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Martin Dawson and Tim Kelsall

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The APPP Working Paper series is edited by Richard Crook, Professorial Fellow, Institute of Development Studies at the University of Sussex, Brighton BN1 9RE, UK ([r.crook@ids.ac.uk](mailto:r.crook@ids.ac.uk)).

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Martin Dawson and Tim Kelsall\*

*Research on investment climates and economic growth in developing countries is refocusing attention away from institutional 'best practices' and onto the ways in which developmentally successful regimes make use of economic rents. APPP research is exploring this issue with particular reference to sub-Saharan Africa. This study of the Zimbabwe experience contributes to a comparative exercise including two other countries (Ethiopia and Rwanda) where the ruling party owns significant economic assets through a holding company, and has at least potentially, therefore, an ability to deploy rents in developmental ways. After documenting and discussing the significance of the principal rent flows in four periods of Zimbabwe's history, the paper concludes that the country has come to exhibit a pattern of rent utilization which is centralized but oriented to the short term, with disastrous results. The Zimbabwe case shows that there is nothing intrinsically developmental about party holding companies, and that centralization of rent management by itself does not indicate a 'developmental patrimonialism'.*

## 1 Introduction

Conventional wisdom on promoting poverty-reducing growth in Africa recommends that African countries strengthen their investment climates by imitating best practices from the West. Africa should have sound macro-economic management, transparent public finances, free-and-fair elections, well-defined property rights, the rule of law, and an arm's length relationship between business and the state. Such institutions are thought necessary to combat the damaging syndrome of anti-developmental governance often termed 'neo-patrimonialism'. In contrast to Western best-practice, African neo-patrimonialism is said to involve a lack of transparency surrounding public finance, poorly defined or politicized property rights, authoritarian/personalistic political systems, pervasive rent-seeking, and cronyist or clientelistic relations between business and the state.

Conventional wisdom notwithstanding, a growing body of evidence suggests that 'best-practice' policies, promoted as part of the governance agenda, have not had much impact. The African states that are growing quickly appear not to be doing so on the basis of such practice, while the vast majority of countries seem a long way from launching a growth-promoting capitalist transformation, even if they are growing moderately well. This is not very surprising, since even the most cursory examination of the historical record shows that none of the recently successful Asian economies, or Western economies at their point of capitalist take-off, enjoyed institutions compatible with today's 'best-practice' advice (Chang, 2003; Khan, 2006; 2009).

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Instead, as Mushtaq Khan has shown, at least in the case of Asia, successful developers had political regimes that were able to transfer resources, in the form of economic rents, into the hands both of those most likely to use them productively and of those who would otherwise threaten the growth process. Very often this involved considerable amounts of corruption, cronyism, and clientelism. What distinguished developmental from non-developmental regimes, was not so much the presence or even the magnitude of these phenomena, so much as the desire and ability to constrain or steer them to growth-promoting ends. Leaders in more developmental countries, even where venal and selfish, realized that they stood to maximize their own welfare over the long run by encouraging the economy and associated rents to grow (Khan, 2000b).

Khan's findings resonate with a growing body of unorthodox evidence on the investment climate and economic growth. Moore and Schmitz, and Schmitz and Abdel-Latif, for example, argue that growth coalitions are often relationship-based, not rules-based; Rodrik has argued that a variety of institutional forms can fulfil the function of promoting economic growth; Grindle has written about the need for 'good enough' rather than 'good' governance; North et al explain the enduring importance of economic rents in transitional economies; while Levy has described the 'best practice' agenda as 'bankrupt' (Grindle, 2004; North et al., 2009; Rodrik, 2007; Moore and Schmitz, 2008; Abdel-Latif and Schmitz, 2009; Levy, 2010).

We have collected evidence from Africa that supports this counter-orthodoxy. The Africa Power and Politics Programme has conducted a historical study of economic performance across 23 regimes in 7 African countries, and found that the most successful developers all qualified as neo-patrimonial regimes. However, what the 'developmental patrimonial' regimes had which the non-developmental regimes lacked, aside from pro-capitalist policies, was a mechanism or institution for centralizing economic rents and gearing rent management to the long term. This typically involved a strong single, or dominant party, a visionary leader, and a competent and confident economic technocracy. By contrast, the less developmental regimes all evidenced either a failure to centralize rents, or a short-term approach to rent management (Cammack et al., 2010; Kelsall et al., 2010).

APPP has supplemented its historical study with three contemporary studies, with two more pending.<sup>1</sup> First we studied Tanzania, which has had a good record of attracting foreign investment in recent years. Next we studied Rwanda, whose economy has surpassed most people's expectations over the past decade, and then we studied Zimbabwe, which provides a contrasting case of calamitous economic decline. Studies of Ethiopia and Ghana are pending. Before discussing Zimbabwe, which forms the main subject of the current paper, we note some of our findings from Rwanda, and, first, Tanzania.

In the late 1980s and early 1990s, the Tanzanian government made progress in ameliorating some of the risks investors associated with investing in this formally socialist country, strengthening macro-economic management, while providing property guarantees, tax incentives, and profit protection. The result was an investment boom, concentrated on the mining and tourism sectors. Unfortunately, as our study shows, this boom is unlikely to be replicated in other sectors, or even sustained in these two. The main reason is that Tanzania remains a high cost environment, with serious shortcomings in infrastructure provision, tax and regulatory performance, and human capital development. With no informal compensatory mechanisms of which to speak, these make Tanzania a difficult and expensive place to do business. More recently, the regime has adopted a more nationalist-populist policy stance,

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<sup>1</sup> Our Malawi study (Cammack and Kelsall, 2010) also examined briefly the present day.

imperilling even some of the risk-assurance that foreign investors previously enjoyed. Meanwhile sectors with considerable economic potential, like horticulture, are stagnating because of government ineffectiveness and indifference (Cooksey and Kelsall, 2011).

Underlying this difficult business environment, we argued, is an unhelpful pattern of rent-management. There is no central agency or leadership group within the state with the desire or ability to manage lucrative economic opportunities with a view to creating or sustaining long-term growth. Although Tanzania's Finance Ministry has done a reasonable job of balancing resource flows in the interests of macro-economic stability, it appears not to have had much say in the utilization of more micro-level economic rents, which are used by the political leadership for short-term factional or electoral goals. Most rents escape even these purposes, and are simply dissipated in uncoordinated, decentralized, predatory activities. No-one is taking the long view, or considering the economic and political health of the country overall (Cooksey and Kelsall, 2011).

The situation in Rwanda, our second case, is quite different. In the past decade and a half Rwanda has done some of the same things Tanzania did to build investor confidence, and it performs notably better than Tanzania on conventional 'best practice' indicators. More interestingly, it has also used economic rents in a more unorthodox, and innovative way. Since 2000, rent extraction has been centralised within the operations of a holding company (Tri-Star Investments) fully owned by the ruling RPF. Policy has been driven by a vision of economic and social development which is seen as a route to overcoming the ethnic divisions of the past. Rents are deployed in ways that correspond to this long-horizon vision, including ways that are objectively developmental. Investments by companies linked to Tri-Star have played the role associated elsewhere with an active industrial policy. That is, they have absorbed the learning costs of pioneer firms, including providing venture capital and demonstration effects, paving the way for unsubsidised private investors in a second stage. A comparable role is also being played by the equivalent operation initiated by the army, Horizon Group (Booth and Golooba-Mutebi, 2011).

Unlike in Tanzania and much the rest of Africa, there is no flow of benefits to members of the political class except indirectly and corporately by this mechanism. Party funding is taken care of by Tri-Star, now registered as Crystal Ventures Ltd. Through this route the leadership is wagering on generating more and better public goods, and denying itself the 'cheap' option of providing private goods selectively to members of the coalition in power. Relatedly, corruption is quite uncommon in the public service at any level, helping to create a virtuous circle in which political campaigns are increasingly about public performance, not clientelism. Rwanda's economic performance has matched or exceeded that of its East African rivals, in spite of its being landlocked, having a much smaller domestic market and being resource poor (Booth and Golooba-Mutebi, 2011).

If Rwanda, with its centralized, long-horizon rent-management provides an example of developmental patrimonialism, and Tanzania, with its decentralized, short-horizon rent-management, a case of developmentally disappointing patrimonialism, Zimbabwe represents a third type. In spite of rent-management being quite tightly centralized in the army and the ruling party, including through the party holding company Zidco, it is being used for anti-developmental purposes.

After a preliminary discussion of economic rents, the paper proceeds by discussing four periods of Zimbabwean economic history:

1. the pre-independence period, in which initially the British South Africa Company then the State directed a process of primitive accumulation and protected a capitalist system which provided the lion's share of rents to whites;
2. the 1980s, when some of these rents were redistributed to black supporters of the new regime;
3. the 1990s, when Structural Adjustment caused a change in the main types of rent-management; and
4. the last decade, in which rent-management has been overwhelmingly predatory and short-term.

The paper then takes a look at Zimbabwe in comparative perspective, examining what analytical conclusions can be drawn.

## 2 Rents and development in Zimbabwe

### 2.1 Rents in development

Rents are excess incomes that accrue to factors of production in uncompetitive markets, for example the rents that accrue to a government-created monopoly, or to economic actors in pre-capitalist settings. In neo-classical economic analyses, rents tend to be associated with inefficiency, and, moreover, the effort expended on securing these rents (rent-seeking) is also unproductive and inefficient. Partly in consequence, the term rent has acquired a generally pejorative connotation in development circles. But as Mushtaq Khan has shown, this note may be false. The neo-classical analysis is based on impossible assumptions about perfectly competitive markets and static comparative advantage. In the real world, rents abound. Some of these rents are growth-enhancing, while others are growth retarding.

Managing development consequently involves getting the right balance between growth enhancing and growth retarding rents. For example, a successful developmental government is likely to assign rents in the form of rights over natural resources to those with the potential to use them productively. It is also likely to create some monopoly trading rights that protect firms from competition while they are in the process of learning new technology, or provide some other form of shelter from economic competition, like credit on soft terms. Because the creation and distribution of these rents may be contentious, a developmental government is also likely to have to transfer some not directly productive rents to troublesome groups in the interests of maintaining political stability (Khan, 2000b; 2000a).

Because most developing countries have rudimentary fiscal bases and administrations, a large part of this distribution is likely to take place along personalistic, clientelistic, or patrimonial lines, and may involve corruption (Khan, 2000b; 2000a). In our earlier study of 23 African regimes, we saw that Africa's 'developmental patrimonial' regimes were developmental precisely because they managed the balance between growth-enhancing and growth-retarding rents more or less adequately, even though they were far from free of unproductive rent-seeking and corruption (Kelsall et al., 2010).<sup>2</sup>

In the following sections we discuss the management of rents in Zimbabwe, a strongly neo-patrimonial state that was once thought to have much economic promise, but which is regarded today as an archetypal 'basket-case' economy. Appendix 1 provides a summary.

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<sup>2</sup> With the notable exception of Kagame's Rwanda.

