THE ZIMBABWE ECONOMY IN 2009

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Introduction

This review used to be a collection of statistics neatly divided into topics such as finance, cost of living, agriculture, industry and trade. Statistics are so scarce that this has become difficult. The Central Statistical Office has begun publishing cost of living figures again, pitiably little information compared to what they produced ten years ago, and at the exorbitant price of $2 per page. ZimTrade last updated their database in February 2007, the Reserve Bank stopped publishing their monthly review of the economy in February 2008 and don't even publish weekly domestic debt figures now. Both of these agencies have disabled their websites. Neither the Ministry of Small Enterprises nor the association set up by people working in these enterprises know how many people depend on the informal sector. LEDRIZ had detailed figures for recommended wage levels, but even they have no idea how many people are in formal employment. This lack of information can be blamed on the general collapse of the economy, but it is very convenient for those elements who still hold on to positions in government despite their rejection by the electorate three times in the past decade. The extent of their ownership of the means of production is relevant to this study; how they use what they own is even more relevant.

This review will therefore depend on what can be gleaned from a laborious search of the press and from much easier observation on the streets, which may give a broad impression.

The state of the economy continues, however, to be a matter of crucial concern, not only for the present and future livelihoods of the people, but also as the rarely-expressed key to our political stand-off. Key ZANU ideologues were well aware from the early 1970s that political power was the short way to economic power throughout Africa. That has meant personal economic power and great wealth for some while the majority live in the world's 'second most failed state' after Somalia. That assessment may be optimistic. Somalia never had the impressive industrial infrastructure Zimbabwe still possessed as late as 1989. Nor did Somalia, until the foreign military interventions of the past decade or so, suffer the wide-ranging disruption of traditional social structures inflicted on this country since 1890.

But why is Zimbabwe in so much worse shape today than Botswana, which has a stable one-party state built on the ruling party's control of the economy and can even afford comparatively free media and elections? Independent Zimbabwe's rulers did not see beyond seizing the wealth and productive resources, so we had the destructive land grab and now a push for complete 'indigenisation' of what remains of commerce and industry (although a Ghanaian or Ethiopian with the right party card is 'indigenous' while a fourth-generation Zimbabwe-born person of European or Indian ancestry is not. Nigerians, of course, are a case on their own.) None of the grabbers saw beyond seizing possession. They don't understand, even now, that lasting wealth can only be produced by work. Botswana's rulers, on the other hand, had first to build a productive modern economy and a more or less adequate welfare system, which they have done reasonably well on a limited range of resources. People who are fed in drought years and who have access to education and health services will often tolerate government by patronage. Zimbabwe's rulers never grasped the idea that if you want to milk your cow you need to feed it.

Zimbabwe needs to restore its destroyed productive capacity. This means loosening the grip of those who have lived by looting for the past thirty years and inflicted destruction and death to retain their grip on what is left of the nation's wealth in *Gukurahundi, Murambatsvina* and the election violence of the past decade. This is essential if we are to see any economic or social progress The aim would be twofold:

1) stop looting and restart production;
2) stop the diverting of state revenue into ZANU-PF coffers.

There can be no political solution at all until looting stops. And the world economy won't engage with us until we get our politics sorted out. Mugabe must be regretting now that he accepted a man as smart as Tendai Biti as Finance Minister. Some looting has stopped.

The abandoning of the Zimbabwe dollar cut the ground from under the feet of Gideon Gono, the main supplier of foreign currency to Mugabe's cohorts. For at least two years, the Reserve Bank had been printing duplicates of nearly every Z$ banknote[1], making all of them counterfeit. When two notes of the same value exist with the same serial number, one is counterfeit. If they were printed on the same paper, with the same ink on the same press, then, being indistinguishable, they must both be counterfeit and the ZANU leadership got every duplicate banknote printed.

