana, she had some fundamental questions. What benefit would this meeting bring to the continent and the general developing world? Was it

going to be another high level forum just like others before, or another meeting for western technocrats to tell us how we need to use the piece-meal aid they give to us in the form of grants? What is our interest in this meeting as Southern Africans?

As providence would have it our demands for an end to damaging practices such as using aid to buy donor goods and services, removing harmful conditions attached to aid, and a step change in the transparency and accountability of aid were ignored. In our view, the Accra meeting fell far short of addressing the issues outlined below.

- **More than 65 per cent of Official Development Assistance (ODA) given is in the form a loan:** The current aid effectiveness debate continues to focus on miniature things that have little to do with the actual development impact of the aid. Official development assistance remains one of the most glaring instruments promoting debt acquisition in the developing world. In fact bilateral debt relief has by far outstripped multilateral debt relief, underscoring the magnitude of ODA in the national debt stock in most Southern African countries. SADC governments must move beyond the current Accra Agenda for Action document and initiate a debate on how to boost the grant element of ODA. The focus should not be on how to micro manage the small part of aid which come in the form of grant but rather on how to expand the grant element of aid within the context of the current aid reforms taking place. Any debate touching on aid effectiveness must also address the

debt-creating elements of the ODA with a view to mitigating its impact. For the developing world this is key as we cannot just focus our reforms on making a small part of ODA effective without looking at the bigger picture of development financing and its implication to the bigger debt sustainability levels of our countries.

- **More policy space:** Under normal circumstances, when a bank lends a client funds, they must give the client sufficient breathing space to plan, execute and implement the investment strategy as they deem profitable. Donors should not be allowed to compromise democratic ownership by placing demands and tying aid to conditionality. But Southern African' governments will not get this kind of space on a silver platter. Since we are the clients we must be allowed to determine how much of the funds go to building infrastructure, the energy sector, tertiary education, agriculture etc. On the other hand, we need to see prudent programs and systems that promote democratic ownership of national development plans. Southern African governments need not only to promote strong leadership in developing development strategies through a people led-process, but also exercise the same leadership in outlining its expectations, requirements, roles and responsibilities of various donors in the countries. There is a need for a strong external resource

mobilization policy that will guide donors.

- **Aid effectiveness debate must be put in the context of development:** The international development community pledged to assist Southern Africa achieve the internationally agreed development goals including the millennium development goals. This called for doubling of efforts in development finance and setting of timelines within which the targets of achieving the 0.7 GNP was to be reached. As we debate the aid effectiveness agenda, we must remember that the quantity of aid and its predictability will be important if aid is to be effective. Southern Africans do not just need to reform aid architecture; they need additional development finance to facilitate the effectiveness of aid.
- **Civil society must be at the core of aid reforms:** Civil society organizations (CSOs) play a key role in development finance. Their role as watchdogs to government's development programmes and service providers to large sectors that is not catered for by governments due to structural and economic reforms managed by the World Bank and the international Monetary fund, make them key in this debate. It is however sad to note that their recognition has only been at the level of the OECD while at the national level few efforts have been put to effectively gather their inputs into this agenda.

African governments need to see civil society as their natural allies in this quest of reforming the aid effectiveness agenda. They could initiate forums where they could tap into expertise and experience of CSOs to help bolster their arguments and demands in this debate.

Now that the aforementioned issues were not addressed, the Accra meeting to us remains just another talk shop, where technocrats met and pat each other on the back and say "We laud the progress made with regard to the implementation of the Paris declaration".... "We plan to meet in 2011 to review another progress and finally we thank the people of Ghana for their generosity in hosting us"

*(Vitalice Meja is the Programs Director
Lobby and Advocacy at AFRODAD)*

Facts about the International Financial Institutions (IFIs)

What are International Financial Institutions?

International Financial Institutions, or IFIs, refers to financial institutions that have been established (or chartered) by more than one country. The most prominent IFIs are creations of multiple nations, although some bilateral financial institutions (created by two countries) exist and are technically IFIs. Member States are shareholders and they exert a certain degree of influence in proportion to their stake.

Types of IFIs

IFIs can be divided into three categories: the so-called Bretton Woods institutions,

regional development banks and the financial institutions of the European Union.

Bretton Woods institutions

The best-known IFIs were created at the Bretton Woods conference in 1944 after World War II to assist in the reconstruction of Europe and provide mechanisms for international cooperation in managing the global financial system. They include the World Bank, the IMF, the International Finance Corporation, and other members of the World Bank Group.