## 2.2 Historical background

Present-day Zimbabwe has its origins in the territory carved out in 1890 by Cecil Rhodes' British South Africa Company, which ran the colony until 1923. The BSAC enticed new settlers with generous grants of land, confiscated (without compensation) from the indigenous inhabitants, initially through armed dispossession and later through a 'legal' process.<sup>3</sup> This distribution of primitive natural resource rents, both in the initial settler period and again during a second wave of European settlement after 1945, established whites, and, in particular, white rural capital, clearly in the ascendancy. After 1923, competition for rents between the domestic political elite and the capitalist class (e.g. urban industrialists, rural agro-capitalists)<sup>4</sup> was stabilised through a system of state marketing boards and protective tariffs, mediated through a range of sectoral representative associations (Selby, 2006).<sup>5</sup>

From the late 1940s, a growing urban and rural black middle class emerged to contest for rents and was able to extract some economic concessions from the State (e.g. access to rural transport rents), but it failed to obtain significant political concessions that would have given it redistributive power.<sup>6</sup> A developing urban proletariat similarly failed to extract concessions in its contestations with the state.

In the face of international condemnation, the Rhodesian regime declared unilateral independence in 1965. International sanctions from 1966 and the State's import substitution programme resulted in the development of a diversified economy. The 1969 Land Tenure Act consolidated primitive accumulation by whites, dividing the country's agricultural land roughly in two, with half for 6000 white farmers and half for 4 million blacks, with most of the best land going to whites.

The failure of the state to accommodate black demands promoted the rise of alternative, militant voices that demanded change, setting the stage for the armed conflict that would bring the curtain down on Rhodesia and usher in Zimbabwe. The deal that secured transition to majority rule was brokered at Lancaster House in the UK, and contained constitutional clauses that protected white economic interests, in particular the requirement that land could only be sold on a 'willing seller, willing buyer' basis. After electorally defeating its ZAPU rivals, Robert Mugabe's ZANU party assumed power. It subsequently unleashed a reign of terror on the ZAPU stronghold of Matabeleland. Zimbabwe became a *de facto* one-party state when ZAPU and ZANU merged in 1987 to form ZANU PF, with erstwhile ZAPU leader Joshua Nkomo taking the vice-presidency.

## 2.3 Rent-management in the 1980s

In 1980 the newly independent Zimbabwe inherited a dual economy comprising a relatively well-developed and diverse market economy albeit highly regulated by State controls, and an

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<sup>3</sup> A range of laws from the Land Apportionment Act to the Industrial Conciliation Act drew clear boundaries between white citizen and black subject.

<sup>4</sup> Far from being a homogenous group, white commercial farmers were diverse and by no means united in their class interests and aspirations; see Selby (2006) for a comprehensive disaggregation which gives a rare insight into the internal political processes of this group.

<sup>5</sup> Seven control boards were established in the 1930s; see Selby (2006: 51) for dates.

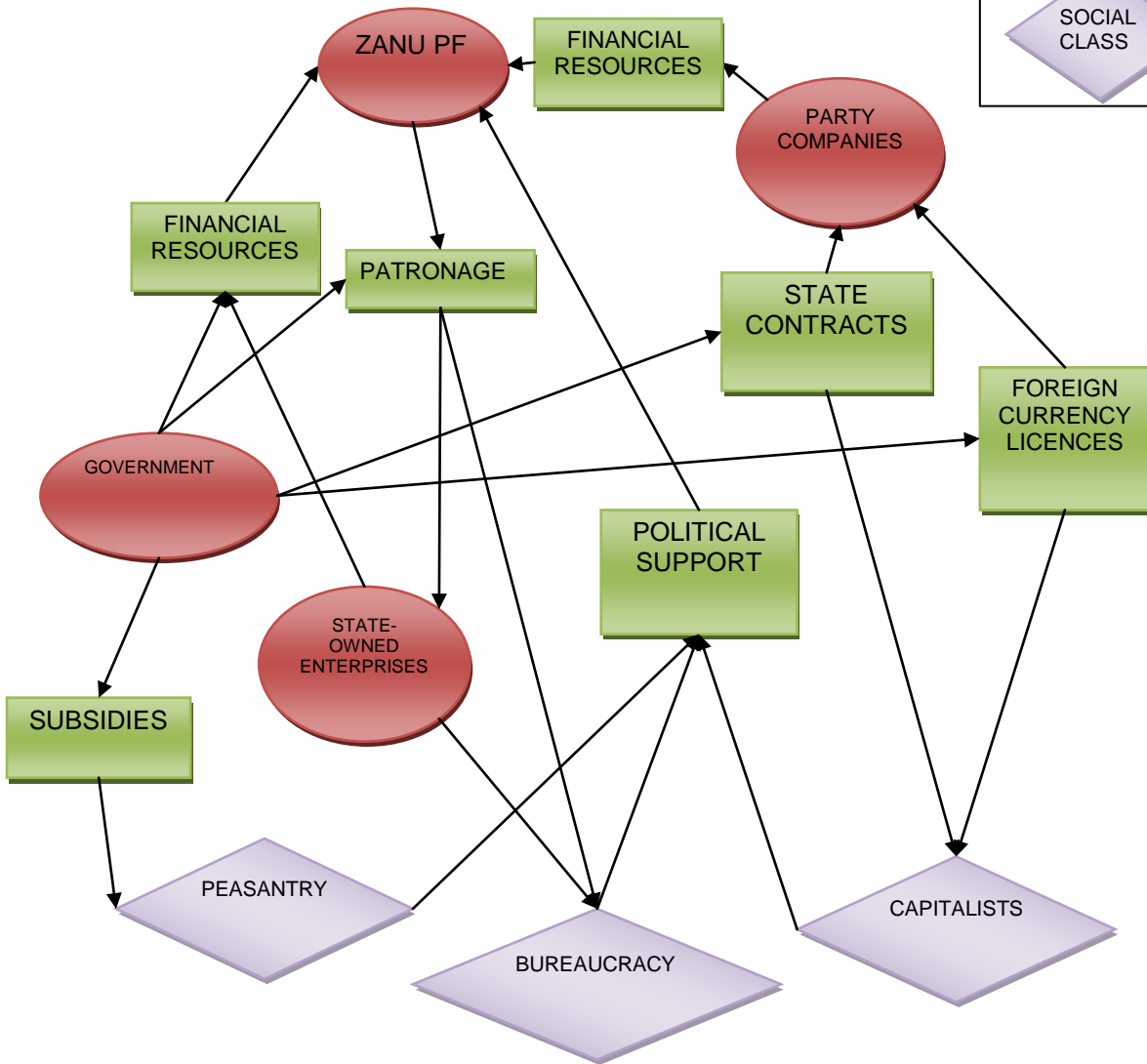
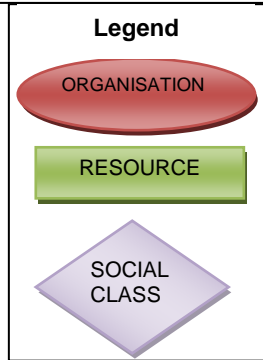
<sup>6</sup> A limited property based franchise saw some moderate petit bourgeois black Members of Parliament in the early 1960s.

under-developed peasant-based traditional agrarian economy. The market economy was predicated upon large-scale commercial agriculture and mining, supported by manufacturing and industrial sectors serviced by a relatively well-developed financial sector.

On coming to power, ZANU abandoned its pre-independence revolutionary promises of fundamental structural change (while retaining the rhetoric) in favour of a pragmatic accommodation of the capitalist sector, at the same time as implementing a welfarist social policy and boosting the peasant economy with subsidies and infrastructural development. The main outlines of the system for managing rents in this period are shown in Figure 1. The government, in conjunction with ZANU PF, provided agricultural subsidies to its key rural support base, the peasantry, while also using state power to support state-owned enterprises and favour companies owned by ZANU PF. Jobs therein were provided to party supporters. State contracts were also awarded to ZANU PF companies, and both party companies and private capital returned resources and political support to ZANU PF. The government also issued foreign exchange licenses in a controlled market, which became a lucrative source of rents.



Figure 1: Rent flows in Zimbabwe - the 1980s



The redistributive transfers to the peasant sector were certainly a *quid pro quo* from ZANU to a peasantry which had borne the brunt of the suffering caused by the liberation war, but they were also intended to secure political hegemony in the rural areas.<sup>7</sup> The pricing structure adopted for maize and other agricultural commodities, which favoured and promoted peasant production, undoubtedly had a developmental dimension, even though bureaucratic delays in fixing prices and making payments sometimes adversely affected farmers.

When it came to industry, the state aimed to establish a new black business class by issuing foreign currency licenses to aspiring black business people. However, due to the overwhelming demand for 'forex', anyone obtaining licences could charge a massive premium (Robertson, 2010) by 'selling' them to established businesses – with no costs of production or other business risks. A class of 'briefcase businessmen' developed, hustling for the best bidder for their paper licences and reaping enormous returns. Occasionally there would be prosecutions of some rent takers, but there was no generalized clamp down.<sup>8</sup>

Collusion between state officials and white businessmen was widespread. ZANU's readiness to accommodate the former beneficiaries of colonialism, if not entirely enthusiastic, was rooted in the geo-political realities of the time (the global Cold War and the regional 'hot war' unleashed by apartheid South Africa) and encouragement from the presidents of the 'Frontline States'<sup>9</sup> whose countries had suffered the wholesale flight of capital and skills after decolonisation. These considerations coupled with the need to consolidate political power in the west of the country in the face of the perceived threat from ZAPU, encouraged the government to embrace a strategic, although certainly not ideological,<sup>10</sup> alliance with white capital that preserved and promoted privilege, setting the stage for an elite cooption process (Brand, 1981)<sup>11</sup> and, more ominously, preserving the bogey of racist politics to be played out much later.

Thus the non-agricultural economy continued to be dominated by large corporations, such as Anglo-American, Old Mutual, and Lonrho, representing 'imperial/metropolitan capital' based in Johannesburg and London. Available information indicates that in 1980 perhaps two thirds of the economy could be loosely termed 'foreign-owned' (Stoneman, 1981).<sup>12</sup> A widespread process of cooption saw appointments of well-connected or politically-powerful individuals to the boards of many companies such John Mkushi (Managing Director of Turnall Fibre Cement) and Ariston Chambati, a member of ZAPU who joined the board of TA Holdings in the mid-1980s. Reputedly a friend of *eminence grise* Emmerson Mnangagwa (Todd, 2007),<sup>13</sup> Chambati later became Minister of Finance.<sup>14</sup> There was a growing coincidence of elite class interests and a lessening of racial divisions in businesses – at least at board level if not on the

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<sup>7</sup> A hegemony that, in ZANU PF's heartland of the three Mashonaland provinces, was not challenged until March 2008.

<sup>8</sup> For greater details, see 'Lorac was First Lady involved', *Insider*, August 1992.

<sup>9</sup> Tanzanian leader Julius Nyerere told Mugabe that he had inherited the jewel of Africa and urged him to protect it.

<sup>10</sup> The policy of 'reconciliation' so enthusiastically embraced by relieved whites but certainly not operationalized by the majority of them.

<sup>11</sup> For instance and somewhat presciently, 'The danger is that the Zimbabwean leadership might be possessed by [the social and economic structures], rather than adapting them to the needs of the people' (Brand, 1981: 55)

<sup>12</sup> In fact very similar to pre-UDI figures, when foreign interests were dominated by British (60%) and South African (30%) although these figures are problematic (Stoneman 1981: 118).

<sup>13</sup> Todd (2007: 137).

