

THE IMPACT OF STRUCTURAL ADJUSTMENT ON PEOPLE-CENTRED DEVELOPMENT: THE EXPERIENCE OF THE COLLECTIVE/WORKER COOPERATIVE MOVEMENT AND COLLECTIVE SELF FINANCE SCHEME IN ZIMBABWE

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This paper attempts to make a brief analysis of the impact of the Economic Structural Adjustment Programme (ESAP) in Zimbabwe on the cooperative movement in general and the work of the Collective Self Finance Scheme in particular. Before making an impact analysis of ESAP, it is important to give a brief historical background of the Coop movement in Zimbabwe and a brief account of the origins and activities of Collective Self Finance Scheme.

Historical background

The Zimbabwean collective/worker coop movement is a post-independence phenomenon with a history dating from 1980. As part of the socio-economic transformation policy towards a more egalitarian society in Zimbabwe, which aimed at greater state participation in the economy and people's control over productive resources, collective cooperatives were to play a major role. Since independence in 1980, ex-freedom fighters started forming producer cooperatives as a new form of production organisation.

Whereas previous forms of cooperation were mainly geared towards the organisation of input supply and marketing of produce of peasant farmers, the common feature of the producer cooperatives was that they are owned and worked collectively by the workers. In 1992 when this paper was written there were estimated to be about 600 collective cooperatives engaged in agriculture, mining, fisheries, industry and commerce.

In contrary to their numerical growth stands the economic viability of most of these collectives. Whereas people were encouraged to form cooperatives by the media and the government (which sees coops as a way of ameliorating the unemployment problem) and the movement itself, the financial, material and human resources are lacking, thus inhibiting any chance of success.

As a result, both the number and the expectations of the cooperatives have far outstripped the funds available from either government or donors, or the implementation of training and extension programmes. This situation threatens the credibility of the cooperative movement and undermines its voice in the Zimbabwean political debate.

Manifestations and impact of historical economic problems

The inability to generate a surplus, rooted in poor means of production and low productivity, condemns cooperatives to continuing to operate with few resources, or to waiting for donor or state funds. Equally damaging is the very low level of wages paid to members on most cooperatives, either in cash or in kind, combined with the absence of profit to distribute.

Collective production on many cooperatives is unable to fulfil basic needs. With the present mismatch between the forces of production (machinery and equipment) on the one hand and

the organisation of production on the other, cooperatives in Zimbabwe are not currently providing properly for their labour force.

Since most cooperators are unable to pay school fees, most children are not attending school and lack basic education. If a large number of cooperators are permanent members, this threatens to produce one acute aspect of the cooperatives' problems: the under-development of human resources.

Quite apart from this perpetuation of future under-development, and the fact that they are contrary to the objectives of cooperation, low wages tend to have a debilitating effect on production, morale and organisation. Lack of significant material benefits from collective production leads to apathy, lack of commitment and a feeling that individuals or families would be better off working alone.

In the absence of material benefits, cooperative "education" and mobilisation are doomed to fail. Thus lack of commitment, manifest in labour time devoted to collective production, is more usefully seen as a result of unsatisfactory economic performance of the cooperative, rather than the cause. However, as economic problems and low living standards persist, low morale and commitment become serious obstacles to improving cooperative performance.

The level of productive forces on many cooperatives is in fact, more suited to small-scale production, since, with inadequate capitalisation, the mobilisation and organisation of large amounts of labour does not confer any great benefits in terms of productivity. The large ex-commercial farms that comprise most of the agricultural cooperatives far exceed the means of production.

The Collective Self Finance Scheme (CSFS)

Faced with the above historical and economic scenario of the cooperative movement in Zimbabwe, the Collective Self Finance Scheme was launched in 1988 as a response to the inadequate institutional support which was being given to the cooperative movement by either government, donors or service organisations.

The scheme emerged as an initiative of the cooperatives themselves, who felt the need for creating an institution whose services they were to determine, own and control. In terms of services rendered to the movement, the CSFS is a credit guarantee scheme which provides an interface between viable cooperatives with commercial banks. In addition to the guarantee service, CSFS provides a technical back-up service to its member cooperatives in the form of management systems development, marketing research and development, production management and training. These services are designed to help cooperatives generate sufficient profits to both repay loans and raise the standards of living of their membership, thus liberating them from the poverty trap in a way that ensures future self-sufficiency.

For three and half years CSFS was on trial, aiming to turn around some of the cooperatives from being "sick" and loss-making enterprises to viable and profit making enterprises. Then the introduction of the Economic Structural Adjustment Programme in 1991 dealt a blow to the future of cooperatives in the Zimbabwean business environment.

The Impact of the Economic Structural Adjustment Programme on the coop movement and the work of CSFS

Following the introduction of the ESAP, the Zimbabwean economy underwent drastic changes in its structure. This Economic Structural Adjustment Programme which in local parlance has been dubbed "Economic Structural Acquired Poverty" is supposedly a home grown set of economic measures designed to make the Zimbabwean economy more competitive. However its prescriptions are in no way different from the prescriptions of the IMF and the World Bank which have caused havoc and continued marginalisation of the poor segments of the populations of most Third World countries. The only difference between the Zimbabwean prescription from that of the IMF is that the policy document on ESAP is published on Zimbabwean newsprint.