Regional development banks

The regional development banks consist of several regional institutions that have functions similar to the World Bank group's activities, but with particular focus on a specific region. Shareholders usually consist of the regional countries plus the major donor countries. These include the Inter-American Development Bank (which works in the Americas, but primarily for development in Latin America and the Caribbean); the Asian Development Bank; the African Development Bank; and the European Bank for Reconstruction and Development.

Bilateral development banks

Bilateral development banks are financial institutions set up by individual countries to finance development projects in developing countries and emerging markets. Examples include the Netherlands Development Finance Company FMO and the German Development Bank DEG.

Other regional financial institutions

Several regional groupings of countries have established international financial institutions to finance various projects or activities in areas of mutual interest. These

include the European Investment Bank, an institution established by the members of the European Union, the Black Sea Development Bank, the International Investment Bank (established by the countries of the former Soviet Union and Eastern Europe), the Islamic Development Bank and the Nordic Investment Bank.

The best-known IFIs are the World Bank, the IMF, and the regional development banks.

The IMF

The IMF describes itself as "an organization of 185 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty". With the exception of North Korea, Cuba, Andorra, Monaco, Liechtenstein, Tuvalu, and Nauru, all UN member states participate directly in the IMF. Most are represented by other member states on a 24-member Executive Board but all member countries belong to the IMF's Board of Governors.

The International Monetary Fund was formally created in July 1944 during the United Nations Monetary and Financial Conference. The representatives of 45 governments met in the Mount Washington Hotel in the area of Bretton Woods, New Hampshire, United States of America, with the delegates to the conference agreeing on a framework for international economic cooperation. The IMF was formally organized on December 27, 1945, when the first 29 countries signed its Articles of Agreement.

Some of the criticisms from Debt activists have been that financial aid is always bound to so-called "conditionalities", including Structural Adjustment Programs. Conditionalities, which are the economic performance targets established as a

precondition for IMF loans, retard social stability and hence inhibit the stated goals of the IMF, while Structural Adjustment Programs lead to an increase in poverty in recipient countries.

The Currency devaluation and higher taxes recommended by the IMF to the governments of poor nations with struggling economies have pushed the workers and the marginalized groups into abject poverty.

Argentina, which had been considered by the IMF to be a model country in its compliance to policy proposals by the Bretton Woods institutions, experienced a catastrophic economic crisis in 2001, which some believe to have been caused by IMF-induced budget restrictions — which undercut the government's ability to sustain national infrastructure even in crucial areas such as health, education, and security — and privatization of strategically vital national resources. Another example of where IMF Structural Adjustment Programmes (ESAPs) aggravated the problem was in Kenya. Before the IMF got involved in the country, the Kenyan central bank oversaw all currency movements in and out of the country. The IMF mandated that the Kenyan central bank had to allow easier currency movement. However, the adjustment resulted in very little foreign investment, but allowed Kamlesh Manusuklal Damji Pattni, with the help of corrupt government officials, to siphon off billions of Kenyan shillings in what came to be known as the Goldenberg scandal, leaving the country worse off than it was before the IMF reforms were implemented. The same sad story is told about Zimbabwe, having embraced the ESAP between 1991 and 1995. To date, Zimbabwe is reeling under serious humanitarian and debt crises with its inflation rate soaring the highest in the world.

The World Bank

The World Bank is one of the two Bretton Woods Institutions which were created in 1944 to rebuild a war-torn Europe after World War II. Later, largely due to the contributions of the Marshall Plan, the World Bank was forced to find a new area in which to focus its efforts. Subsequently, it began attempting to rebuild the infrastructure of Europe's former colonies. Since then it has made a variety of changes regarding its focus and goals. From 1968-1981 it focused largely on poverty alleviation. From the '80s and into the 1990s its main focus was both debt management and structural adjustment.

The five institutions that comprise the World Bank Group are:

- (International Bank for Reconstruction and Development (IBRD) International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

These make it primarily an instrument that provides multilateral finance - through co-financing by its member states - for development programmes. The World Bank draws up and finances programmes and offers advice in a variety of areas including infrastructure, employment, education, public health, social development and the environment. The respective regional development banks finance specific development projects within the area in their remit, very often in conjunction with the World Bank. The European Bank for Reconstruction and Development is mainly active in Eastern Europe and the Caucasian republics.