<sup>14</sup> Bond (1998: 150).

factory floor.<sup>15</sup> Zimbabwe saw the growth of a new 'bureaucratic-financial *comprador* elite' (Bond and Manyanya, M 2003), more concerned with maximising rents and profits than with socialist rhetoric and the ideals of *Chimurenga*.<sup>16</sup> New foreign direct investment, however, was very limited – H J Heinz and Dandy were the only two significant investments. And while social investment and its results were impressive, especially in health and education, economic stagnation meant few jobs were created to absorb the educated.<sup>17</sup>

A significant share of the economy was also accounted for by state-owned enterprises (SOEs). Over the next ten years, these SOEs increasingly changed in character from production and marketing mechanisms into sites of political patronage as ZANU PF appointed boards were based less on technical competence than on clientelism. After the Willowgate Scandal of 1988, patronage politics rather than economic success appeared to be the driving ethos within the SOEs. For example, in 2005 SOEs were ordered to erect stands and pay rentals at ZANU PF's congress thereby contributing to the costs of the event.<sup>18</sup>

The inherent contradictions of the abuse of SOEs for political advantage at the expense of economic realities inevitably resulted in institutions that became less and less efficient even as sources of rents let alone as service providers. Since the SOEs operated as short-horizon and centralised sites of rent-seeking, the cost of maintaining these grew substantially as profitability declined, leading the state to look at ways to restore their usefulness.<sup>19</sup>

In sum, the 1980s appears to be a period in which the growth functions of economic rents, while not completely ignored, normally played second fiddle to the political imperatives of post-conflict redistribution, patronage, and the more fundamental imperatives of self-enrichment. From the earliest days of independence, ZANU PF failed to confront and control burgeoning corruption. A 'Leadership Code' issued by the party in 1984<sup>20</sup> acknowledged the problem but did not curb short-term unproductive rent-seeking by party leaders. While criminal prosecutions over corruption did result in convictions of many senior ZANU politicians, ambivalent responses by the party sent a clear message to the nation – corruption was acceptable as long as one was in favour with the party.<sup>21</sup>

ZANU's readiness to extract rents from the business sector through regulatory predation (and outright extortion) positioned it as a parasitic entity from the beginning of its rule. The shifting

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<sup>15</sup> The white artisanal class was perhaps the most disrupted fraction of white colonialism in 1980: many were unable to come to terms with Zimbabwean realities and emigrated, while others established a multitude of small owner-operated businesses and joined the bourgeoisie, a class shift more elusive in the stratified social politics of Rhodesia.

<sup>16</sup> The first *Chimurenga* was the resistance to white colonisation in the 1890s; the second was the war of independence 1966-80, while ZANU PF characterises the post-2000 land seizures as the third *Chimurenga*.

<sup>17</sup> Some 200,000 school-leavers entered the market each year yet 'Employment creation has averaged a mere 10,000 jobs per annum over the 10 years of independence, far short of the planned target of 144,000 per annum' (Robert Mugabe speaking in 1990, cited in Brett, 2005).

<sup>18</sup> See 'Zanu PF Raids Parastatals', *Independent*, 9 September 2005, Paul Nyakazeya.

<sup>19</sup> 'For the period 1986-91 subsidies and advances to some 12 parastatals and government companies exceeded \$2 billion. State support for parastatals at an average of Z\$429.9 million during the period 1986/87 –89/90 was very high as compared to an increase of public enterprises losses by 48% in 1988/89 compared to 1985/86 levels' (Tambudzai, 2003: 12). See 'A Framework for Economic Reform (FER) 1991-95', Government of Zimbabwe.

<sup>20</sup> Z A N U, Leadership Code, Aug 1984.

<sup>21</sup> One minister convicted and briefly imprisoned in the 'Willowgate' scandal, Frederick Shava, was pardoned by Mugabe and continued in a senior post within the party, chairing Zidco Holdings until 1998.

sands of its ideological and legislative policies increased insecurity for capital and raised the costs of doing business and it became increasingly profitable not to produce goods but to trade them, seeking arbitrage on everything from foreign currency to fuel. In this context, a productive capitalist sector and an intermediate class secure in their property rights could not develop. Instead an elite of political businessmen and outright 'robber barons' emerged, whose positions and profits depended not on productivity but on connections to the Party (Otieno, 2009).

#### 2.4 1991-1997: structural adjustment

The centralised and highly controlled economy, founded upon import substitution during the UDI period and maintained by the post-independence government, reached a crisis point in the late 1980s. With the ascendancy of the structural adjustment model (ESAP) in 1990, the economic orientation of the state switched to an export-driven model. From 1992 imports were rapidly placed onto an 'Open General Import Licence' which by January 1994 eliminated the arbitrage market for briefcase businessmen (Robertson, 2010).<sup>22</sup> Davies suggests that by 1990

'the limits of the state as a site for personal wealth acquisition were being reached. The fiscal constraints on state expenditures limited the scope for patronage, rent seeking and other forms of personal wealth acquisition. The scope of arenas such as abuse of foreign exchange administration was also shrinking as low economic growth limited the spoils'. (Davies, 2004)

While debate persists regarding the causes of the apparent 'failure' of structural adjustment, the effects are not contested. On the one hand, expenditure on social welfare declined, which led to great suffering for the working class. On the other hand, economic liberalisation transformed the structure of the economy, removing the protection previously afforded to import-substituting manufacturing and introducing incentives favouring, in principle, efficient specialisation within an international division of labour.

ZANU PF moved its economic orientation from a centralist capitalist welfarist model that sought to at least ameliorate the economic deprivation of the poor to a globally-oriented market economy that abandoned the poor in favour of a consumerism that would see a dramatically widening gulf between the 'haves' and the 'have-nots'. Popular discontent expressed itself in riots in 1995, and in so called 'bread riots' in 1998 and in 2000 as the urban poor rejected increases in basic commodity prices.<sup>23</sup> The population below the poverty line increased to 68% in 2004 while the Gini coefficient worsened from 0.53 in 1995 to 0.61 in 2003. Real earnings declined to less than ten per cent of their 1982 peak (UNDP 2008).

The 'informal' sector that developed slowly through the 1980s expanded rapidly after ESAP as formal employment declined and workers sought alternative survival strategies. Formal 'Peoples' Markets', as well as both illegal and licensed mobile and stationary vending became ubiquitous: even here, ZANU PF was able to utilise access rights to distribute resources to its supporters. While this may be construed as the state decentralising or partially losing control

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<sup>22</sup> John Robertson, a leading economist and commentator, maintains that the elimination of this rent market resulted in disaffection of those affected, who then cast about for new opportunities. The rise of the AAG and IBDC lend weight to this claim.

<sup>23</sup> ESAP blamed for gun law riots, *Horizon*, December 1995, Julius Zava,

of rent management, it is more likely simply a process of extension whereby access to rents was extended into the lower echelons of the party.

Structural adjustment did lead to some sectoral growth in the 1990s, particularly in export-oriented sectors like horticulture and floriculture,<sup>24</sup> but overall GDP growth rates were unimpressive, averaging 1.2% annually from 1991 to 1995 (Bond, and Manyanya, 2003). The elimination of forex rents may have discomfited the rentiers but the liberalisation of the economy greatly increased the opportunities for old and new traders, especially in luxury goods, and there was a proliferation of trade outlets from 'flea' markets to established stores. After reaching 19.8% of GDP in 1996, manufacturing declined to less than 15% by 2006.

Table 1: Zimbabwe – Economic Indicators 1980-2006

	1980-1990	1991-2000	2001-2006
Average annual GDP growth (%)	4.30	0.90	-5.70
Employment growth (%)	1.90	0.40	-7.50
Formal employment (% of pop.)	12.20	10.90	7.00
Manufacturing (% of GDP)	20.35	17.7	15.00

Source: UNDP.

For most aspiring businessmen, the route to success lay within supplicatory organisations. In 1991, the Indigenous Business Development Centre was established with Mugabe as its patron and Strive Masiyiwa as Secretary-General. By 1994 the IBDC had extracted several access rights from the state such as a quota for building contracts but its internal dynamics led to two factions developing which immobilised the organisation and gave rise to the establishment of a more militant group, the Affirmative Action Group (AAG), chaired by Philip Chiyangwa (although the lines between the two groups were blurred as individuals belonged to both and the two groups set up a joint venture, Empowerment Corporation, which brought together the prime players in the indigenisation programme).<sup>25</sup> The state provided funds to both these organisations although it later complained about accountability for the funds.<sup>26</sup> A number of party-linked businessmen emerged through these organisations – such as Roger Boka, Enock Kamushinda, Philip Chiyangwa, Supa Mandiwanzira, Strive Masiyiwa, Peter Pamire, and Chemist Siziba. They used their access to the state to develop significant

<sup>24</sup> For a detailed analysis of the effects of ESAP in agriculture, see Makamure, Jowa and Muzuva (2001).

<sup>25</sup> The initial shareholding in the EC included the Zimbabwe Farmers' Union, the Affirmative Action Group, the Zimbabwe National Liberation War Veterans Association, the Indigenous Business Women's Organisation and the Small Scale Miners Association of Zimbabwe, with 9% each; Integrated Engineering Group, owned by Mugabe, 10%; James Makamba's Kestrel Corporation, 15%. The Zimbabwe Farmers' Union, Affirmative Action Group, and Zimbabwe National Liberation War Veterans Association subsequently sold their shares to Kestrel. See 'Telecel Dogfight Escalates', *Independent*, 22 July 2010, Leonard Makombe.

<sup>26</sup> See 'World Bank Chihombori and Mawere', *Zimbabwe Times*, 21 Sep 2009, Geoffrey Nyarota, at <http://www.thezimbabwetimes.com/?p=22907>.

business interests, although Masiyiwa faced major obstacles when he tried to establish Econet, a mobile phone company.

Masiyiwa's saga is instructive. His early business success attracted attention from the state in 1990 when he was detained and questioned by security agents.<sup>27</sup> In an interview in 1996, he said 'In those days – just as economic reforms were being debated – successful black entrepreneurs were viewed as enemies of the self-proclaimed Marxist/Leninist establishment'.<sup>28</sup> After his release, Masiyiwa and other businessmen successfully lobbied Mugabe for support but continued to face opposition from some sections of the state.<sup>29</sup>

After failing to persuade the state-owned Posts & Telecommunications Corporation (PTC) to set up a joint venture, Masiyiwa struck out on his own. After a successful challenge to the state monopoly in the Supreme Court based on the constitutional right to freedom of speech, he set up a network with Ericsson, the Swedish mobile phone company, only to be blocked by a presidential decree in February 1996. While Masiyiwa was tied up in legal battles, the state set up its own mobile operator and also issued a private licence to Telecel, owned by the Empowerment Corporation whose shareholders included the president's nephew, Leo Mugabe. Masiyiwa then challenged the tender procedure and Telecel's licence was suspended, only to be reinstated a few months later by Joice Mujuru, then Minister of Telecommunications (later Vice-president) whose husband, Solomon Mujuru, was a business partner of James Makamba, a shareholder in Telecel. Eventually in December 1997 Econet was granted a licence, Telecel's was again cancelled (and again reinstated). In July 1998, Econet finally launched its service, rapidly becoming the largest provider in the country.<sup>30</sup>

Masiyiwa's resolute efforts in the face of concerted attempts by the state to frustrate him took nearly five years and a Supreme Court challenge to reach fruition and even then it was uncertain that he would have been successful without the patronage of the vice-president, Joshua Nkomo. After Nkomo's death, Masiyiwa relocated to South Africa from where he became a major financial supporter of the MDC and publisher of an opposition newspaper, *The Daily News*, while turning Econet into a trans-African corporation. In the 1990s, Masiyiwa was also a director of Thebe Investments, owned by the ruling ANC in South Africa, clearly demonstrating that a close relationship between national ruling elites is a favoured business model.<sup>31</sup>

The Boka Scandal of 1998 stands in stark counterpoint to Masiyiwa's struggles and is perhaps the most egregious example of state-sanctioned cronyism. Roger Boka, a leader of the AAG with extensive ties to the political elite, was issued with a commercial bank licence in

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<sup>27</sup> After four years working for the PTC, he set up his own company, Retrofit Engineering, in 1988, becoming businessman of the year in 1990.