Controlling other leakage into the hands and pockets of opposition elements within that pantomime horse that calls itself an inclusive government remains Biti's biggest challenge. Two obvious sources we are now all aware of are Chiadzwa diamonds and the government salaries going to ghost workers. Thousands of unauthorised workers have been identified. We don't know how many more remain to be rooted out. The February 2010 civil servants' strike was another ZANU-PF's counter-move, as is made obvious by the coercion applied to teachers, in some areas, such as Masvingo, by the CIO, to make them join the strike. This must be the first strike since independence that has the whole-hearted support of the government media. This is not surprising, since the civil service has been ZANU-ised over the years.

Signs of progress

The fact that, one year into the inclusive government, the Prime Minister and Finance Minister are still there and still fighting must count as a success of sorts.

The damage inflicted on Zimbabwe's industry by ESAP in the 1990s undid the progress of the first decade of independence. The 'Third Chimurenga' demolished any infrastructure that was not already decayed. After that and China's emergence as **the** industrial power, we cannot hope to restore much of the manufacturing industry Zimbabwe once had. That industry included the capacity to maintain a lot of its own equipment; even that is unlikely to be rebuilt. But there were some signs in 2009 that we were drawing back from the 'A looter continua' economy.

In the high-density suburbs, people felt confident enough to restore structures that were destroyed in 2005. The city council occasionally removes accumulated piles of rubbish from the streets. This and other factors restored hope that not everything that people do will be destroyed, so road verges, informally at least considered the property of the house, are being cleaned, tidied and even ornamented with flowers. Informal markets such as Siya-So in Mbare began reviving late in 2009. Private 'tuck-shops' have not yet reappeared by June 2010.

The most important of these developments is Siya-So market. That is where most poor people used to buy furniture and materials such as cement, timber and structural steel in convenient sizes at a convenient distance from where they were needed and could go for repairs to everything from a shoe to a computer. - not to mention a handful of nails or a single bolt of a specific size. Not all these things are back yet, but enough are there for us to hope the rest will be back soon.

Key points to observe:.

1. a revival of industrial production in 2009, significant although not as rapid as was hoped. The hoped-for revival is not possible without political reforms.
2. Agricultural adaptation. We know all about the destruction of large-scale commercial agriculture and the subsequent disruption of all agricultural production on any scale. We need to look forward, not back. Some new farmers are farming. We need to start comparing production this year with five years ago, not ten. The data for this are still scarce.

'Dollarisation' and its immediate impact

The year began with Z$ inflation running at about 10,000%/month; i.e. currency adding 24 zeroes in a year. The ten zeroes lopped off in August 2008 were back by the end of the year and pressure to dollarise increased from all sides. More employers were paying wages in US$, which were also accepted in payment of taxes, utility bills and in most shops. Mid-January saw the introduction of a trillion dollar note (12 zeroes) and 100% inflation in a day. Momentarily, in February, we saw another 'new dollar' with the 12 zeroes lopped off, before reality became officially recognised and all payments could be made in any of five foreign currencies: rand, pula, pound, Euro and US dollar, with the US$ as the reference currency (i.e. when the rand rose against the dollar, Harare prices in rands dropped). In Harare, effectively only dollars and rands are used, but more people accept pulas in Bulawayo.

This put an end to hyperinflation overnight. We saw 'negative inflation' for most of the year. By December, the annual inflation rate was -7.7%. *Table 1* compares wage data (from LEDRIZ) with cost of living figures (inflation, poverty datum line [PDL and food poverty line [FPL]. These figures are only rough approximations, the PDL being based on calculations of basic needs per head without allowing that different people have different needs, varying most notably with with age and gender and the 'average minimum wage' is a very rough approximation. The most recent PDL figures from the Consumer Council are included to illustrate this point. Nonetheless, we can safely say the purchasing power of an average minimum wage at least doubled over the year, due to a combination of wage increases and price decreases.

