

ESSAYS

# Zimbabwe: From Hemorrhage to Stability, a Personal Journey

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Tendai Biti

## Introduction

On a chilly Monday morning on February 16<sup>th</sup>, 2009, I walked into the New Government Complex in Harare's Central Avenue. As I strode for the very first time down a poorly lit corridor, eyes strained and necks stretched behind wide open doors to catch a glimpse of the newcomer with a reputation for short temper. I was ushered into a comfortable office that was to become my home for the next four and a half years.

I had just become Zimbabwe's eighth Minister of Finance.

In 2008, the country had held a general election. Our opposition party, the Movement for Democratic Change (MDC), had narrowly won control of the lower house of Parliament. The Presidential election, on the other hand, had to go to a second round, which turned into a violent and chaotic farce. This prompted our party to pull out of the runoff. Robert Mugabe, the 84-year-old president of Zimbabwe, was controversially re-elected amid bloodshed and intimidation.

Faced with a Zimbabwe on the brink of a political and economic precipice that threatened to plunge the region into turmoil, regional leaders pushed for a political settlement. The country's economic meltdown had already been weighing on its neighbors, and in March 2007, regional leaders had mandated South Africa to facilitate dialogue amongst Zimbabwe's three main political parties. Following the controversial 2008 election, South Africa's president, Thabo Mbeki, used that mandate to push for a settlement amongst the Zimbabwe National African Union-Patriotic Front, or ZANU (PF), led by Robert Mugabe, the MDC led by Morgan Tsvangirai and a smaller formation of the MDC led by Arthur Mutambara, a former student leader, Rhodes Scholar and Oxford-trained scientist. On September 15<sup>th</sup>, 2008, the political parties agreed in principle to form a government of national unity (GNU). As a result of protracted and often vicious disagreements, it took five months for that awkward union to produce an actual government.

Video clip from "Roadblocks, Recovery, and Relapse," Dec. 16, 2014. Scroll down for more.

It was on the basis of this power-sharing agreement that I found myself at the Ministry of Finance on February 16<sup>th</sup>, 2009—an environment far removed from the law practice that I had run for the previous 18 years. This hadn't been an easy decision. As the MDC's Secretary General, I was opposed to the idea of being in government with ZANU (PF),

but on January 30th, my party had decided otherwise. Some friends argued that I should be part of the government and make the best of it. Following years of struggle and hardship, my family, on the other hand, was urging me to take a break from politics. In any case, the Justice portfolio felt like the only reasonable fit for a lawyer like myself, and it had been allocated to ZANU (PF).

On February 8th, Morgan Tsvangirai and I met for dinner at a Chinese restaurant in Harare. Over rice and dumplings, he convinced me to take on the Finance portfolio. With the Zimbabwean economy in freefall since 1997, it promised to be the toughest job in the world.

Any illusions I may have had were shattered on my very first day at the Ministry of Finance (MOF). Following introductions to the senior management team, the Principal Director (Budgets), Pfungwa Kunaka, pointed out that the following day was payday for civil servants.

“How much do we have to pay?” I asked.

“\$30 million, sir” he responded.

“How much do we have?”

He shook his head in surrender. “\$4 million, sir.”

“So where are we going to get the remaining \$26 million?” I asked with a half-smile, beginning to understand what I had just gotten myself into.

“We were waiting for you, sir.”

## The Economic Meltdown

Between 1997 and 2008, Zimbabwe underwent unprecedented economic decline (Table 1). During that period, the economy shrank by more than half, a contraction not experienced by any country not at war in recent history. Besides the massive contraction of GDP, the self-induced economic depression resulted in crippling unemployment, capital flight and a collapse of social delivery.

Inflation became the ultimate expression of failure and a source of many jokes. Average inflation, which stood below 20% in the mid 1990s, reached 55.8% by 2000. In 2002, bets were on over whether it would reach 100% by year-end; quite a few of us won those wagers. By the end of 2003, it had escalated to 365%. Thereafter, it was a free-for-all. Month-on-month inflation was exceeding a million percent, which gave new meaning to the term hyperinflation. When official inflation skyrocketed to 231 million percent in July 2008, the Government instructed the body tasked with collecting CPI data to stop producing inflation figures. The IMF team that visited Zimbabwe in March 2009, however, calculated that inflation peaked at 500 billion percent in September 2008.

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Those of us who experienced the crisis firsthand have stories to tell. The most basic transactions became a challenge. Prices would treble during the short time required to pick up a product from a store shelf and reach the cash register.

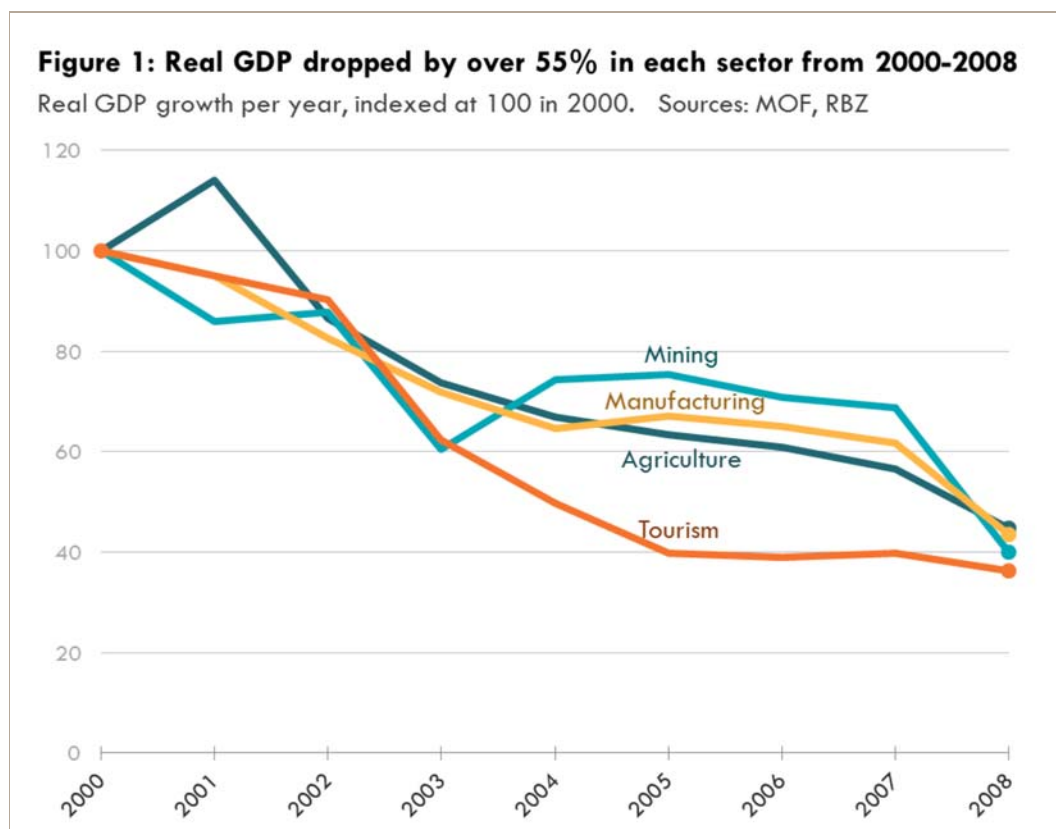
Paying for a loaf of bread demanded bags and bags of local currency. In August 2008, the central bank redenominated the Zimbabwean dollar, slashing zeroes from the notes. By December 2008, Zimbabwe's highest currency unit was a Z\$10-trillion note, which could not even buy two cans of Coca Cola.