The Zimbabwean ESAP came as a result of the lame economy that the new government inherited and the inappropriate economic policies adopted at independence.

From a financial perspective, the money market in Zimbabwe has been awash with liquidity, meaning that the economy has been able to mobilise savings. However no sizeable investments were channelled back into the economy. Rather, there was capital flight to other economies because the Zimbabwean economy lacked the incentives to woo investors. The government on the other hand has been borrowing on the market to finance unproductive expenditure.

Linked to the whole question of liquidity, Zimbabwe experienced acute shortages of foreign currency. The shortage of foreign currency was largely a result of lack of investment. Investors were unwilling to invest where there were no adequate incentives and guarantees. Naturally, without investment, critical economic variables such as unemployment, inflation and GNP are bound to suffer. This lack of investment resulted in high unemployment and galloping inflation because there was too much money chasing too few goods (because investment is low thus production is also low).

These problems forced the economy to go on a spree to import scarce commodities: hence the spiralling budget deficit exerting, in turn, pressure on the local currency to depreciate, and this made imports unaffordably expensive.

Seeing the dangers inherent in taking half measures, the government embarked on an outward-looking policy to promote investment and boost exports so as to lower and subsequently do away with the budget deficit. Because the government has taken an aggressive stance on this issue, local manufacturers including cooperatives who are not involved in exporting will necessarily be left vulnerable and will eventually become non-existent.

The impact of the above economic measures on cooperatives can best be demonstrated by the implications of one of the cornerstones of the reform programme: trade liberalisation.

Implications of liberalising trade

The Zimbabwean government intends to promote exports by liberalising trade through removing the various exchange/price controls and opening up the economy where the market

forces of supply and demand will play a major role in determining the prices of goods. The removal of trade restrictions will definitely woo investors, but those not involved in exporting will find the going tough. The following are the implications to cooperatives and other local producers.

(a) Competition

The influx of foreign investors (who are most likely to be multinationals) will create stiff competition for the indigenous manufactures. Cooperatives and other local producers have been brought up in a controlled/managed economy where monopolies and protected markets are the order of the day. The huge multinationals, boasting of more financial resources and better technology will fight to push prices down (in a bid to establish markets for themselves). On the other hand, our cooperatives and other local producers will be left to languish and eventually be forced out of business because of a poor resource base.

(b) Export promotion programmes

Export promotion programmes which have been instituted in Zimbabwe will avail the much needed forex (foreign exchange) to those involved in exporting. The majority of our local producers and cooperatives are not involved in exporting but they need forex to import essential inputs and machinery because most of it is not obtainable locally. They will thus be left to queue for forex at the central bank while the multinationals will get first preference. Thus the multinationals will be given a competitive edge over our local manufacturers and this might result in the removal of our local producers from business.

(c) Currency valuation

The Zimbabwean dollar was, between July and September 1991, devalued by 35% vis a vis the currencies of its major trading partners. This development has done a disservice to local manufactures who import production inputs. The goods so produced and sold on either the foreign or domestic market will obviously be highly priced and uncompetitive.

(d) Inflation and loanable funds

The Zimbabwean money market has for a long time been haunted by an over-supply of money. This has resulted in inflationary tendencies that have forced the central bank to institute corrective measures to arrest inflation by tightening the money market - thus reducing loanable funds and increasing interest rates. Should this development be allowed to continue unchecked CSFS's financing objectives would be upset as cooperatives might find it unaffordable to borrow at the exorbitant interest rates. This scenario therefore is leading CSFS to be innovative and alternative financing strategies.

Reforms in the financial market

Coupled with trade liberalisation is the reform of the financial sector in Zimbabwe. These reforms have a far reaching impact on both the recipients of commercial credit (ie coops) and alternative financial institutions such as the Collective Self Finance Scheme, the major one being the increasing cost of capital.

Social impact of ESAP and the drought: a double tragedy

In its first year of Operation the Zimbabwean Economic Structural Adjustment Programme was almost derailed by a drought which ravaged Southern Africa. The drought was the worst Zimbabwe has experienced since 1967. The combination of ESAP and drought has left the individual cooperator and the average Zimbabwean worse off.

Part of the economic reform programme involves cost-recovery measures by government meant to cut government expenditure and reduce the budget deficit. These measures involve the reduction of the deficit by about 25% over a five year period. In addition the government has introduced cost-recovery measures in the health and education sectors by raising charges for hospital fees which were previously free for those earning below Z\$150.00. In addition school fees have been reintroduced in primary schools in urban areas. These measures are causing havoc on the incomes of the lowly paid - particularly those earning below Z\$400.00, who are the majority. The average wage in the cooperative sector is \$186.00 and the current poverty datum line wage for a family of four is Z\$712.00. With these figures one does not need to reemphasise the social impact of the Economic Structural Adjustment Programme and the challenges it poses to organisations involved in people-centred development.

At the same time the drought has left the country without maize, which is the staple food. Other basic commodities have not only disappeared from the shelves but their prices have gone up threefold.

Thus ESAP and the drought have dealt a double blow to the cooperative sector in Zimbabwe and to Zimbabweans in general. Zimbabwe, which used to boast itself as the bread basket of the sub-region, is slowly becoming a net importer of food. To us in the movement the impact of the two disasters, one natural and the other man-made has been devastating.