<sup>28</sup> 'Masiyiwa, freedom's unlikely crusader', *Horizon*, June 1996, Julius Zava.

<sup>29</sup> It appears that Mugabe, while expressing public support for these businessmen, was also privately opposed to them (ibid).

<sup>30</sup> For the Econet saga see amongst others: *Horizon* (1996 June) Masiyiwa, freedom's unlikely crusader; 'How a man called Strive beat off the corrupt cronies' *The Economist* (1998) reprinted in *The Business Times* <http://www.btimes.co.za/98/1018/world/world03.htm> ; 'With over 5 million subscribers Econet Wireless is Zimbabwe's dominant mobile operator representing over 73% of the mobile market according to the regulator, POTRAZ', <http://www.b2i.us/profiles/investor/fullpage.asp?f=1&BzID=1685&to=cp&Nav=0&LangID=1&s=0&ID=9346>; Velamuri, S (2003) R, *Resisting Political Corruption Econet Wireless Zimbabwe*, Shanghai, China Europe International Business School

<sup>31</sup> <http://www.whoswhosa.co.za/strive-masiyiwa-5272>.

May 1995 and established the United Merchant Bank. UMB collapsed three years later with serious consequences for the financial sector in the country. During these three years, it lavished its political cronies with unsecured 'loans' that appear to have been little more than bribes. The then Mayor of Harare, Solomon Tawengwa, a member of ZANU PF's Politburo, received over a million dollars as a kickback for turning a blind eye to the flouting of urban planning laws by Boka's Tobacco Auction Floors.<sup>32</sup> Emmerson Mnangagwa, chairman of M & S Syndicate, also received loans that were not repaid (Helen Suzman Foundation 2000). Boka not only provided 'loans' to his cronies but engaged in criminal fraud when he issued over Z\$1.2 billion of counterfeit bonds after the commercialisation of the Cold Storage Commission. Boka is alleged to have externalised over US\$20 million, much of it with the connivance of his lawyer, yet nothing was done to pursue these funds.<sup>33</sup> In 1998, as Minister of Justice, Mnangagwa appointed the Governor of the Reserve Bank to investigate Boka's activities but Boka died in February 1999 and the investigation appears to have been interred with him.

During this period, land was also a source of rents which the state used as a patronage tool. In 2000, the sole independent Member of Parliament, Margaret Dongo, released a list of senior government and party officials who had been allocated favourable leases for vast tracts of state land.<sup>34</sup> Little came of such reports, which were largely ignored by the State. Subsequent inquiries by the State itself and threats to curb multiple farm ownership were not implemented.<sup>35</sup>

## 2.5 1997-2002: rearranging alliances

The crony capitalism that developed in the 1990s degenerated into overt looting when the 'rules of the game' were discarded by the dramatic reshaping of elite alliances and the destruction of the LSCF sector. The relationship of 'elite accommodation' between white financial power (especially rural) and black political power that operated after 1980 maintained the inequalities of land ownership in exchange for economic productivity and political acquiescence by the whites. The 'understanding' was about to collapse. The background to this turnaround was the growing political challenge to the ZANU leadership, both from its own supporters and from a new political party.

After 1989, structural adjustment programmes reduced the State control over the economy and allowed the emergence of a wide range of actors seeking rents. The State no longer had a relatively simple set of clients to manage but faced complex, diverse, and constantly shifting

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<sup>32</sup> Tawengwa was imposed as ZANU PF's candidate over James Makamba, who had received the endorsement of the party's provincial members. He left office in 1999 after charges of corruption and fraud were laid against him and senior officials. He died in 2004 before the court case was concluded. For a government report, see 'The Executive Summary Report of the Investigating Team into the State of Governance and General Administration of the City of Harare' (28 May 1998).

<sup>33</sup> For a summary see 'Case Study 3: The United Merchant Bank and Boka Group of Companies cases' in Godorema (2003).

<sup>34</sup> Margaret Dongo was co-founder of the ZNLWVA in 1989.

<sup>35</sup> See for example, 'Government to Undertake Yet Another Land Audit, the Eighth', *Financial Gazette*, 20 December 2006, Njabulo Ncube. Reports include the unpublished Buka Report; Sept 2003; the Utete Report which named 13 cabinet ministers and four provincial governors as multiple farm holders, 2004; the Nkomo Report, 2004; the Chiwewe Report, 2005; the Ministry of Lands Report; and in 2009 the Mutasa Report, whose author, Didymus Mutasa, is alleged to possess at least ten farms (see 'Mutasa Owns 10 Farms', *Zimbabwean*, 18 June 2009, Taurai Bande – a case perhaps of putting the fox in charge of the hen house).

demands from an heterogeneous array of groups, some of whom were no longer clients but independent and militant. At one end of the spectrum was the War Veteran's ZNLWVA, which emerged by 1997 as the most powerful independent voice 'within' ZANU PF, able to extract significant rents from the State in exchange for political support. In late 1997 Mugabe was forced by its members to hand out unbudgeted cash payments and increase monthly pension payments. The ZNLWVA was emboldened by the War Victims Compensation Fund scandal which focused the grievances of war vets and by overt support from former comrades in high office.

The unbudgeted payouts precipitated a major collapse in the Zimbabwean dollar and 'Black Friday' as 14 November came to be known, is often regarded as marking the start of the precipitous economic collapse in the country.<sup>36</sup> The growing pressure upon the state to engage in radical redistributive policies by an increasingly vocal and effective conglomeration of 'war veterans' and peasants resulted in an attempt to address the land issue, initially through constitutional methods<sup>37</sup> but after February 2000 through violent and illegal expropriation.<sup>38</sup> The effect upon the economy was calamitous: the ripple effects of the destruction of the LSCF sector (which exacerbated a long-term economic crisis) saw a 46.2% drop in GDP per capita between 1998 and 2005.<sup>39</sup>

At the other end of the spectrum, an external challenge to the regime had coalesced around the trade union movement.<sup>40</sup> The Zimbabwe Congress of Trade Unions (ZCTU) had originally been created in 1980 by the State as a control mechanism after a number of wildcat strikes by labour. It was essentially a department of ZANU headed by Mugabe's brother, Albert, but by 1989, it had established itself as an independent voice with Morgan Tsvangirai as General Secretary. Tsvangirai was detained for six months in 1989 in retaliation by the State for his vocal leadership. Discontent over the economic downturn continued to coalesce around the ZCTU which became instrumental in the formation of the National Constitutional Assembly (NCA) in 1997 and then the Movement for Democratic Change (MDC) in 1999.

The MDC was able to aggregate a disparate range of forces opposed to ZANU PF – workers, students, middle class urbanites, white commercial farmers – and, combining the financial resources of both urban black and rural white capital (from LSCF) with the numerical strength of the working class, to mount a significant challenge to the monopoly on power that ZANU PF had enjoyed for twenty years.<sup>41</sup> Faced with these challenges to its hegemony, ZANU PF responded by destroying the LSCF sector, appropriating farms and resources and re-distributing these to its supporters, by increased political repression of MDC supporters, by the militarisation of the State and by increasing access to rents for its faithful.

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<sup>36</sup> For some of the intellectual contestations over this, see Davies (2004) and Bond (2007).

<sup>37</sup> The Land Acquisition Act (1997) allowed for forced expropriation by the State with compensation for improvements but not the land itself.

<sup>38</sup> A vast body of literature describes and analyses the farm invasions; amongst these, two views from differing sides of the farm fence are Selby (2006) and the State's own critique (Utete, 2003).

<sup>39</sup> See for example 'Weeds and Wasted Lives on the Farm Run by UN's Rural Kingpin', *Times*, 27 Jun 2007, Jan Raath. GDP figures for 2004–2009 are very difficult to compare because of hyperinflation.

<sup>40</sup> While political opposition had existed previously (e.g. ZAPU, ZUM, Forum Party), the ZCTU articulated anti-ESAP sentiment and became the pre-eminent social opposition. It was central in the formation of the Movement for Democratic Change in 1999. It is ironic that the MDC now champions a Washington Consensus solution to Zimbabwe's economic woes – for the tensions arising from this contradiction, see for example, 'ZCTU threatens to dump M D C T' *Herald*, 3 August 2009

<sup>41</sup> For a contemporaneous comment on the 'capture' of the MDC, see 'Promotion of the MDC by Middle Class Radicals Politically Disarms the Working Class', Barbara Slaughter and Chris Marsden, *World Socialist Web Site*, 7 October 2000.



This period saw a massive flight of capital and disinvestment (touted as indigenisation by State spin-doctors). Anglo-American Corporation, a long-time multi-sectoral pillar of the economy, disposed of most of its assets, while Heinz sold its investment in Olivine. These de-industrialising pressures were exacerbated in urban areas by a series of factory invasions in 2001 which further unsettled business owners and increased the emigration of both owners and workers.

With the economy spiralling out of control, ZANU PF reverted to its commandist roots and began to implement increasingly arbitrary and erratic 'policies'. After 2000 and Mugabe's humiliating defeat in the February referendum, rent allocation became a free-for-all – at least for those in favour with ZANU PF –<sup>42</sup> and descended rapidly into a form of predatory asset-stripping as *chefs*,<sup>43</sup> war vets, bureaucrats and ordinary citizens scrambled to secure land and its resources.<sup>44</sup> The 'alliance' between the black political elite and white rural capitalists that had begun to disintegrate in late 1997 was over. In the uncertain terrain that arose, a new rural elite developed, one that owed its loyalty unequivocally to the ruling party and whose slice of the cake could be retracted at any moment.<sup>45</sup>

Such insecurity of tenure coupled with an inadequate financial and agricultural extension support removed any incentive to engage in productive farming. With the short-term horizons that resulted, it was inevitable that asset stripping of both natural resources and farm improvements would result. A truly massive shift of resources and wealth from a formerly productive sector into the hands of a parasitic elite ensued. In a sign of growing decentralisation of the rent process, the rentiers are frequently involved in conflicts over the spoils and farms are taken away and re-allocated.<sup>46</sup>

Not even the informal sector, eking out a living on the margins of the economy, was immune: in 2005 the regime unleashed 'Operation Restore Order',<sup>47</sup> which demolished and criminalised the entire informal sector. Even the minor functionaries of the state were able to extract rents from the hapless traders – police and inspectors regularly extracted 'fines' from traders or simply looted captured goods.

This attitude of supra-economic omnipotence reached its height in 2007-8 during the State's Operation Reduce Prices when it issued *dictats* to businesses to reduce prices by 50% and unleashed the 'Crack Unit on Price Controls',<sup>48</sup> which physically forced shopkeepers to mark down prices irrespective of either original or replacement costs. The goods would then invariably be 'purchased' by the same enforcers and their supporters (and apparently a few

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<sup>42</sup> The shifting sands of who is 'in' and who is 'out' continue to entertain Zimbabweans; see for example 'Chiwewe to Expose Officials with 10 farms', *Zimbabwe Times*, 16 Sept 2009, Owen Chakari; and 'Mliswa Case Shakes Zanu PF to the Core', *Zimbabwe Standard*, 11 July 2010, Caiphas Chimhete.