**Table 1: Selected Indicators 2000-2008**

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real GDP growth (%)	-8.2	-0.2	-5.9	-7.4	-3.6	-4.0	-3.6	-3.3	-14.1
Nominal GDP (US\$ millions)	7,041	7,026	6,609	6,120	5,898	5,659	5,454	5,276	4,379
Inflation (annual avg. %)	55.8	71.9	133.2	365	350	238	NA	6,724	231 mil
Population (millions)	NA	NA	11.6	11.6	11.7	11.8	12.0	12.0	12.0
Total External Debt (US\$ million)	3,525	3,422	3,510	3,812	4,071	3,978	4,246	5,285	5,690
External Debt Arrears (US\$ million)	438	692	1,287	1,768	2,017	2,075	2,478	2,754	3,079

Sources: MOF, Reserve Bank of Zimbabwe (RBZ), and Central Statistical Office (CSO)

Tourism, agriculture and manufacturing thrived (Figure 1). Capacity utilization slumped to a staggering 2 to 10%, suggesting a major deindustrialization that translated into company closures, layoffs and retrenchments. Formal unemployment ballooned to 85%.



The external account position was parlous and porous, with a current account deficit equivalent to 28% of GDP in 2008, up from 11% a year earlier. This gap was financed largely from unofficial diaspora remittances, external payment arrears, central bank external borrowings, a decline in net international reserves, and very modest inflows of private capital. International reserves had melted to less than \$5 million dollars. The external debt was estimated at \$5.7 billion, or 129% of GDP.

Facing a contracting economy and the consequent decline in fiscal revenues, the government turned to the printing press. Fiscal policy openly shifted to the central bank, which began to carry out operations referred to as “quasi-fiscal

activities". By 2008, these activities stood at a staggering 36% of GDP, up from 23% in 2007. The Reserve Bank of Zimbabwe had become a de facto government, funding the security apparatus, non-performing state-owned enterprises, farm equipment and inputs, as well as government operations. In fact, my predecessor became an expert in solitaire, for he had nothing to do. Unsurprisingly, the printing press was unable to keep pace with the expansion of local currency, generating cash shortages, a black market for foreign exchange, and at least four separate exchange rates.

The country's economic collapse was reflected in government revenue, which tumbled from US\$1 billion in 2005 to US\$134 million (or 3% of GDP) in 2008. The State went into retreat, and the government shut down. Public servants—whose effective wage had sunk to US\$2 a month—no longer bothered to report for work, and no one cared.

Public expenditure had also retreated from US\$1.4 billion in 2005 to US\$258 million in 2008 (equivalent to 6% of GDP). Social services collapsed. Schools and hospitals closed in droves in 2007 and 2008. So did universities. Zimbabwe's social indicators plummeted (Table 3).

**Table 3: Selected Social Indicators for Zimbabwe**

<b>Indicator</b>	<b>1990</b>	<b>2000</b>	<b>2006</b>
Human Development Index (rank)	121	128	151
Human Poverty Index (Rank among 108 poor countries)	...	60	91
Net primary school enrollment (%)	...	...	82
Adult literacy (%)	67	89	89
Infant mortality rate (per 1,000)	61	73	81
Under five years of age mortality rate (per 1,000)	87	117	132
Maternal mortality rate (per 100,000 births)	330	700	880
Under nourished people (% of population)	46	47	...
Life expectancy (years)	60	43	41
Population using improved water (%)	78	85	81

*Source: MOF*

The above statistics, for all their bleakness, fail to fully capture the suffering that ordinary Zimbabweans endured during that period. The one thing critical to State functionality is the capacity to feed its citizens. In 2007 and 2008, there was very little food in Zimbabwe. Shops were empty, but were not allowed to shut down. Images of bare shelves will forever haunt the Zimbabwean psyche.

These shortages and the collapsing social services bred death. Official statistics released at the time showed that 4,000 Zimbabweans were dying every week, mainly from malnutrition, tuberculosis, HIV/AIDS and road traffic accidents. In 2008, the country was hit by a massive outbreak of cholera, a shameful sign of the breakdown of water and sanitation systems. Over 140,000 people were sick, and more than 4,000 died.

The country had fallen apart, and the State had failed. Yet, government authorities remained in control of the security and political infrastructure. Zimbabwe exhibited the paradox often found in fragile and failing States on the African continent: the strange coexistence of total collapse and total control.

## A Time to Act

Faced with intractable problems, some wilt while others thrive. I chose to thrive. The economy had been suffering from a lack of leadership for over a decade, and it was clear to me that a radical change was needed. That change required boldness, consistence, fairness and solid craft and competence. It required courage, for the change would also mean pain. Zimbabwe was dying, and emergency surgery was in order.

I knew Zanu (PF) would be watching, waiting for me to trip up. An average performance was not good enough. I had to be clean, transparent, fair and exceptionally competent. Yet I was no banker or economist. I was a mere lawyer tasked to turn around a dying economy, and to do so in a thorny political environment. I had to read, research and learn. I had to consult and listen. Then I had to make the best possible decisions. And just as critically, I needed the ability to execute these decisions and stay the course.

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I had no illusions about how incredibly difficult this was going to be. But equally, I did not have an ounce of doubt that I could do it. This was neither arrogance nor ego. I just had to. Failure was not on the menu. Our people had suffered long enough, and they deserved a break.

I knew from that morning on February 16th, 2009 that I needed a plan to address the huge economic challenges the country was facing. That plan had to be simple, but effective. Even more importantly, it had to be supported by everyone: cabinet, trade unions, business and civil society.

Secondly, I had to set clear priorities. In an ocean of challenges, everything looks like a priority. Many fragile states drown by trying to address every problem at once, and therefore never get anything moving. In 2008, two things were at the top of the list, things that would define my tenure as Minister of Finance. The first was food availability, and the second was taming hyperinflation. Successfully tackling these two problems would not only ease other economic challenges. It would also fundamentally transform the life of ordinary Zimbabweans.

Third, following years of economic mismanagement and policy reversals, the government and the Ministry of Finance suffered from a severe trust deficit both at home and abroad. To repair the economy, confidence had to be rebuilt. I knew this meant reaching out, keeping promises, and maintaining a clear and consistent direction. At the same time, expectations had to be managed. Needs were enormous, but resources thin. I was confident that I could carry the public with me by being open, fair and transparent. Sugarcoating and spin would get me nowhere.

Fourth, I knew I could not do it alone. I had to rely on a team that would share my vision and be prepared to move with me. I was determined to lead from the front, work harder than everyone else, and maintain a clear direction, while listening to every piece of advice.

Lastly, I had to learn to navigate the power-sharing minefield, and learn fast. Somehow, I had to find a way to work with every member of the Cabinet regardless of their political affiliation, brief and consult the President regularly, and at the same time carry the MDC caucus with me on every key decision.