Table 1: ***wage and cost of living comparisons*.**

Month	Inflation /Month,%	Average Min.wage (US$)	All items CPI (Dec 2008=100)	CSO PDL (US$)	CCZ PDL (US$)	CSO FPL (US$)	CCZ FPL (US$)	Minimum wage/PDL (%)	Minimum wage/FPL (%)
Jan'09	-2.3	69.75	97.7	552.09		177.35		12.6	39.3
Feb'09	-3.1	109.66	94.6	495.33		157.95		22.1	69.4
Mar'09	-3.0	118.72	91.7	461.29		143.13		25.7	82.9
Apr'09	-1.1	128.81	90.7	437.53		133.21		29.4	96.7
May'09	-1.0	129.81	89.9	418.08		127.49		31.0	101.8
June'09	0.6	133.20	90.4	429.55		128.53		31.0	103.6
July'09	1.0	138.76	91.3	450.22		133.71		30.8	103.8
Aug'09	0.4	138.98	91.7	459.57		136.03		30.2	102.2
Sept'09	-0.5	124.02	91.2	445.49		130.95		27.8	94.7
Oct'09	0.8	142.24	92.0	451.22		131.98		31.5	107.8
Nov'09	-0.1	142.46	91.9	446.68	492.1	124.77	136.79	31.9	114.2
Dec'09	0.5	142.46	92.3		488.11		132.8		
Source:		*LEDRIZ*	*CSO*	*CSO*	*CCZ*	*CSO*	*CCZ*		

The official acceptance in February of foreign currency as legal tender showed how remittances have staved off the country's complete collapse in recent years. The long queues at foreign exchange counters shifted to commercial banks, where money transfers are processed. A commercial bank executive in Harare, who declined to be named, told IRIN that the bank had opened two additional counters specifically to deal with money transfers.

Money in the pocket

Many families have been surviving on remittances. The International Fund for Agricultural Development, a UN agency dedicated to eradicating rural poverty, expected foreign currency remittances from Zimbabweans living outside the country - excluding hand-to-hand transfers – to double in 2009 from an estimated US$361 million in 2008.

Other estimates have put all remittances from expatriates in Britain to Zimbabwe at about US$1 billion annually. "If this is true, . . it shows that the actual Zimbabwe-origin population in the UK is much bigger than estimated, and that they are sending much more money home than we ever imagined," according to Eddie Cross. "This would explain where all the foreign currency that keeps this country going, is coming from; it explains why many more people are not actually dying from . . hunger, malnutrition and neglect."

RBZ estimated in 2008 that locals were spending an estimated US$950 million annually on basic commodities in neighbouring states, a trend believed to have precipitated the decision to dollarise. The process was completed on 19 March, when Finance Minister Tendai Biti removed all foreign currency surrender requirements.

Forex liquidity remains the primary concern and constraining factor and again, media reports continue to make mention of the linkage between stability, reform and promised funding for the financial sector and the functions of government. Over 1800 farm attacks were documented over September 2008 – August 2009 and 15 MDC MPS were either in jail or facing incarceration.

At street level, cash change became more scarce because there were no credit cards or cheque books and the Reserve Bank has no authority to print money to support the growth that was taking place. Forex cash could be purchased for a premium so the cycle continues which in itself is creating renewed inflation albeit in measurable figures. Nevertheless this phenomenon is adversely affecting the competitive ability of business either as exporters or as local traders. Stocks and shares continued to be traded at reduced levels but at higher values.

Positive inflation was seen in June, for the first time in months as supply was not meeting demand once more no matter what the product or service.[2]

Wages

ZCTU Deputy Secretary General Japhet Moyo told VOA's Studio 7 in March that his members should be paid a minimum $US454 a month, saying a family of six needs this to survive. But he said employers resisted this, claiming private-sector workers should get the same US$100 allowance as government employees such as teachers, hospital workers, police officers and government clerical workers[3]

Here is a breakdown of minimum wages by sector. LEDRIZ can supply fuller figures, for the different grades of worker in each sector and by month. These figures begin with February, when dollarisation had made collecting meaningful figures possible and had meant a large increase in wages.