<sup>43</sup> 'Chef' is used in a derogatory sense to denote a generally corrupt member of the nationalist elite, from the Portuguese 'Shefu' – cf. 'Boss'.

<sup>44</sup> For a selection – by no means definitive – of chefs who received farms, see for example Justice for Agriculture (2002).

<sup>45</sup> See for example 'Chiwewe Weeps Over Chop', *Radio V O P*, 28 August 2008.

<sup>46</sup> See for instance the exploits of Temba Mliswa, cousin of Didymus Mutasa, 'Mliswa Case Shakes Zanu PF to the Core', *Zimbabwe Standard*, 11 July 2010, Caiphas Chimhete.

<sup>47</sup> Not to be confused or conflated (as is common) with Operation Murambatsvina, also unleashed – a week later – upon the urban poor but in the housing sector.

<sup>48</sup> E.g. 'Police Zero in on Forex Barons', *Sunday Mail*, 8 July 2007.

free-lance privateers taking advantage of the confusion).<sup>49</sup> This pillage provided enormous patronage, supplying goods to rank-and-file members of ZANU PF and sent a populist message condemning businessmen for seeking 'excessive profits' at the expense of ordinary people. Captains of industry were arrested and locked up.<sup>50</sup> The state sent a clear message that they had little respect for property rights and that business assets would be regarded as ripe for plucking. Officials and others looted many businesses.<sup>51</sup> While the ZANU PF elite's own businesses were often exempt from the controls, some were caught up: a minister's husband, Peter Nyoni, was arrested for overcharging.<sup>52</sup> The confusion was best demonstrated in Bulawayo, where riot police fought off suspected police officers who were trying to loot a major wholesaler while soldiers invaded a police station to 'recover' looted items that had previously been confiscated.<sup>53</sup>

The consequences for the economy were enormous, as goods disappeared from supermarkets shelves and formal business disappeared into hidden warehouses known through word of mouth where goods could only be purchased in rands or US dollars at a premium.

Meanwhile the regime's disregard for basic economic precepts was nowhere more evident than in its 'management' of the foreign currency situation. After the elimination of forex rents in 1994, a largely free market in foreign currency existed. This might have been expected to result in a more rational utilisation of the country's capacity to import. However, under the new system forex was used not to sustain medium or long-term productive activities but to import consumer and luxury goods whose commercialisation provided a quick return. The Zimbabwean dollar dropped from 11 to US\$1 in mid-1997 to 40 by the end of 1998. In 1999 the government pegged the dollar at a fixed rate, immediately creating a new rent market which reached absurd levels in 2008 when the state rate was Z\$55:US\$1 but the street rate was in the millions then billions and trillions and the pervasive informal economy abandoned the Zimbabwean dollar altogether.

In a major indictment of its malfeasance, the state itself was one of the largest customers in the street trade in forex: buyers would be issued with newly printed 'bearer cheques' at the Reserve Bank building and head out to trade for US dollars. On at least one occasion, new denomination notes were in circulation at forex markets around town before they had been officially released by the RBZ. Fortunes were made by state-sanctioned 'cash barons' before the process crashed under the burden of hyperinflation when the dollarization of the informal economy was followed by the state which abandoned the Zimbabwean dollar completely in February 2009 in favour of the US dollar which remains the country's working currency.<sup>54</sup>

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<sup>49</sup> See, for example, 'Top Cops in Massive Looting Spree', *Financial Gazette*, 09 Aug 2007, Charles Rukuni, or 'As Business Plans Audit', *Zimbabwe Standard*, 15 Jul 2007.

<sup>50</sup> E.g. 'Police Zero in on Forex Barons', *Sunday Mail*, 8 July 2007.

<sup>51</sup> See for example, '4 Policemen Arrested', *Herald*, H R, 12 Jul 2007.

<sup>52</sup> See 'Double Standards as Elite Gain from Price Controls', *S W R A*, 18 Jul 2007, Tererai Karimkwenda, although some ZANU PF members were affected – see 'As Business Plans Audit', *Zimbabwe Standard*, 15 Jul 2007.

<sup>53</sup> See 'As Business Plans Audit', *Zimbabwe Standard*, 15 Jul 2007, and 'Soldiers Storm Police Station to Recover Looted Food Items', *Zim Online*, 13 Aug 2007, Brendon Tulani.

<sup>54</sup> See for example 'Money for Nothing', *I R I N*, 4 January 2008, and 'Zimbabwe Central Bank Adviser Off Hook', *Zim Online*, 29 Dec 2007, Sebastian Nyamhangambiri.

In 2006 a major new rent source developed in the diamond fields of Marange/Chiadzwa, south of the eastern border town of Mutare.<sup>55</sup> The concession, owned by De Beers but never developed, passed in April 2006 to Africa Consolidated Resources (ACR), a UK registered company whose shareholders apparently include General Solomon Mujuru (who is also a shareholder in diamond miners, River Ranch Limited) and former ZANU PF leader Dumiso Dabengwa.<sup>56</sup> ARC announced a major discovery in the area: overnight thousands of people rushed to the fields to make their fortunes before the police declared war on 'illegal' miners in Operation Mari Wakaiwanepi? ('where did you get all that money from?') and moved in to secure the diggings.<sup>57</sup> The police then became the gatekeepers who rented the fields to diggers.<sup>58</sup>

In 2008 there were reports of gun battles between diggers and police and the army was deployed to secure the area.<sup>59</sup> The state has since established two joint ventures, Mbada Mining and Canadile Miners, with foreign mining groups to monopolise extraction. Mbada Mining is chaired by Mugabe's former helicopter pilot, Robert Mhlanga, who emerged from Zimbabwe's DRC adventure as a millionaire while one of the shareholders is Mugabe's second wife, Grace.<sup>60</sup>

To properly understand this period it is also essential to consider the activities of the ruling party's own business enterprises, together with the regime's involvement in the Democratic Republic of Congo, which has been an important aspect of its 'success'.

## 2.6 ZANU PF's commercial empire

In common with political parties elsewhere in Africa, ZANU PF has developed an extensive commercial empire. This study seeks to identify not only the businesses and holdings but to unravel the byzantine network of individuals who operate these on behalf of the party, to 'disaggregate the state' (Nest, 2001) and explain the 'forging of clientage networks' (Raftopoulos, 2005).

Prior to independence in 1980, ZANU PF had already embarked on the development of its business interests, establishing M & S Syndicate in 1979. Internally the anti-colonial struggle resulted in the development of strategic alliances with rural and urban entrepreneurs who, voluntarily or under duress, provided resources for the guerrilla campaign. Externally ZANU PF had political and business networks with individuals such as 'Tiny' Rowland of Lonrho<sup>61</sup>

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<sup>55</sup> This paragraph draws extensively on Partnership Africa Canada (2010).

<sup>56</sup> Report exposes Mnangagwa and Mujuru involvement in Marange, Violet Gonda 14 June 2010 <http://www.swradioafrica.com/news150610/report150610.htm>

<sup>57</sup> See for example 'Marange Diamond Rush, the Race that Brought Instant Riches', *Mirror*, 08 Jan 2007, or 'Diamonds are Mutare's Best Friends', *I R I N*, 6 August 2008.

<sup>58</sup> See 'Police Officers Arrested over Diamond Bribes in Zimbabwe', *Monsters and Critics D P A*, 31 August 2007.

<sup>59</sup> 'Chiadzwa – Army Sent in to Quell Gun Battles', *Financial Gazette*, 6 November 2008, Ray Matikinye.

<sup>60</sup> See 'Grace Mugabe Fingered in Diamonds Looting', *Radio VOP*, 30 July 2010 and Grace Mugabe fingered in diamonds looting [http://www.zimbabwesituation.com/jul31\\_2010.html#Z4](http://www.zimbabwesituation.com/jul31_2010.html#Z4)

<sup>61</sup> These links were somewhat tenuous prior to Independence since Rowland favoured Nkomo's ZAPU – while funding Muzorewa and Sithole as well. After 1980, the links were useful, for instance, in squashing reporting of the 5<sup>th</sup> Brigade massacres in Matabeleland. See for example, Hall (1987) and Nkomo (1984).

and businessman Jayant Joshi and his brother, Manharlal. Jayant Joshi was based in Britain in the 1970s and allegedly assisted ZANU members in the UK.<sup>62</sup>

With its ascent to power in 1980, ZANU PF further developed its business interests within the country, forging significant economic power both within and without the state. The organisations took several forms.

Its main investment arm, M & S Syndicate,<sup>63</sup> was primarily concerned with the party's internal interests, focusing on agriculture, property management and investments. The original directors were the spouses of two ZANU lawyers, Amos Chirunda and Simplisius Chihambakwe.<sup>64</sup> It was chaired by Emmerson Mnangagwa until 2004 or 2005. It is currently chaired by Gertrude Chikwava who also represents the Zimbabwe Mining Development Corporation (ZMDC) on the board of Canadile Miners (Pvt) Ltd, a joint venture between Core Mining Resources and the ZMDC and one of two companies given access to the Chiadzwa diamond field.

M & S Syndicate made most of the party's investments with shares in Fibrolite Zimbabwe, G North & Son, Jongwe Printing & Publishing Company, Ottawa, Star Travel, Treasure Holdings, and Treger Holdings. The actual shareholdings are complicated by the fact that M & S owns shares in ZANU PF's other main holding company, the Zimbabwe Development Company, better known as Zidco Holdings, established in 1984 together with Chandra Patel, an uncle of Jayant and Manharlal Joshi, who owned 45% through his UK company, Unicorn Exports & Imports. Zidco Holdings in turn held shares in a range of companies such as F. W. Woolworth & Co Zimbabwe,<sup>65</sup> Oryx Natural Resources, Zidlee Enterprises, Eagle Investments, Zidco Imports & Exports, Catercraft, Jongwe Printing & Publishing Company, Mike Appel Organisation Limited, National Blankets, Oporto Investments, Treger Holdings, and Zidco Motors.

The ownership details for Zimdam are not known while several companies – Segmented Investments, Sovereign, Hustonville, Tescrom, Amelia, Ryobi, Printfit, Smoothnest and M&S Investments – were allegedly created to circumvent targeted 'sanctions' imposed by western countries after 2003 (anonymous, 2010). In 1992 Zidco Holdings and its associates claimed to employ almost 10 000 people with an annual turnover of Z\$350 million. It was involved in a range of economic activities including government contracts, army tenders, supplies of textbooks, imports of tobacco, liquor and a range of trinkets, builders' hardware, fridges and

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<sup>62</sup> Originally from Malawi, the Joshi family and their extended network of familial and commercial contacts were especially pivotal after 1980 until early 2004 when they fled Zimbabwe in the face of an internal investigation into ZANU PF businesses. At one point, Jayant Joshi was alleged to hold directorships in a plethora of ZANU PF companies including Catercraft (Pvt) Ltd, Eagle Investments, First Banking Corporation Holdings Limited, G North & Son, M & S Syndicate (Pvt) Ltd, National Blankets (Pvt) Ltd, Oporto Investments, Rasman Investments, Star Travel, Treger Holdings, Vimco Chemicals, Zidam Investments, Zidco Holdings, Zidco Imports & Exports, Zidco Motors, and Zidlee Enterprises (Pvt) Ltd. See *Directors flee as Zanu PF probes own companies*. Sunday Mirror, 4 April 2004 [http://www.zimbabwesituation.com/apr5\\_2004.html](http://www.zimbabwesituation.com/apr5_2004.html)

<sup>63</sup> The name is apparently either a derivation of the Muzenda and Sumbereru families (Horizon, 1992) or the Muzenda name and the chiShona word for Umbrella (anonymous, interview, 2010)

<sup>64</sup> 'By March M & S had become a holding company for properties purchased by ZANU PF. The lawyers' wives had become "just nominees of the party to hold the property otherwise they know very little", according to Chihambakwe's correspondence with the Registrar of Companies at the time' (Horizon, 1992). Chihambakwe is currently chair of CFI Holdings, a major agricultural trading conglomerate.