With these principles in mind, I rolled up my sleeves, took a deep breath, and dove in.

## Crafting a Roadmap: The Short-Term Emergency Recovery Program

Right from my very first day at the MOF, I started working on a new economic blueprint for Zimbabwe. The Short Term Emergency Recovery Program (STERP) was to be our roadmap, our North Star, the plan that would set the direction and guide our decisions.

Significant groundwork had already been done. After the GPA was signed on September 15th, 2008, I had started working on an economic plan that laid out the MDC vision. In addition, the Harare office of the United Nations Development Programme (UNDP), under the leadership of Mark Simpson, had developed a document known as the

“Comprehensive Economic Recovery In Zimbabwe”. The central bank and the President’s Office had also drafted economic plans.

I sat for long hours with my brilliant team from the Ministry’s Fiscal Affairs Department. We benefited from valuable contributions from some of Zimbabwe’s top economists, including Daniel Ndelela and Peter Robinson. We also consulted Dr Godfrey Kanyenze at the Zimbabwe Congress of Trade Unions, university professor Tony Hawkins, and Patrick Bond of South Africa’s University of KwaZulu-Natal.

Within a week, our plan was ready.

STERP was articulated around four main areas. First were macroeconomic reforms to contain hyperinflation, negative interest rates and a runaway budget deficit. Second, supply side measures were designed to kick start production and stimulate capacity utilization. Third, poverty would be addressed by establishing social safety nets to support the most vulnerable. The final area dealt with interventions promoting peace and democratization, including financial support for constitutional reform.

On February 24th 2009—the GNU’s second Cabinet meeting—STERP was approved. I immediately headed for South Africa to brief the South African Government. A month later, I was privileged to present our plan to regional heads of states at an Extra Ordinary Summit of SADC held at Lozitha Palace in Swaziland. The document was well received.

STERP guided our efforts over the following four years. I have no doubt that, without it, we would never have been able to achieve all we did. For without a plan, one plans to fail. Besides providing direction, STERP inspired respect. Here was a solid homegrown plan, crafted in record time by Zimbabweans for Zimbabweans. This was appreciated by many at home, and created deep-seated ownership. It also impressed donors and regional leaders, and provided a useful tool of engagement and dialogue.

With a clear plan in place, we were ready to turn words into action.

## Killing the Zimbabwean Dollar

STERP’s macroeconomic provisions included the adoption of a multi-currency regime, using the South African Rand as reference. Hyperinflation and inadequate foreign currency rules had turned the Zimbabwean dollar into a vehicle of arbitrage. Those who had access to foreign currency were profiting from the multiple exchange rates and the continuously falling value of the local currency. In the second half of 2008, most unofficial rates had collapsed. The only surviving benchmark was the UN rate of US\$1 to Z\$35 quadrillion.

The Zimbabwean dollar had become worthless and useless. Markets and the public adopted alternative pricing methods, including barter trade and reliance on foreign currency, largely the US dollar and the South African Rand. By doing so, virtually every Zimbabwean became an unintentional criminal, flouting the tough legal provisions proscribing such practices, and the State machinery enforcing them.

On January 29<sup>th</sup>, 2009—a few weeks before the advent of the GNU—the old government belatedly presented a \$1.7 billion budget for 2009 and announced that foreign currencies were to become lawful tender alongside the Zimbabwean dollar. No exchange rates were specified in the statement, which de facto legalized parallel market rates. Unfortunately, the government also announced that civil servants would be paid with vouchers equivalent to US\$100, of which US\$40 could be redeemed in cash and the rest in goods and services from specific shops. The meant that the Government was effectively going to try to print US dollars.

In our first cabinet meeting on February 17th, 2009, I announced that the voucher system was to be abandoned, and that all public servants would be paid in cash. That position was communicated to the country that very same day in my first-ever press conference as Finance Minister. During that media event, a journalist asked me how we had been able to pay public wages that month. “Takiya kiya”, I just said, which means “we just fixed it”. From then on, I was known as Mr Kiya Kiya—Mr Fix It—a nickname that stuck throughout my term in government. On March 17th, I presented a Revised Budget Statement to Parliament that legally buried the already moribund Zimbabwean dollar, which was subsequently fully demonetized.

This was not a typical dollarization: balances held in Zimbabwean dollars were not compensated or exchanged

against US dollars, and local currency banknotes in circulation were not mopped up. Zimbabweans still holding Zimbabwean dollars just woke up to find their money had lost all value. In reality, most people had long abandoned the local currency. All the government did was formalize what had already happened. As a result, the change was smooth and seamless.

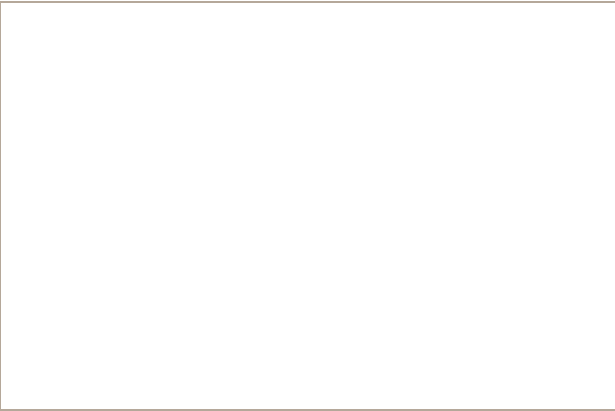
Killing the toxic Zimbabwean dollar was critical. I would have been more inclined to jump from the top floor of the Reserve Bank's head office than to bring it back. Keeping it alongside the foreign currencies that had become legal tender would have infected the entire system and created distortions from which we would never have recovered. Getting rid of our dysfunctional local currency allowed more solid monetary regimes to become fully operational in our country, bringing in stability and rationality.

This was essential, but not sufficient to tame hyperinflation.

## “We Eat What We Kill”

Following years of overspending and careless money printing, Zimbabwe's dire situation called for fiscal discipline, austerity and balancing the books. Cash budgeting not only held the key to a sustainable economic recovery, but also signaled a clear break with the past. Such signals were essential to restore confidence in the MOF.

In the Revised Budget Statement of March 2009, I explained the concept of cash budgeting in prehistoric terms:



The natural law of cash budgeting is 'what we gather is what we eat' or 'we eat what we kill'. This is the basic economic law of hunter-gatherer economies. No ministry or public agency should expect to eat beyond what we have gathered through collection of taxes, fees and any other legitimate sources of revenue. 'What we gather, we eat' unambiguously defines the priority not just in the Ministry of Finance but throughout all arms of government. If we want to continue eating, we must all focus our minds and energies on maximizing the revenues that are needed first to get those of us in the public sector back to work and then to implement all of the pressing issues.”

Cash budgeting proved to be an effective tool of fiscal management. It allowed us to plan, through what we called a resource allocation committee, and also to control the government's fiscal affairs, whilst protecting ourselves against insatiable demands from all quarters. Faced with huge demand, high expectations and no fiscal legroom, I had to say “no” a lot. But I strived to be fair and transparent about how resources were allocated, and to keep my promises.