It is apparent that the World Bank was not started in order to reduce poverty but rather to support United States' business interests. The bank has financed projects that actually increased poverty and been detrimental to the environment, public health, and cultural diversity. The World Bank has consistently pushed a "neo-liberal" agenda, imposing policies on developing countries which have been damaging, destructive and anti-developmental.

The structure of the World Bank refers to the fact that the President of the Bank is always a citizen of the United States, nominated by the President of the United States (though subject to the approval of the other member countries). There have been accusations that the decision-making structure is undemocratic, as the U.S. effectively has a veto on some constitutional decisions. A further criticism concerns internal governance and the manner in which the World Bank is alleged to lack transparency to external publics.

Current State of EPAs Negotiations in the ACP Countries

By Richard Mambeva

On 1 January 2008, 35 ACP countries initialled an agreement of partial scope to the ACP-EU Economic Partnership Agreements (EPAs). Trade justice campaigners across the world have called for a stop to EPAs arguing that the benefits to ACP countries are not clear. For instance, receiving full duty- and quota-free market access under the EPA only improves the EU's access to ACP markets. Furthermore, countries that signed the interim EPAs had to abandon efforts to establish regional economic integration. It is also plausible to assert that subsidized EU products will be

dumped on ACP markets as is already happening in West and Central Africa

For 25 years ending in February 2000, trade and other economic relations between the European Union (EU) and the African Caribbean Pacific (ACP) states were governed by a series of Lome conventions. The Lome trade regime provided preferential access to the EU market for ACP states through the quota system for certain products such as beef, veal, sugar, bananas etc. The EU's future trade policy towards African members of the ACP group beyond the Lome trade regime was articulated in various proposals leading to the ACP-EU Cotonou Partnership Agreement signed in Cotonou (Benin Republic) in June 2000.

The Cotonou Agreement is a 20-year agreement with a clause allowing its revision every five years. It is meant to be a comprehensive arrangement governing aid and trade relations between the EU and ACP countries. This resulted in negotiations for Economic Partnership Agreements (EPAs) between the EU and ACP countries. The Agreement would negotiate a new set of trade arrangements compatible with the World Trade Organisation (WTO) rules that were supposed to come into force on 1 January 2008. Under existing WTO rules, ACP countries are now required to open their markets to "substantially all trade".

At the end of 2007, the EU and the ACP could not reach fully regional comprehensive trade agreements as originally foreseen by the Cotonou Partnership Agreement. After 6 years of negotiations, technical and political divergences stood on the way of that objective. To avoid tariff increases on their exports as of 1 January 2008, 35 ACP countries initialled an agreement of partial scope, requiring continued negotiations to reach a full agreement by the end of 2008

or mid-2009 while the Caribbean countries fully signed full EPAs. The current state of the EPA Negotiations are outlined below.

- **The Caribbean-CARIFORUM group** (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Christopher and Nevis, Surinam, and Trinidad and Tobago),
- **The East African Community** (Kenya, Uganda, Burundi, Rwanda and Tanzania),
- **The Pacific** (Papua New Guinea and Fiji),
- **SADC** (Botswana, Lesotho, Swaziland and Mozambique initialled on 23 November 2007 and Angola [*something missing?*] while South Africa has already a different trade agreement- the Trade, Development and Agreement). Namibia has not yet signed because of a number of certain provisions that ‘would be revisited’ during the next stage of the negotiations, thus providing an opportunity to address concerns that Namibia and other SADC states had identified concerning the interim EPA.
- **Eastern and Southern Africa (ESA)-EU EPAs** were first “initialled” by Zimbabwe, and the Seychelles on 28 November 2007 and by Mauritius on 5 December 2007 while Djibouti, Eritrea, Ethiopia, Madagascar, Malawi, Somalia, Sudan and Zambia being LDCs will continue exporting under the Everything But Arms (EBA) initiative.

- **ECOWAS** (Ghana, Ivory Coast, Cameroon and Gabon while Nigeria, Burkina Faso and Senegal did not sign)

What is wrong with EPAS?