<sup>65</sup> Note that by 1991 Zidco had sold its shares in FW Woolworth.

stoves, farm management, international consultancy and property investment (Horizon, 1992).

The total contributions from companies to the party coffers over the past three decades are unknown but in 2003, corporate contributions including donations were the primary source of official party funding, amounting to just over Z\$1.2 billion, or 84% of all revenues.<sup>66</sup> This figure, large as it appears, can be contextualised against the national revised budget for the state for 2003 which was over Z\$1100 billion.

The contributions of these various corporations are unclear since data are sketchy. However accounts tabled at ZANU PF's congress in 2003 provided details of funds (and shareholdings) received from a number of individuals and organisations including Z\$250 million from Tregers, Z\$20 million from Catercraft, Z\$200 million from National Discount House (NDH) and nearly Z\$450 million from Commercial Bank of Zimbabwe (CBZ) (see Appendix 2).<sup>67</sup>

At the time ZANU PF held 50% of the shares in Catercraft, 31% in Tregers, 17% in FBC and 28% in Zidlee. It appears that the amounts from companies such as bankers CBZ or finance house NDH were donations and not returns on investments.

CBZ was formed in 1992 by the Government of Zimbabwe from the Zimbabwean holdings of the bankrupt Bank of Credit and Commerce International. The chair of CBZ from 1995, Gideon Gono, resigned at the end of November 2003 to become governor of the RBZ in December 2003. In 2009 the Government of Zimbabwe still retained its 16% shareholding in the bank. It is not clear why the privatised parastatal Dairibord or the charity, Christmas Cheer Fund, would be contributing funds to a political party.

In 2005, dividends amounted to Z\$5.8 million while for the nine months to 30 September 2006, ZANU PF received over Z\$10 million from its companies. Its 19% shareholding in FBC Holdings yielded Z\$3.5 million; Mike Appel Z\$3.1 million; Catercraft Z\$6.2 million; Zidlee Z\$1.2 million (27% shareholding); Treger Holdings no dividend (31%) and Fibrolite no dividend (from a 45% share).<sup>68</sup> Catercraft, which provided the largest receipts in 2006, is owned by Kamal Mahfudh Khalfan, an Omani citizen resident in Zimbabwe (and honorary consul for Oman in Zimbabwe) with a history of support for ZANU PF.

In addition to direct financial returns to the party, some of the aforementioned companies offered patronage opportunities to the party leadership e.g. directorships, employment, and supply contracts.

Zimbabwe has a long history of scandals that have occasionally resulted in court prosecutions. There are various reasons why some people are prosecuted while others are not. Those at the very apex of ZANU PF are clearly untouchable but it appears that others in senior or middle ranks who have been prosecuted may have fallen victim to factional politics within the party or failed to deliver the expected slice of rents to their superiors (anonymous 2010).

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<sup>66</sup> In contrast, funding in 2003 under the Political Parties Finance Act amounted to \$127,500,000. ZANU PF also extracts rents from hapless citizens; see for example, 'Villagers Forced to Donate Towards ZANU PF Conference', *Zim Online*, 7 December 2006.

<sup>67</sup> 'Troubled Finance House Donates to ZANU PF', *Financial Gazette*, 9 February 2004, Nelson Banya.

<sup>68</sup> 'ZANU PF pockets \$10.5 mln dividends from associate firms', *Financial Gazette*, 4 January 2007, Chris Muronzi

In 2004 an internal investigation of the party's empire, chaired by David Karimanzira, the then Secretary of Finance for the party, led to the flight of several directors of ZANU PF companies but the report failed to implicate the chairperson of M & S, Emmerson Mnangagwa, despite calling for criminal investigations into the companies.<sup>69</sup> It appears that the investigations were the result of factional struggles between Solomon Mujuru and Mnangagwa as well as Mugabe's concerns about Mnangagwa's presidential aspirations.<sup>70</sup>

The results of another investigation carried out by auditors Kudenga & Co have not emerged into the public domain, while those of yet another probe in 2006, chaired by Didymus Mutasa, are also unavailable.<sup>71</sup> It is clear however from the limited data and the various reports available that the management of ZANU PF's business empire is both opaque and keenly contested by factions within the party. This contestation may be a sign of a process of decentralising rent seeking although the role of Emmerson Mnangagwa as chair of many of the companies indicates a centralised control, close to Mugabe. Although his fellow directors fled the country in 2004 during one of the investigations, Mnangagwa did not and remained as chair.

## 2.7 Zimbabwe Defence Forces

'The military has over the last few years expanded and consolidated its position in both the politics and the economy of Zimbabwe. The Zimbabwe army now virtually controls the major institutions of the state and formal policy making structures and processes of the country' (Zimbabwe Institute, 2008).<sup>72</sup>

The Zimbabwe Defence Forces comprises the Zimbabwe National Army (ZNA) and the Air Force of Zimbabwe (AFZ). In addition, the Zimbabwe Republic Police (ZRP), the Zimbabwe Prisons Service (ZPS) and the Department of The President's Office (CIO) form part of the Security apparatus of the state, supplemented by militia forces, primarily the Youth National Service and the Zimbabwe National Liberation War Veterans Association (ZNLWVA), whose members are part of a War Veterans Reserve within the ZNA.<sup>73</sup>

Mugabe appoints all ranks of Colonel and above. Following the 2000 general election, Mugabe began a programme of state militarisation, appointing nominally-retired officers to a swathe of SOEs, Commissions, Boards and Authorities (Zimbabwe Institute, 2008). Military men essentially ran and controlled all elections in the country after 2000: in 2002 the commanders threatened the electorate if Mugabe did not win the March elections.<sup>74</sup> Zimbabwe is, according to some analysts,<sup>75</sup> run by a military cabal, the Joint Operations

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<sup>69</sup> The committee included Karimanzira, Solomon Mujuru, Obert Mpfu (then Matabeleland North Governor) and Thoko Mathuthu (then ZANU PF deputy secretary for transport and welfare). 'Z A N U P F Probe Turns Ugly', *Financial Gazette*, 13 August 2004, Hama Saburi; 'Mnangagwa Emerges Unscathed', *Financial Gazette*, 9 September 2004, Hama Saburi.

<sup>70</sup> See 'Mnangagwa Elbowed Out of Race', *Independent*, 12 June 2004, Gift Phiri.

<sup>71</sup> 'Succession Stirs Zanu PF Probe', *Independent*, 13 October 2006, Clemence Manyukwe.

<sup>72</sup> Militarisation was effected at all levels of the State e.g. 'Mugabe Steps up Militarization of State Institutions', *Zim Online*, 9 May 2005.

<sup>73</sup> Created in March 2007; see Defence (War Veterans Reserve) Regulations of 2007, Statutory Instrument 64, March 2007. Although confusion was the result; see 'War Vets Regiment Now You See It', *Financial Gazette*, 17 May 2007, Njabulo Ncube.

<sup>74</sup> See 'Security Chiefs "Will not Accept Mugabe Defeat"', *Times*, 10 January 2002, Michael Hartnack.

<sup>75</sup> 'Mugabe's Generals', *Newsweek*, 22 July 2008, Rod Nordland.

Command (JOC),<sup>76</sup> who benefit from their positions to accumulate farms and business opportunities, especially during the DRC war (United Nations 2001). Interestingly, this militarisation does not extend into the ruling party – retired General Solomon Mujuru is the only military man to sit in ZANU PF's Politburo: Mugabe has been careful to preserve his direct control over the party while meeting the rent expectations of his generals elsewhere (for example, the DRC, SOEs, farms and the Chiadzwa diamonds).

The army also moved into the agricultural sector, firstly into distribution control with the appointment of Colonel Samuel Muvuti as Acting General Manager of the GMB and then into production in 2005 with Operation Taguta/Sisuthi, a command agricultural programme that attempted without success to use soldiers to increase maize production. (Solidarity Peace Trust, 2006).

In 1996 Zimbabwe was one of a number of African countries that provided Laurent Kabila with the financial, military and technical assistance he needed to seize power in the DRC the following year. Even before the capital, Kinshasa, was occupied, Zimbabwe Defence Industries awarded a contract to General Vitalis Zvinavashe's transport company to ferry supplies to the DRC (Global Witness 2002; Dietrich 2000).<sup>77</sup> . By the end of 1998, deals included the creation of a trading company, Congo-Duka, as a joint venture between ZDI and General Strategic Reserves, a Congolese SOE, and the appointment of Billy Rautenbach (see below) as head of Gecamines, the state-owned cobalt mine (Goredema 2003).<sup>78</sup>

In 1998 over 10,000 Zimbabwean troops were sent to the DRC to secure Kabila's power and to defend mining areas. Although the returns on their 'investments' did not provide the easy pickings they expected, the generals replaced Congo Duka with a new company, Osleg (Pvt) Ltd<sup>79</sup> with a host of military men on its board. Osleg immediately created a joint venture company, Cosleg (Pvt) Ltd, with Laurent Kabila's Comiex-Congo. In September 1999, Cosleg set up a joint venture with Western Hemisphere Capital Management called Societe Congolaise D'exploitation Du Bois or Socebo. Despite the withdrawal of most Zimbabwean troops in 2002, the commercial activities of the few continued: for example, in 2007, Cosleg arranged a deal to extract timber, reportedly involving Malaysian finance.<sup>80</sup>

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<sup>76</sup> The Joint Operations Command is chaired by Emmerson Mnangagwa. Its members are General Constantine Chiwenga, commander of the Zimbabwe Defence Forces, Lieutenant General Philip Sibanda, commander of the Zimbabwe National Army, Air Marshal Perence Shiri, commander of the Air Force of Zimbabwe (and Mugabe's cousin) Commissioner Augustine Chihuri, Zimbabwe Republic Police, Major General (Ret.) Paradzayi Zimondi, head of the Zimbabwe prison service, Happyton Bonyongwe, director-general of the Central Intelligence Organization Gideon Gono, governor of the Reserve Bank of Zimbabwe.

<sup>77</sup> 'Zanu P F Kabila in secret deal', *Financial Gazette*, Aug 30, 2001.

<sup>78</sup> Also Peta Thornycroft, 'Fight over mineral wealth shifts from battlefields to boardrooms', *Business Report*, 22 Jul 2007.

<sup>79</sup> A contraction of Operation Sovereign Legitimacy, OSLEG was headed by Lieutenant-General Vitalis Zvinavashe, Job Whabara, Permanent Secretary, Ministry of Defence, Onesimo Moyo, Director, Minerals Marketing Corporation of Zimbabwe, and Isaiah Ruzengwe, General Manager, Zimbabwe Mining Development Corporation. General Zvinavashe's brother, Colonel Francis Zvinavashe, retired Major-General Dauramanzi and Brigadier John Moyo represented Osleg in the Congo.