One side of the cash ledger was revenues. In January 2009, the government had collected a paltry US\$4m. Excise tax had become the main source of income, whereas personal and corporate income tax accounted for only 11% of government revenues. Part of the solution was to channel economic activities that had been pushed into the informal sphere back into the formal one. Dollarizing the economy and removing the export surrender requirement facilitated that effort. Trust in the MOF was gradually rebuilt. I instituted a “no question asked” policy on tax payments, so those who had been dodging taxes could start paying again without fearing reprisals. By June 2009, we were collecting US\$90m a month.

Besides gathering more, we needed to eat less. One of the effective by-products of cash budgeting was what we called Targeted Health Infrastructure Financing. Our health infrastructure had collapsed. Hospitals buildings were crumbling, and operations were further crippled by dilapidated boilers, mortuaries, or laundries, and, of course, by devastating shortages of drugs and other usables. Unfortunately, there wasn't enough money to revive all hospitals at



once. So we targeted one hospital a month, starting with Harare Hospital, followed by Mpilo Hospital in Bulawayo, Zimbabwe's second city. By injecting a couple of millions dollars, institutions on the brink of death came back to life. We successfully used this targeted approach to public sector investment throughout the entire duration of the GNU.

Reining in fiscal spending also required putting an end to the central bank's gargantuan quasi-fiscal activities, and returning control of the purse strings to the MOF. This turned into trench warfare and took almost two years. The powers of the central bank first had to be legally clipped by amending the Reserve Bank Act. The Bank was to be stripped of its quasi-fiscal authority and to focus on managing monetary policy and the local currency, overseeing the financial sector and advising the government when asked to do so; but with the Zimbabwean dollar dead and buried, there was in fact no local currency to manage. The Bank's Governor, Gideon Gono, was not going to see his authority so significantly diminished without a fight. And what a fight that was.

The bill amending the Reserve Bank Act was by far the most contested of my tenure as finance minister. The debate in Cabinet turned into an epic fight that lasted several months. I pushed through by doggedly arguing my case, and securing the quiet support from some of my ZANU (PF) colleagues. Once I finally secured the Cabinet's endorsement, it was approved by the MDC-controlled Lower House, but was stalled for months in the Senate, controlled by ZANU (PF). I eventually turned to President Mugabe, pointing out that having the Senate sit on a bill coming from the Cabinet amounted to challenging his authority. The amendment finally became law in March 2010, and I appointed a new Reserve Bank board.

But this was not yet the end of the war: obtaining audited accounts from the Reserve Bank turned into another uphill struggle. Throughout that period, relentless attacks against me were carefully orchestrated in the media. My former employer, the oldest law firm in Zimbabwe, was also accused of money laundering and of breaching foreign exchange regulations, in an attempt to smear my reputation. By 2011, however, fiscal authority had been fully reclaimed and firmly rested with the MOF. The nasty dogfight was finally over.

Sorting out the currency and putting an end to chronic "fiscalitis" went a long way to stop hyperinflation in its tracks. We watched and monitored inflation figures like a sick baby. We tracked every minute movement. Reining in public spending and runaway prices also provided solid foundations to rebuild the economy and repair public finances. But Zimbabweans needed food and jobs, and the public purse needed tax revenues. Drastic measures were needed to revive the private sector.

## Kick Starting the Economy

A plethora of restrictions, including laws, regulations and practices, stifled business. They had to go. Chief among these was the export surrender requirement, which compelled all exporters to surrender at least 15% of their export earnings to the central bank. We also removed price controls, as well as a host of export and import tariffs that were not conducive to business.

Adopting foreign currencies, opening the borders and unshackling private businesses had an immediate and dramatic impact on food availability. Shelves filled up. A few weeks after I started at the MOF, I had a meeting with a colleague in a shopping mall in Harare. After we finished our discussion, I went to buy groceries. To my amazement, I had no problem filling up a trolley. I could also pay for all my groceries with the US\$50 banknote I had in my pocket.

Throughout my tenure, I continued to keep my eyes fixed on food availability. Together with inflation, it was a vital sign of economic health, and I needed to keep my fingers on the patient's pulse. Also, food shortages had cast a long and painful shadow over the lives of ordinary Zimbabweans for too long.

Reviving productive capacity also required capital, as well as functional financial markets. Financial markets are the bedrock of modern economies, and their functionality is often taken for granted. But in fragile states it takes a lot to establish, maintain or resuscitate them. Zimbabwe's financial infrastructure was in disarray. The interbank market, the national payment system and the real-time gross settlement (RTGS) system had all but collapsed, largely because the central bank had ceased to function as a lender of last resort. We had to push and cajole banks into executing agreements, which the government itself underwrote, restoring the inter-bank market as well as the RTGS.

Liberalizing the interest rate regime and moving towards positive rates was key. The banking sector had been

devastated by hyperinflation, by negative interest rates meant to lighten the government's huge domestic debt burden, and by various raids on foreign currency accounts (FCAs). The Zimbabwean Stock Exchange (ZSE), shut since November 2008, also needed to get back to work. On February 17<sup>th</sup>, 2009, I met with the ZSE Board. They were reluctant to reopen. I made it clear that I would not leave until they agreed to do so, and was ready to negotiate throughout the night if necessary. By 8pm, they relented. Two days later, I stood on the ZSE trading floor, ringing the bells announcing the re-opening of the stock exchange.

To address the persistent liquidity and funding challenges, we also created funds supporting industry, commerce and agriculture. We set up the US\$100m Zimbabwe Economic and Trade Revival Facility (ZETREF) jointly with the African Import and Export Bank, and the US\$40m Distressed and Marginalized Areas Fund (DIMAF) with insurance and pension group Old Mutual.

Besides crafting reforms, I had to fight fires on a daily basis. It was like an endless game of economic whack-a-mole. Crises erupted every day, and needed to be solved urgently: one day there was no water in Bulawayo, Zimbabwe's second largest city; taps also ran dry at the University of Zimbabwe; there wasn't enough power, or not enough flour, or not enough chickens. I had to be creative, pragmatic and fast.

None of this would have been possible without my MOF team, careful navigation of the Cabinet's choppy waters, and broad support built at home and abroad.

## Leading from the Front

From my first day in office, I knew I could not work alone. I needed a reliable, competent and dedicated team that was ready to work with me for Zimbabwe. In spite of the country's crisis, the MOF was staffed with excellent employees, and administrative systems were still in place. The machinery was rusty, but it was intact. All it needed was a good cranking and a good driver.

In my very first speech to the MOF staff, I urged everyone to forget their political allegiance. I was ready to lead the charge, be on top of the issues, provide direction, work harder than everyone, and take the political heat so they could focus on their work. Amongst unfamiliar faces, there was one I didn't expect to find: my A-Level economics teacher, Mutasa Dzinotizeyi. The man who had taught me the fundamentals of the discipline was a principal director at the MOF. As I ventured in unknown territory, it was good to find a trusted and friendly face.

Sweating over the STERP during my early days at the MOF was an intense experience that brought us all together. We adopted a disciplined approach to our work. We held retreats to set annual battle plans every January throughout my tenure, and I met with the top MOF echelon twice a month to review progress. I encouraged an atmosphere of frankness, and held no grudges. I also made sure my staff was shielded from political pressure. "Blame it on the minister," I kept saying. "I'm the politician. I can take the heat." More than once, I had to confront ill-advised bullies who tried to get their way by intimidating the MOF staff.