- Trade justice campaigners across the world have called for a stop to EPAs arguing that the benefits of EPAs to ACP countries are not clear.
- Receiving full duty-and-quota-free market access under the EPA only improves the EU’s access to ACP markets. On the other hand, the challenge of opening up their markets to about 80 percent of European goods is huge for many ACP countries.
- Countries that signed the interim EPAs had to abandon efforts to establish regional economic integration, an important development strategy.
- Subsidized EU products will be dumped on ACP markets as is already happening in West and Central Africa with poultry, onions, tomato paste and wheat-based products.
- Safeguard clauses intended to mitigate any harmful impacts of liberalisation are inadequate.
- The interim EPAs contain no mechanism for monitoring and evaluating their impact on economies affected and the conclusion of interim EPAs has considerably de-stabilised regions including SADC and COMESA.

Conclusion

There is wide scope to improve the interim EPAs that have been initialled as ACP countries have now requested more time to consider which products to open up for competition. Such improvements may be negotiated bilaterally between the countries that have initialled such agreements and the EU and/or in the context of RTAs. To begin, countries having initialled an interim EPA will have to complete pending work to finalise the core areas of the agreements initialled. Discussions on the items enumerated under the rendezvous clauses will also have to be initiated and finalised, or rather not negotiated, as these are of utmost importance to developing countries. Finally, and perhaps most challenging of all, interim EPAs will need to be reformed to become regional – and not national – agreements. The EU has failed to deliver on development for ACP countries and unless the EU overhauls the free trade deals due to be finalized in 2008 it will do irrevocable damage to the development prospects of some the poorest countries in the world.

Coping Strategies by People Living with HIV/AIDS: A Profile of the UTANO Support Group

Background

In the 1980s, Zimbabweans accessed free treatment in government hospitals, especially in the rural areas. However, government adopted the Economic Structural Adjustment Programmes (ESAP) in the 1990s, leading to the implementation of cost recovery or user-cost policies in hospitals, and other social services. With the introduction these policies, the cost of health services skyrocketed beyond the reach of many,

particularly women, children, orphans and PLWHA.

The introduction of free anti-retroviral (ARVs) programme in 2004 in government hospitals was welcomed by many PLWHA. Resources for this programme come from a national levy and the Global Fund. However, this programme is failing to cater for all in need, as only about 86 000 people are accessing the ARVs, instead of over a million estimated. At times patients are given expired drugs. The type of drugs distributed is sometimes changed, which can lead to rapid deterioration in the health of patients. Fairness in the distribution of drugs is also widely disputed. Other PLWHA have no choice but to purchase ARVs from the private sector where they are sold at exorbitant prices, or turn to herbal remedies. Zimbabwe's ongoing economic meltdown, characterised by hyperinflation, exacerbates this problem.

Coping Strategies by PLWHA



Tariro Chikwanha displaying some of the herbs used as alternative remedies to for HIV/Aids

Meet Tariro Chikwanha, the HIV/AIDS Cluster Leader within the Zimbabwe Social Forum (ZSF), and also a member of the Utano Support Group. The word 'Utano' means 'health' in Shona, one of the languages spoken in Zimbabwe. The

Utano health project is situated in Chitungwiza, a large town adjacent to Harare, the capital city.

Some of the activities of Utano centre include:

- Training communities, targeted especially PLWHA, youths, churches, the disabled;
- Training on herbal gardening and use of herbs for medicinal purposes;
- Coordinating and strengthening networking amongst organisations working on HIV/AIDS in Chitungwiza;
- Developing and implementing awareness campaigns to reduce stigma and discrimination against PLWHA;
- Promote behavioural change amongst men, women, youths and married couples;
- Provide home-based care (HBC) training as well as providing HBC kits.

Hospitals and clinics operating in Chitungwiza often refer PLWHA to Utano, for additional support.

Speaking with one voice on HIV/AIDS

Utano and other civic groups held a vibrant commemoration of the Global AIDS Week of Action (GAWA) on 23rd May, under the theme “*One Week One Voice – Advancing Universal Access Agenda*,” hosted by the ZSF. The week (20-26 May) has been set aside for this annual campaign since 2005, to help PLWHAs and activists to deliberate on perspectives and priorities of PLWHAs, and demand a stronger response, greater accountability and more resources in the fight against HIV&AIDS.

Conclusion

Despite the huge demand, drugs are unavailable. This leads many to resorting to herbs that they do not have adequate knowledge of, putting their lives at risk. The privatisation of health and other social services must be urgently reviewed. The government should provide adequate resources to the health ministry and its departments. There should be greater transparency and accountability in the disbursements of drugs and related resources. Ultimately, any sustainable solutions to the fight against HIV and AIDS must be firmly grounded on principles of social and economic justice.

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