<sup>80</sup> 'Pay Back Time for Uncle Bob', *Zimbabwean*, 18 Jan 2007; 'Zimbabwe Troops in Action in the Congo', *Zimbabwe Today*, 18 November 2008; 'M D C Criticises Deployment of Soldiers to D R C', *Zimbabwean*, 15 December 2008, Tendai Biti; 'Ebola Kills 2 Zim Soldiers in D R C', *Zim Daily*, 2 January 2009, Nozipho Maseko.

It is noteworthy that despite the inflammatory and racist rhetoric of ZANU PF,<sup>81</sup> the party continues to maintain a number of alliances with white businessmen, who have provided many resources from cash to influence to ZANU PF and its *chefs*. John Bredenkamp,<sup>82</sup> Conrad 'Billy' Rautenbach, Nicholas 'van' Hoogstraten (aka Nicholas von Hessen), are perhaps the best-known. The first two are allegedly deeply embroiled in investments in the DRC, while the third has allegedly been instrumental in assisting ZANU PF leaders avoid sanctions and bankrolling the party (Africa Confidential, 2008). These three 'crony capitalists' of ZANU PF are the most egregious examples of a sub-class of capital that extends throughout the economy. It includes not only overt enthusiasts for Mugabe and his rule but also those who claim that they 'are only businessmen' and those, especially amongst the LSCF sector, who 'cut a deal' with the powerful in often futile attempts to retain their access to rents.<sup>83</sup>

To summarise the situation with respect to rent-management over the past decade, rents have been centralized by a leadership cabal that straddles the Joint Operations Command, ZANU PF, the Government, party companies, and state owned enterprises. It controls access to rents from land, foreign currency, diamonds, the DRC, and farm equipment, which it has distributed primarily to members of the defence forces and to 'war veterans', with pro-ZANU PF peasants, civil servants, and pro-regime capitalists being secondary beneficiaries. These groups provide the political support, and more importantly, the coercive power, to maintain the regime in office. It is not yet clear how far power-sharing with the MDC has affected these arrangements – although the fact that the JOC continues to operate, and that the MDC used patronage politics to get the Finance Bill through parliament recently, suggests that changes have not been great.

Although rents are strongly centralized, there is evidence that this centralization is a precarious one. Land invasions, mine invasions, unauthorized looting, and factional struggles for lower level rents all suggest that the system of rent-management contains cracks, which threaten to open into a decentralized, anarchistic free-for-all.

Whatever the case with respect to centralization, it seems clear that rent management is focused on maximum enrichment and regime survival over the short-term. With hyper-inflation, expropriations, and severe property rights' instability, it is difficult to imagine a less propitious environment for long-term investment and growth. Regime supporters may currently be able to profit through consumption of natural resource rents, monopoly trading rights, and black-marketeering, but these income flows are not sustainable, let alone expanding. Figure 2 illustrates some of the rent flows in this period.

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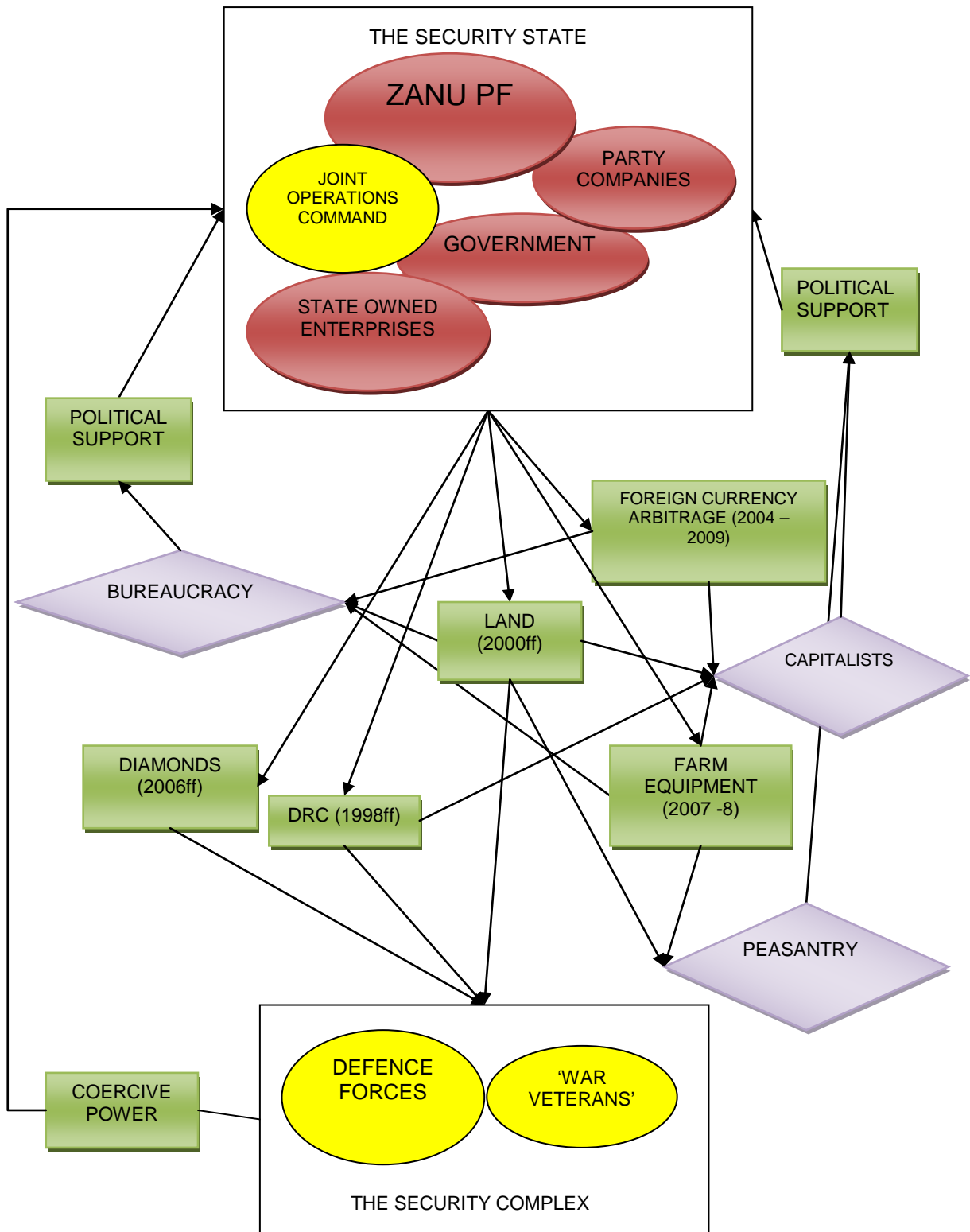
<sup>81</sup> 'Our party must continue to strike fear in the heart of the white man. They must tremble. They think because they are white they have a divine right to our resources. Not here. The white man is not indigenous to Africa. Africa is for Africans', Mugabe, 2000 ZANU PF Congress; 'White Ally Scorned by Mugabe', *Observer*, 17 December 2010.

<sup>82</sup> See for example 'Uncovering How Zimbabwean Tycoon Takes Advantage of Political Crisis', *Afrikom*, 3 August 2008, Christopher Thompson.

<sup>83</sup> See for example Godwin (2010: 246).



Figure 2: Changing alliances - rent flows in the new millennium



### 3 Zimbabwe in comparative perspective

Having identified the system for rent-management in Zimbabwe, it is useful to ask why economic management there has taken such a calamitous turn, and to examine whether alternative paths might have been possible. It is helpful at this point to return to the work of Mushtaq Khan, and in particular his work on political settlements (Khan, 2010). Khan has argued that generalized violence in a country ends when the most powerful groups come to a political settlement whereby formal and informal institutions facilitate a distribution of benefits consistent with their relative power (Khan, 2010: 20), for example through the establishment of power-sharing 'unity governments' as in Kenya and Zimbabwe. Different political settlements have different implications for what he calls the 'growth-stability' trade-off. The latter will be influenced by a number of variables, including the strength of elite groups outside the ruling coalition, the strength of the leadership of the ruling coalition *vis à vis* its own supporters, and the nature of the capitalist class. Generally speaking, the stronger the leadership is *vis à vis* its internal and external opposition, and the more capable the capitalist class, the more scope the regime has for allocating rents to growth-promoting actors.

At Independence, ZANU, the ruling party, faced strong elite opposition from ZAPU, the rival nationalist movement. Consequently, much (brutal) energy was devoted to subduing and co-opting ZAPU, instead of facilitating growth. At the same time, the ZANU leadership faced a conscientized and mobilized popular base. The terms of the Lancaster House agreement prevented the large-scale redistribution of the main source of natural resource rents, i.e. land, that would have allowed the regime to placate the demands of this base, and so it is no surprise that the top leadership chose to deflect challenges by permitting lower level leaders, those with the potential to organize opposition to their rule, that is, to enrich themselves via a variety of legitimate and illegitimate business opportunities. At the same time the capitalist class, being overwhelmingly white, was politically weak, and thus in a poor position either to resist petty predations or to press for policies that would help capital overall. There were understandable strategic reasons, then, why the ruling party emphasized a redistributive clientelist strategy rather than a generalized redistributive strategy, or a vigorous pro-growth policy.

We should add to this aspects of political culture and what might be called 'cognitive failure'. Culturally, the regime had endured a long history of racial oppression and had just emerged from a long war against white rule. Politically, it would have been difficult for members of the regime wholeheartedly to embrace a development strategy with white capital at its core, even if temporary alliances were acceptable. Second, although there was plenty of emerging evidence from around Africa and the world, the problems of relying on a protected industrial sector for long periods were perhaps not yet apparent in 1980. By the late-1990s, this should have been obvious, and the cognitive failure and cultural aspects of the regime's choices must weigh more strongly. ZANU PF's own historical mythology, the eulogised '*vana vevhu*',<sup>84</sup> situates the party's soul in the countryside and the party has always demonstrated – and practiced – an anti-urbanism that militates against urban-industrial development. Cities are seen as alien creations, relics of colonialism where people become deracinated or 'totemless'.

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<sup>84</sup> *Vana vevhu* = 'children of the soil', used to refer to the nationalist combatants during the liberation war but also referring to people in the rural areas and implying that only those of peasant stock, with their roots in the countryside are 'legitimate' Zimbabweans. In 2000 Mugabe referred insultingly to people living in Mbare as 'totemless', an 'othering' that pre-shadowed the gross human rights violations of Operation Murambatsvina.

At best cities are places for accumulation, the proceeds of which are re-invested *kumusha*,<sup>85</sup> the only legitimate sphere of human endeavour. This dichotomous construct is hardly a reflection of reality but of aspiration that informs both policy and action by the party. Certainly, few older 'indigenous' Zimbabweans regard the cities as 'home' and this has slowed the development of specifically urban classes, whether these are working, intermediate or capitalist.

Further light can be shed on the Zimbabwean regime's choices by comparing Zimbabwe with Tanzania. Like Tanzania, Zimbabwe's capitalist sector at independence was dominated by a non-African minority. Like Tanzania, its nationalist movement had a broadly socialist ideology. It is not surprising then that like Tanzania, it has failed to consistently support a pro-growth strategy. In fact Zimbabwe was arguably even less likely to pursue such a strategy than Tanzania. Although ZANU, like TANU, established itself as a dominant party soon after independence, it nevertheless faced much stronger pressures for redistribution than the former. This is not to justify ZANU's choices, and especially not the catastrophic reapportioning of land rents over the past decade, it is merely to restate that there were significant forces pushing the regime in this direction, while closing off others.