My troops were mostly young and junior: the average economist had been working at the MOF for about two years. But what they lacked in experience, they made up with smarts, dedication and drive. I was also lucky to be assisted by eight top civil servants—the Permanent Secretary, the Accountant General, the Principal Directors and some exceptional Directors—some of whom had been at the MOF since the 1980s. I will forever remain indebted to them, as well as Andrew Bvumbe, who later joined us from the African Development Bank and ran our Debt Management Office. They were exceptional, and knew all the ropes. They became my trusted lieutenants, offering not only technical expertise but also strategic advice. They guided me through the political and administrative minefield of government, and their valuable counsel helped push essential reforms through.

As a lawyer, I was used to doing things largely on my own; I learnt to delegate. I was used to charging ahead, and never run away from a fight; I learnt to pick my battles and the art of diplomacy. This was quite an education. But having to work with former foes in Cabinet, there was much to be learnt.

## Working with the Enemy

If I was to get anything done, I had to work with all sides. Fighting for democracy, MDC supporters had suffered greatly at the hands of ZANU (PF). Now I sat at the same table as our persecutors. Yet I realized that to do all that had to be done, I needed them. There was no time to be bitter or vindictive. Now joined at the hip in a government of national unity, we could have differences, but could no longer afford to be enemies.

This is not to say it was easy. Pushing my reform agenda through Cabinet required a good dose of doggedness, persuasion and wit. A few weeks in office, I was accused of favoring portfolios held by the MDC. I shared the budget numbers with the Cabinet: they revealed that the ministries held by ZANU (PF) had received the largest budget allocations, which put an end to the allegations. Yet I spent much of my first two years in government fighting during Cabinet meetings. As the person holding the strings of the meager public purse, I constantly pushed back the endemic “fiscalitis” that had infected some of my colleagues. “Where do you think the money is coming from?” I kept saying over and over. I felt I had to fight every fight.

Over time, I learnt to pick my battles. I also learnt to be far more strategic. Cabinet, it turned out, had a very short memory, and no one pushed to implement decisions. I realized it was often easier to nod and then blissfully ignore decisions I disagreed with, than to fight every one of them. Garnering support was also a two-way street, and I built alliances for my own agenda by supporting other ministers’ initiatives when appropriate. I worked hard to build bridges with some of my colleagues, such as the Minister of Agriculture. As mentioned above, food security was a priority. I convinced him to deal with a number of challenges by adopting a more market-oriented approach. At the same time, I made sure payment to farmers were no longer in arrears, and I supported the creation of a strategic grain reserve, which ran against the IMF’s advice. Occasionally, there were areas of consensus bridging the political divide, such as prioritizing civil servants’ salaries. We never missed a payment.

Relationships—and some level of trust—were built over time. Obtaining approval for my first two budgets was a drawn-out nightmare. I had to fight for every single line. But even the other side eventually came to realize that the MOF was competent and sought to serve the country’s best interest. From 2010 onwards, it became a lot easier. The last national budget I presented to the Cabinet in November 2012 was approved in less than an hour. Following my epic battle with Gideon Gono over the reform of the central bank, we ended up working together closely over the reform of the financial sector and the re-engagement of the donor community. When I returned to practice law and set up my own firm after leaving the government in 2013, he became one of my very first clients.

By far the most surprising to me, however, was the awkward relationship I built with the country’s President, Robert Mugabe. At his call, I had been beaten up, tortured and arrested on countless occasions over the years. As a lawyer, I had represented victims of his barbaric leadership, including the likes of founding Zanu President, the late Reverend Ndabaningi Sithole. When studying at the University of Zimbabwe, I had joined forces with fellow students to oppose Mugabe and everything he represented. To all of us in the MDC, he was the devil incarnate and the architect of Zimbabwe’s deep structural problems.

On many levels, Mugabe was always going to be Mugabe. But once we were part of the government, the man sitting across the table was not the typical dictator we had expected, the buffoon stereotype portrayed by Forest Whitaker in *The Last King of Scotland*. Instead, we met the other half of Mr. Hyde.

I came to know a wily and cunning, but mild-mannered man, an innate storyteller who spiced our regular one-on-one meetings with personal tales from the liberation struggle. I learnt to work with him. I learnt that he hardly ever says no, but that I had to pay close attention to his body language. I learnt that he hates surprises, and made sure I briefed him thoroughly before announcements. I learnt that he does not suffer mediocre intellects, and had to be well prepared for our meetings. I realized he is an intense and deceptively dangerous man. Behind the veneer of Victorian civility lays a deadly viper that can strike in seconds.

We had our battles. While in Addis Ababa in June 2011, President Mugabe unilaterally announced a wage increase that we couldn’t afford. I was aghast. I said no and dug my heels, but he didn’t relent. I seriously considered resigning. In the end, we found a compromise. The announcement had not mentioned any specific figure, and we settled for a modest 4% increase. On several occasions, he publicly accused me of sabotage, particularly over my alleged reluctance to fund agriculture. Yet the GNU mobilized over US\$2 billion over four years for agriculture, more than any other ministry. At other times, he accused me of obsessively targeting diamond-mining companies, when some gold, platinum or other miners were also underreporting revenues. He missed the point that, unlike other minerals, the government is a shareholder in diamond mines and is therefore entitled to dividends, in addition to taxes and royalties. Consequently, corruption in the diamond industry had a much larger impact on the public purse,

a challenge that continues to this day.

We could not be more different: he is as Victorian as William Pitt, a quintessential Englishman who smiles without smiling, and you would never know it; I have a fiery temper, wear my heart on the sleeve, and what you see is what you get. At times I would storm out of Cabinet meetings in sheer frustration, slamming the door behind me. Throughout my tenure, I never shied away from openly expressing my disagreement. “Mr President, you are killing the country!” I once declared during a Cabinet meeting. But on some level, it worked. In July 2013, shortly before the national election, we had one of our regular meetings. On the agenda was a straightforward matter of election funding that was resolved within a few minutes. But he knew this was our very last meeting, and he kept me in his office for three hours, feeding me cake and personal stories.

Navigating the maze of coalition government was not easy. Mistrust and dishonesty were structural, and traps were laid everywhere. The state-owned press was always on my back. The Zanu (PF) component enjoyed the best of both worlds: if I did well, the Government claimed the credit; if anything went wrong, the Finance Minister was always at fault. Even late rains were blamed on me.

I grew a thicker skin and became even more resilient. As long as I knew that what I was doing was right, I remained immune to malice and point scoring. I took criticism on the chin. Yet I was not one to turn the other cheek: I also fought back pound for pound. It was an exhausting rollercoaster. Although I was in my early forties when I joined Government, I felt ancient by the time I left.

I never walked alone, however. The MDC family was a tremendous truncheon. I could bounce ideas off Eddie Cross and Tapiwa Mashakada, two MDC old hats. Mungai Lenneiye, the World Bank country manager in Zimbabwe, was another reliable friend.