Rwanda provides a different perspective. Like ZANU, the RPF is a dominant party, and like ZANU it faces serious external and probably internal challenges. Indeed, it is arguable that the RPF regime faces a much more difficult political situation than ZANU ever did. One would expect, therefore, that the ZANU regime would have had more room for manoeuvre when it came to promoting a growth strategy than the RPF does. If this is the case, it suggests that a pro-growth strategy would not have been impossible in Zimbabwe, although it would have been difficult. Why then did the regime not pursue such a course? One possibility is that with a relatively developed capitalist sector already in place, the regime had a source of rents on which to prey, and did not feel impelled to create them, as in Rwanda, from the ground up. Other reasons have already been discussed, namely the history of racial oppression suffered by the party and its supporters, and the influence of socialist and African nationalist ideologies. We should also mention that Robert Mugabe and Paul Kagame are men of different characters with different visions, even though they are both, in their own way, autocrats with a distrust of Western powers.

Zimbabwe also throws some light back on Rwanda. Our Rwanda study showed us that the ruling party holding company, Tri-Star, has been a formidable vehicle for centralizing rents, funding the ruling party, and permitting the regime to take a strong anti-corruption stance with the administration. Zimbabwe, as we have seen, also has its holding companies. As in Rwanda, they have been important (though to a lesser degree) in centralizing rents and channelling funds to the ruling party. However, those rents appear to have been of a short-term, parasitic or predatory, nature, and thus growth-retarding over the long run, in contrast to the rents created by Tri-Star which by and large have taken the form of learning rents for pioneer capital, and appear to be growth-promoting. Clearly, the holding company model is a vehicle than can be used for good or ill, depending on the nature of the regime that owns it.

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<sup>85</sup> Literally 'at home' but signifying far more than a situational reference.

## 4 Conclusions

This paper has examined the structure of rent-management in Zimbabwe from Independence to the present day. It has described how the Lancaster House Constitution prevented any wholesale redistribution of natural resource rents from whites to Africans in the 1980s, and how the regime focused instead on channelling forex rents, parastatal jobs, and business sinecures to its supporters, while crushing its opponents militarily. In the face of poor economic performance, structural adjustment in the 1990s removed some of these patronage resources, and yet created others as cronies of the regime grew rich from participation in importing and exporting, and new industries; they also began to acquire increasing amounts of land. Nevertheless performance of the economy overall was disappointing. Facing increased pressure from a reconstituted political opposition, from its own popular base, and with the withdrawal of donor support, the regime's response was a catastrophic policy of seizing and reallocating white land at home, while pursuing natural resource rents abroad, notably in the Democratic Republic of Congo. Domestic investment and production all but collapsed, and inflation ran out of control.

We have argued that underpinning this dismal record has been a centralized structure of rent management that is oriented to the short term. Economic decisions are taken with a view to buying off political opposition and ensuring temporary regime survival, instead of with a view to growing the economy over the long run. The Zimbabwe case demonstrates with particular clarity that while centralized rent-management may be a necessary precondition for economic growth under African conditions, it is not sufficient. Indeed, in the hands of a regime that is not growth oriented, rent-centralisation may be more damaging than its alternative, decentralisation.

The study has also shown that there is nothing intrinsically developmental about party holding companies in African conditions. While the hypothesis that such companies can be effective vehicles for centralizing rent-management has been borne out, their developmental impact depends very much on the orientation of the regimes driving them. From a theoretical standpoint, the study shows that single-factor institutional explanations, particularly those focusing on formal arrangements alone, are insufficient for differentiating between more developmental and less developmental types of regime. The implications of institutions cannot be divorced from the contexts in which they are embedded and the decision-logics of the agents controlling the key organisations.

Does this analysis offer any pointers for the future in Zimbabwe? Recently, a richly detailed account of post-Independence Zimbabwean politics uses the concepts of structure and agency to assess the country's potential to embark on a new path of good governance, democracy, and development (Bratton and Masunungure, 2011).<sup>86</sup> While noting that political transitions offer unique opportunities for structural change, the analysis remarks on the challenges posed by prevailing party fragmentation, survival politics, a culture of distributive clientelism, and an unpredictable military. In light of these obstacles, the authors ultimately repose their hopes for better governance on 'democracy' and a more active citizenry (ibid: 47). But in our view this is naïve, not least because of the collective action problems involved in transferring mass desires for better governance into actual reform.

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<sup>86</sup> We became aware of this publication just prior to going to press, and have been unable to fully incorporate its findings here. However, we believe that its excellent empirical sections can be regarded as complementary to our analysis, even if the report's conclusions cannot.

More likely, we think, is a new political settlement in which the most powerful elite groups realize that the old ways are unsustainable, and forge new institutional vehicles for consolidating and expanding rents with the assistance of an improved investment climate and re-professionalized bureaucracy. Importantly, this would not necessarily imply stripping elites of their ill-gotten gains, or expecting individuals who have grown rich on plunder to become paragons of good governance virtue overnight. It would simply involve strengthening the technocratic aspects of the core economic agencies, tightening informal regulation of unproductive rent-seeking, while steering a greater proportion of rent-earning opportunities to sectors likely to be growth-promoting over the long term.

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## Appendix 1: Examples of rents in Zimbabwe

Period	Rent	Type	Beneficiaries	Benefits	Costs
1980-1990	Commodity monopolies	Redistributive	Peasants	Increased outputs from peasant farming	State subsidies; distorted production and prices
1980-1994	Import licences	Monopoly	Established businesses; 'briefcase businessmen	Redistributive transfers to emerging businessmen	Increased cost of imports; increased bureaucracy; corruption
1980-1990; 2007-2009	Price controls	Monopoly	Political interests; black market traders		Scarcity, 'black' market; business insecurity; distorted supply chains
1980ff	State contracts	Redistributive	ZANU PF-aligned businesses		Increased costs; corruption
1988ff	State-owned enterprises	Monopoly or quasi-monopolistic	ZANU PF		Inefficiencies; cost of subsidies
1995	Business licenses	Learning	ZANU PF-aligned businesses		Increased service costs
1998	Democratic Republic of Congo	Monopoly; national-resource	Security forces; ZANU PF-aligned businesses		Cost to State
2000ff	Land	Redistributive	ZANU PF supporters; peasants		Decline in agricultural production; reduced exports; general economic collapse; social costs; insecurity
2004-2009	Foreign currency arbitrage	Redistributive	GoZ; 'cash barons'		Hyperinflation; elimination of national pensions and savings
2006ff	Diamonds	Natural-resource	Security forces; ZANU PF-aligned businesses		Illegal diamond trade; negative national image

## Appendix 2: ZANU PF accounts, 2003

### DONATIONS

<b>Date</b>	<b>Donor</b>	<b>Amount Z\$</b>
09/01/2003	L Mutandwa	3,000.00
9/01/2003	Dairibord	15,000.00
9/01/2003	Trust Bank	10,000,000.00
9/01/2003	Mtezo & Partners	50,000.00
9/01/2003	Africa Eagle	40,000.00
9/01/2003	G M Machinga	30,000.00
9/01/2003	Tenda Transport	30,000.00
9/01/2003	M Mapfumo	20,000.00
9/01/2003	E T Manyika	20,000.00
9/01/2003	L Taruvinga	20,000.00
9/01/2003	E D Mngangwa	20,000.00
9/01/2003	Score Butchery	20,000.00
9/01/2003	Rufaro Restaurant	15,000.00
9/01/2003	J W Msika	10,000.00
9/01/2003	N T Goche	10,000.00
9/01/2003	M T Mapfumo	10,000.00
15/01/2003	A M Zvoma	100,000.00
20/01/2003	Redcliff Christmas Cheer	100,000.00
28/01/2003	Moon Rock	200,000.00
28/01/2003	Judge Selo M Nare	5,000.00
28/01/2003	Ambassador Chipazawiwa	40,000.00
28/01/2003	S Sekeramayi	10,000.00
28/01/2003	Physical Planning	500.00
28/01/2003	M Madiro	25,000.00
05/02/2003	P M Mangwana	13,000.00
05/02/2003	Floyd Enterprises	1,000,000.00
10/02/2003	National Discount House	20,000,000.00
12/02/2003	Hides & Skins	20,000.00
26/02/2003	Rooneys	500,000.00
04/03/2003	Paymaster General	13.00
13/03/2003	N Goche	5,000,000.00
03/04/2003	J B Maseko	10,000.00
03/04/2003	E Chikowore	100,000.00
03/04/2003	R C Hove	50,000.00
3/04/2003	R G Mugabe	2,000,000.00
3/04/2003	S Mujuru	200,000.00
03/04/2003	D I G Karamanzira	100,000.00
03/04/2003	S B Mahofa	10,000.00
03/04/2003	O N Muchena	20,000.00
03/04/2003	TA Mathuthu	10,000.00
08/04/2003	E D Mngangwa	50,000.00
08/04/2003	S Kasukuwere	750,000.00
08/04/2003	D N E Mutasa	100,000.00
08/04/2003	J T Malinga	100,000.00
08/04/2003	National Discount House	300,000.00
08/04/2003	T & N Investments	1,000,000.00
08/04/2003	ZANUPF Youth League	893,000.00
14/05/2003	Natural Stone Export Co	1,000,000.00
14/05/2003	Quarrying Enterprises	50,000.00
14/05/2003	Menhaden Trading	100,000.00
14/05/2003	C R G Quarries	100,000.00
14/05/2003	Adriatic Stone	100,000.00
14/05/2003	Keeley Granite	50,000.00
14/05/2003	Ranchville Enterprises	50,000.00
14/05/2003	Manwich	1,000,000.00
14/05/2003	Zimbabwe International Quarries	50,000.00

02/06/2003	Mash East Casino	3,933,091.55
07/06/2003	Brinworth Investments	750,000.00
20/06/2003	Asset Finance Ltd	30,000,000.00
25/06/2003	cellos Motor Cycles	20,000.00
25/06/2003	Performance P/L	10,000.00
12/07/2003	Kingdom	30,000.00
12/07/2003	Paymaster General	6.50
23/07/2003	Paymaster General	6.50
02/08/2003	ZIMOCO	1,000,000.00
08/08/2003	National Discount House	200,000,000.00
20/08/2003	Zimbabwe Industry for Business Association for Harare Central By-election	1,200,000.00
27/08/2003	Monde Holdings	500,000.00
11/09/2003	Comprehensive Distributors	20,000.00
11/09/2003	Seke Enterprises	30,000.00
11/09/2003	Red Sea Printers	10,000.00
15/09/2003	Paymaster General	19.50
16/09/2003	C B Z	449,706,206.45
		<b>732,728,843.50</b>
<b>DIVIDENDS</b>		
	Catercraft (50% shareholding)	20,000,000
	Tregers (31% shareholding)	250,000,000
	First Banking Corporation (17% shareholding)	44,528,395
	ZIDLEE (28% shareholding)	15,000,000
		<b>329,528,395</b>
	Card sales	<b>28,418,881</b>
	Govt Grant Political Parties Finance Act	<b>127,500,000</b>
	Fundraising	<b>27,900,000</b>
	<b>TOTAL REVENUE</b>	<b>1,246,076,119</b>
	Expenditure	<b>2,038,465,348</b>