Ultimately, it was ordinary Zimbabweans—and their messages at church, on Facebook, or in letters—who kept me going. I was keen to listen to ordinary Zimbabweans, and make sure they knew what we were doing.

## Bringing Zimbabweans on Board

Without broad consultation, policymaking becomes a sterile exercise that takes place in a vacuum. Ministers that fail to engage with the people become feudal lords driving in air-conditioned limousines, shielded from the real world by a coterie of aides. Keeping in touch with reality requires consultations and public discussions. Ordinary citizens deserve to be heard and have a right to influence public policy. They are also entitled to keep those in government accountable. This requires open communication and transparency.

I was determined to rebuild bridges between the MOF and Zimbabweans. I valued their views, and needed to make sure they were on board with what we were trying to do. Rebuilding trust was also essential to economic and fiscal recovery. Throughout my time at the MOF, I regularly met with trade unions, business and professional associations, and civil society organizations. We held formal meetings every two months or so, and often talked in between, whenever the need arose. I often consulted them on budget or technical matters that fell within their domain, and in the process developed personal relationships with most of their leaders. They became key interlocutors in the daily firefighting that was a big part of my job. When confronted with a national chicken shortage, I talked to the farmers’ union to understand what was going on, and figure out how we could solve the problem. Not enough flour? I picked up the phone to the millers association. No financial sector reform was possible without consulting bankers and insurers. I also served as a referee among competing interests—listening to retailers and manufacturers argue their case, or to bankers and the Reserve Bank battling it out—before making a decision. War veterans and other social groups were also regular—and occasionally uninvited—guests at the Ministry of Finance. We debated, sometimes calmly, sometimes venting frustration. During one particularly heated meeting with veterans, I pointed at my window with sheer exasperation: “Look outside!” I said. “Do you see money growing on trees?” In the end, all these meetings fostered predictability, trust and mutual respect—all essential to Zimbabwe’s economic recovery.

Pre-budget consultations were a good way to engage the general public. Every October, my team and I traveled throughout the country, attending town hall meetings. We spoke, but mostly listened to what was on people’s minds in all ten provinces. This had never been done in Zimbabwe. Each community had different concerns and priorities, although they almost always had to do with social delivery and poor infrastructure. These discussions greatly informed our budget decisions.

The budget preparation and presentation was an annual marathon, leaving us exhausted but brimming with a deep sense of accomplishment. Enriched by public inputs and intensive consultations, the budget process culminated with an annual statement outlining the country's challenges, as well as proposed solutions. As a result, the National Budget became more than an instrument of planning and resource allocation: it was a national statement driving both the political and economic agenda. To share our vision broadly, we had to communicate properly. I introduced keynote video presentations for my budget, and strived to find the most effective graphics, charts and powerful Apple Apps.

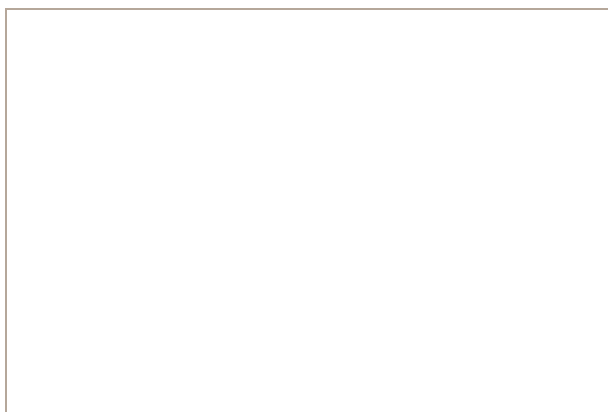
Throughout the rest of the year, I gave monthly addresses outlining the state of the economy and providing key statistics, followed by a press conference. A budget odometer was posted on the MOF website. Every letter sent to me was acknowledged, before being directed to the appropriate level for action.

This extensive outreach helped me keep my finger on Zimbabwe's economic pulse. It also signaled that the MOF was not only ready to listen, but also willing to be transparent and held to account. To most Zimbabweans, this was a breath of fresh air, and a clear break from the past.

## Reaching Out to the World

Rebuilding bridges at home was essential to our reform process. So was reaching out to the international community. Following years of isolation and crisis, we needed help.

At the inception of the GNU, the Zimbabwean government had no relationship with international financial institutions (IFIs). The IMF had suspended Zimbabwe's voting rights in 2003, the African Development Bank (AfDB) had closed its office in Harare, and the World Bank maintained a skeletal presence. Zimbabwe had started defaulting on its debt obligations in 1999, and accumulated arrears prevented any further borrowing from IFIs and Western donors. It meant no access to concessional finance or to international capital markets.



As I stepped into office, I immediately set to reengage the bilateral and multilateral donor community. We held serious discussions with foreign governments, the European Union and IFIs. Those discussions were frank and helpful. As MDC Secretary General, I had already had contacts with foreign representatives prior to joining the GNU, and there was a lot of goodwill to support our efforts. The existence of STERP with its unequivocal positions further helped to establish trust and to position the MOF as a serious and competent interlocutor.

On March 9th, 2009—less than a month after I started at the MOF—the IMF sent a team to review the economy. It was the Fund's first visit since 2006. They found an administration in great difficulty, but eager to move. The Fund turned out to be a valuable and genuine partner, and we developed an organic relationship with successive IMF representatives. The MOF ran the show, but the IMF provided technical help, and we used them as an intellectual bank. They were part of a network of experts upon whom we relied to provide feedback on our reform efforts and the draft bills we wrote.

By February 2010, we had managed to persuade the IMF's Executive Board to restore Zimbabwe's voting rights. This was a proud moment. But part of the reengagement with the IMF also involved negotiating a staff-monitored program (SMP), a prerequisite to normalizing relations with the donor community. In 2010, I tabled the proposal to initiate the SMP process in Cabinet. To say that there was a lot of resistance is an understatement. We fought for hours. But President Mugabe appointed a sub-committee chaired by Arthur Mutambara, the MDC Deputy Prime Minister, to look into the matter. The sub-committee members were clear supporters of the SMP. Unsurprisingly, they recommended we go ahead, and Cabinet then authorized the SMP discussions.

Paving the way to the SMP was our plan to deal with Zimbabwe's crippling debt. The MOF crafted a Zimbabwe

Accelerated Arrears, Debt and Development Strategy (ZAADDS), which Cabinet approved in 2010. ZAADDS was a home-brewed document that sought to tackle Zimbabwe's debt through comprehensive debt relief and arrears clearance, the creation of a Debt Management Office, the reconciliation and validation of debt figures, as well as leveraging Zimbabwe's own resources through tax reform, as well as improved transparency and management of the country's mineral revenues.

Armed with ZAADS, we began the painstaking and sometimes thoroughly frustrating process of negotiations with the IMF, which went on for three years. In May 2013, a month before we were due to finally sign the SMP, the Fund requested a letter confirming Cabinet support. My heart sank: tabling another discussion in Cabinet was sure to reopen a can of worms. Ahead of the Cabinet meeting, I approached the Chief Secretary to President Mugabe and the Cabinet. Referring to the 2010 Cabinet decision, he drafted the letter that afternoon, and it was never debated. I had that letter framed, and hung it in my office at the MOF. In June 2013, the SMP was signed. This was Zimbabwe's first agreement with the IMF in over a decade, and amongst the GNU's greatest achievements. The SMP was a milestone in our efforts to normalize Zimbabwe's standing with IFIs and donors.

The relationship with the World Bank, on the other hand, was disappointing. Although the World Bank provided critical technical assistance, particularly in the area of public service reform, our request for an infrastructure audit went nowhere; the AfDB eventually picked up that ball, and delivered the audit. I never felt that we had built a productive partnership with the World Bank.

That experience contrasted with the close relationship we developed with the AfDB and its president, Donald Kaberuka. By 2010, the Bank had reopened an office in Harare, and kindly agreed to manage a donor-funded facility—known as the Zim-Fund—to support infrastructure projects selected by the GNU. The facility was channeled into rehabilitating water and sanitation in several municipalities, as well as upgrading the Hwange power station and electricity sub-transmission and distribution.

We also convinced bilateral donors and the European Union to provide vital support, particularly to social sectors. Our external debt position made it difficult for them to provide direct funding to the government, but we persuaded them to channel resources through various trust funds run by United Nations agencies. These trust funds supported initiatives dealing with education, health, a new census and the drafting of a new constitution. These facilities were set up in a way that allowed the government to solely determine how the money would be used, but guaranteed transparency and accountability, as well as more acceptable procurement methods and a way for donors to measure the impact of their social investments.

I met and briefed the donor crowd in Harare at least once a month, and regularly traveled to their capitals. Managing such a wide range of partners, and navigating the inconsistencies between foreign representatives in Zimbabwe and their head offices was at times challenging. It was worth it though: our foreign partners ended up pumping into the economy close to \$1 billion a year through various programs. Combined with the MOF's targeted spending approach described earlier, these much-needed foreign contributions were critical to our efforts to revive social service delivery.

Key amongst donors was a group of Western countries including Australia. Their representatives in Harare were an amazing bunch of committed individuals—known as the Fishmongers, after a lousy fish restaurant where they met regularly—who were critical to the work we carried out. Although the United States was our largest donor, the United Kingdom, Zimbabwe's former colonial power, was particularly eager to help and proactive. Its Secretary of State for International Development, the sharp Andrew Mitchell, took a direct interest in Zimbabwe and was an absolute pleasure to work with. David Fish, who headed DFID in Harare and had over 17 years of experience working in Africa, was quick to understand our vision and the importance of what we were trying to do. Matthew Neuhaus, Australia's ambassador to Zimbabwe, was exceptionally supportive as well. I became very close to many in the Fishmonger group, and they hold a special place in my heart.

Financial support from South Africa, on the other hand, was not as forthcoming. When I presented STERP at the SADC meeting in March 2009, our neighbor pledged ZAR500m (about US\$50m at the time), which was spent on the health sector and on rehabilitating the sewerage system in Harare. But I failed to convince President Jacob Zuma's administration to provide any further financial support. I had a great relationship with Trevor Manuel, South Africa's Finance Minister until 2009. Comrade Trevor—as I used to call him—understood that it was in South Africa's interest to help Zimbabwe get back on its feet. Regrettably, I cannot say the same about his successor, Pravin Gordhan, whom I found to be excessively inward looking. Yet South Africa cannot afford to ignore the rest of the

continent. It is, after all, part of Africa.

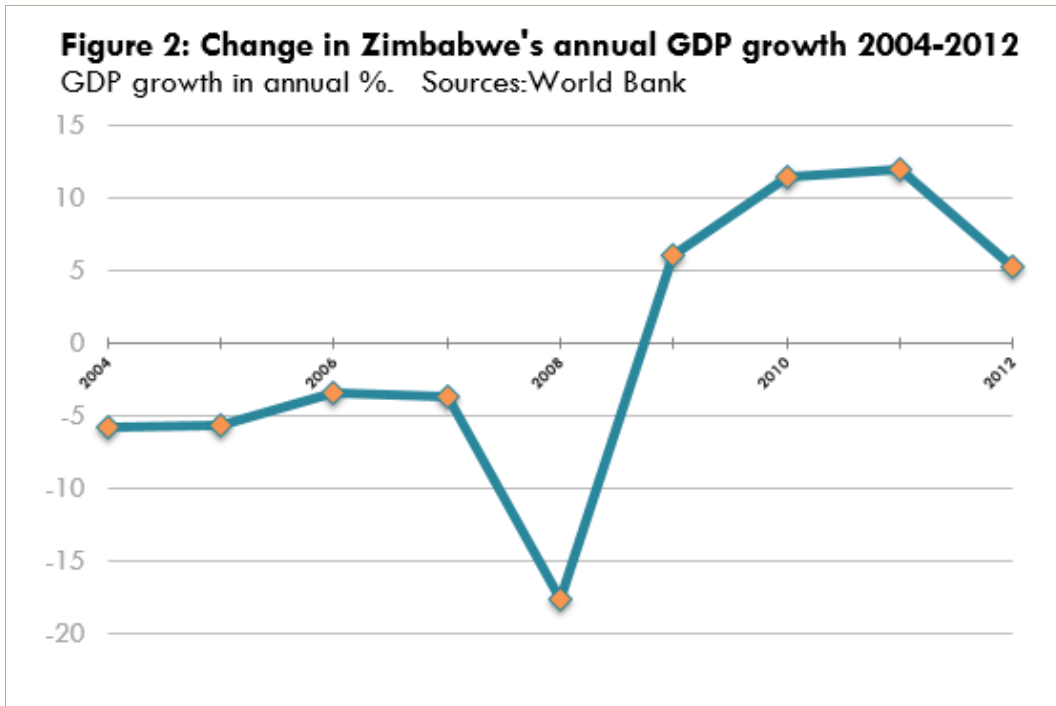
## Results

By 2013, Zimbabwe felt like a different country.

In some areas, dramatic improvements were felt almost immediately after the onset of the coalition government. One spectacular success was the end of hyperinflation. By June 2009, month-on-month inflation had fallen below 1%. By yearend, annualized inflation had dropped to a negative 7.7%, the lowest on the continent. During my time in office, annual inflation averaged less than 4%—a far cry from the days of 500 billion percent. In addition, grocery shelves were no longer bare.

More than anything else, I looked at food availability and inflation as the defining issues of my tenure, the yardsticks that should measure the GNU's performance. For they had, without a doubt, been the defining failures of the country's economic meltdown. Those who lived through these years will never forget the empty shelves and the hungry children carrying bricks of worthless Zimbabwean dollars. The GNU tamed inflation and made sure that food was available in our shops. These may seem like modest targets and humble achievements. But in fragile States, they should never be understated.

For the first time in 14 years, the economy expanded in 2009, with GDP recording a 5.5% growth. During the first two years of the coalition government, Zimbabwe was in fact one of the fastest growing economies in the world, expanding by an average 9% a year (Figure 2).



The fiscal situation also recorded a dramatic turnaround. Economic recovery, normalized inflation, and tax reform transformed government revenues, which more than doubled from 16% of GDP in 2009 to an estimated 36% of GDP in 2012. In 2009, the public purse relied heavily on excise tax, with personal and corporate income tax contributing only 11%. By 2013, income tax generated a third of revenues, with VAT adding another 30% or so. Spending was reined in, and the budget deficit dramatically compressed.

The legal and regulatory environment affecting the economy was much improved. Besides amending the Reserve

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By 2013, Zimbabwe felt like a different country.

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Bank Act, the Zimbabwe Securities Act was overhauled, the Zimbabwe Stock Exchange demutualized, and a raft of new laws—dealing with income tax, anti money laundering, public finance, the audit office, deposit protection and microfinance, to mention just a few—were on the books. More than nine out of 10 bills brought to Parliament by the GNU came from the MOF.

The provision of social services, which was in disarray in early 2009, was making a comeback. The GNU normalized vaccination ratios for children; stabilized the incidence of HIV and lowered the rate of new infections; lowered maternity and infant mortality rates; and increased access to both medical and education services. In 2009, one textbook had to be shared by 45 schoolchildren; in 2013, each student had their own textbook. By 2012, we were able to scrap maternal fees in public hospitals.

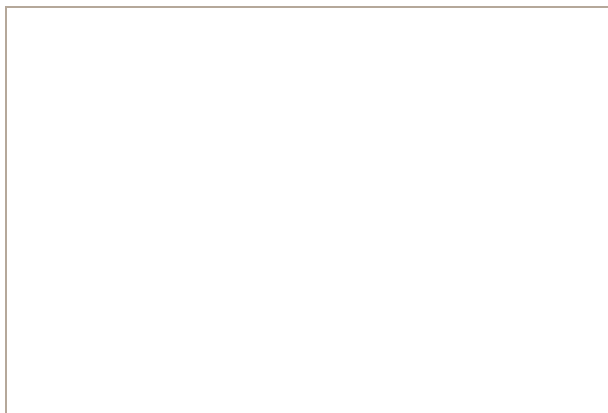
One of our great achievements was the ability to pay public sector wages on the day they fell due. In most places, honoring civil servants' salaries is taken for granted. Given our meager and unpredictable resources, however, the wage bill was a recurring nightmare. That we never defaulted or paid late is nothing short of a miracle.

The revival of foreign trade was equally remarkable—even though the trade deficit persisted. By 2013, our foreign exchange receipts had recovered to \$7.3 billion. Talled against where we were coming from, this was impressive.

Overall, the GNU achieved a lot for our people. It stabilized the economy and restored the foundations of a functional State. Predatory violence and attrition—the order of the day in 2008 and over the preceding years—subsided. For four years, a sense of normality was restored, allowing Zimbabweans to breathe and focus on bread and butter issues. Formal spaces for political dialogue were established, including the Joint Monitoring and Implementing Committee (JOMIC), the Parliamentary Committee on Constitutional Reform (COPAC) and the Organ For National Healing. Cabinet too was a key forum for dialogue, as were the Monday get-togethers between the Prime Minister and the President. These weekly meetings, which took place over tea and pancakes, greatly contributed to maintaining the fragile truce that lied at the heart of the GNU.

## Unfinished Business

For all its achievements, the GNU was also a failure. Its biggest and most tragic shortcomings were its inability to enact political reforms ensuring free and fair elections, as well as failing to fundamentally reform a predatory State based on exclusion. In short, the GNU failed to create convergence on a common national vision. It offered a great opportunity to build a national consensus and achieve long-lasting national reconstruction, and it was missed. For this, President Mugabe and Prime Minister Tsvangirai share some responsibility. Unfortunately, it will be a very long time before such an opportunity arises again.



By the time the experiment came to an end and I left the MOF, my work was far from completed. By 2013, Zimbabwe's sovereign debt stood at US\$10.7 billion, and much-needed foreign financing was still out of reach. The country's infrastructure alone required an estimated US\$14 billion to get back into shape. The financial sector remained frail, and structural reform incomplete. The bill overhauling the banking sector was ready, but I ran out of time, and it was never submitted to Parliament. There was also too little time to translate all the research and work that went into reforming the insurance and pension sectors into legislation. I feel particularly unhappy that I could not reform the government employees' pension system. In addition, although I managed to push the income tax reform through Parliament, President Mugabe never signed the bill, and it never saw the light of day. Stabilization was still fragile, and the foundations we had set needed time to solidify. Unfortunately, that time was never afforded. The work we did laid the ground, but there wasn't enough time to set the economy on an irreversible path to recovery.



## The Road Ahead

In July 2013, Zimbabweans went to the polls, and yet another election was stolen. The vote was a farce. ZANU (PF) regained control of Parliament, and President Mugabe was re-elected. The coalition government came to an end.

On August 20th, 2013, the MOF senior staff gathered in the Treasury boardroom. I said goodbye and Zikomo—thank you—to a place that had become my home, and a team that had been my family. “Zimbabwe’s greatest asset is its people, when they work together as a team for the national good,” I told my colleagues. “In that regard, they do not come any better than the men and women in Block B, New Government Complex.” I was proud of them and of what we had achieved together in extremely difficult circumstances. People broke into tears.

Yet after more than four years of grueling work and battle in the most trying of environments, part of me was relieved to move on. Working in a government where the main political actors lacked common vision and objectives was a nightmare. The endless quarrelling, second-guessing, and suspicion diluted and delayed reforms, making fundamental change unattainable. The toxicity levels were too high to allow a genuine move towards a democratic developmental State.

On balance, Zimbabwe’s coalition government should be given a pass rate for contributing greatly to both political and economic stability in a country ravaged by turmoil and conflict. Although I was initially opposed to that awkward marriage, I have come to realize that it was probably the best solution for Zimbabwe at the time. Much of Africa—and Zimbabwe is no exception—is crippled by pervasive exclusion, whether ethnic, regional or racial. The concept of coalition government, if it is made to advance inclusion, can be useful.

What of Zimbabwe now? For all its warts, the GNU laid a solid foundation for recovery. It offered a glimpse of what was possible, and of what the country and its people are capable of. But further recovery requires continued macroeconomic stability, fiscal discipline and a solid plan. If ZANU (PF)’s track record on any of these measures is anything to go by, I have good reasons to fear. Since August 2013, the country has plunged back into recession, social services are again collapsing, companies are closing down, and public and private investment has dried up. All forums of political dialogue have disappeared.

There can be no genuine recovery in Zimbabwe without a massive injection of capital. Support is needed from the East and the South, but also from the West and the North. China and the BRICs are essential partners. But so is the Western world. Zimbabwe cannot afford to stand alone, or have too few friends. Yet development assistance and foreign investment are unlikely to materialize in sufficient amounts without political reform.

The country’s short-term prospects therefore look grim. Zimbabwe is blessed with enormous potential: it sits on world-class platinum, chrome, diamonds, and iron ore deposits; its economy is diversified; and its population small and educated. Turning that potential into prosperity, however, requires the kind of leadership that cannot flourish in the current political situation.

Left at the mercy of Zanu (PF) and Robert Mugabe, the only future I see for Zimbabwe is one of structural regression, further deindustrialization and economic atrophy, until the country ultimately joins the ranks of utterly Failed States. The only hope lies in citizens reorganizing, regrouping and presenting a united front to reclaim their country.

The task is difficult but not impossible.