Table 2: Minimum wages, 2009

Sector	Feb	Dec	increase:
Tobacco	150.00	150.00	0.0%
Baking	102.00	127.00	24.5%
Food Processing	65.00	125.00	92.3%
Meat,Fish,Poultry,Abattoirs	76.00	133.00	75.0%
Soft Drinks Manufacturing	95.00	120.00	26.3%
Detergents, Edible Fats & Oils	58.00	101.50	75.0%
Catering	85.00	85.00	0.0%
Security	60.00	150.00	150.0%
Shoe & Leather	132.00	137.98	4.5%
Travel & Canvas	80.00	100.00	25.0%
Clothing	20.00	80.00	300.0%
Communication & Allied Services	150.00	150.00	0.0%
Textile	90.00	150.00	66.7%
Civil Service	100.00	100.00	0.0%
Plastics Manufacturing	90.00	144.00	60.0%
Engineering	100.00	150.00	50.0%
Graphical	110.00	130.00	18.2%
Urban Council	301.29	301.29	0.0%
Construction	90.00	150.00	66.7%
RAYOS	282.79	282.79	0.0%
Commercial	90.00	150.00	66.7%
ZARWU	125.00	125.00	0.0%
Cement and Lime	70.00	125.00	78.6%
Mean minimum wage:	109.66	142.07	29.6%
CPI	*94.6*	*92.3*	*-2.4%*

LEDRIZ

So the real mean increase in purchasing power of a minimum wage was 32.6% between February and December.

NB: this 'mean' is the mean of the figures quoted per sector, while the number of workers in each sector is different (so each figure should carry a different weighting) and unknown. The 'mean minimum wage' is thus an approximation.

The Government on 13 February released a list of basic commodities that could be imported duty-free until 30 June. These include rice, flour, cooking oil, margarine, petroleum jelly, washing powder, bath soap and toothpaste.

The remit of the National Incomes and Pricing Commission was confined to comparing local prices with those that obtain in the region.

Food & agriculture

Government said that it would be importing 600,000 tonnes of maize in the year 2009-10 to mitigate the harvest shortfall. *(zimonline/USAID 21/7/09)*. According to FEWSNET's Food Security Outlook released on 7 August, 500,000-900,000 of the urban population are “food insecure”, while "about 1.4 million rural people will not be able to meet their cereal requirements during the 2009/10 consumption year.” This is a great improvement on 2008/09, when nearly 7 million people were receiving food aid. The FAO and UN World Food Programme Crop and Food Assessment Mission forecast the 2009 cereal harvest at 1.3 million tons, compared to 690,000 tons in 2008, and an estimated requirement of about 2 million tonnes. Given that pre-1990 there was a single buyer for each crop, the present more diversified markets make collection of national totals for any crop more difficult – calculating an average price for each is even more difficult.

Table 3 Some crop yields, 1999-2009:

Crop, ,000t	1999-2000	2000-1	2001-2	2002-3	2003-4	2004-5	2005-6	2006-7	2007-8	2008-9
Maize	1,520	1,476			574 (est.)	*550 (est)*	*1,485*	*953*	*575*	*1,240*
Cotton	265	339		202	331	*198*	*260*	*235*	*226*	*247*
sugar		1,200		1253.87	1,070	*430*	*447*	*442*	*298*	*286*
Tobacco	237	191	162	83	65	*74*	*55*	*80*	*56*	*55*
Beef						*90*	*90*	*95*	*90*	*93*
'horticulture'						*60*	*64*	*66*	*60*	*35*
burley tobacco, t		5,505				872				
paprika		13	13	10	7	5				
wheat		280	150			126		150		18
milk, cu.m	180,000	165,000	120,000			85		349		298
Soya beans	107	175	60	0		12	38			
beef cattle ,000	1,400		200		210					

Compiled from several sources: italicised figures. 2005-9 from 2010 mid-year budget statement

These fragmentary figures suggest the time is ripe for making some more comparisons and analysis, to observe any new developments and to allow for effects of the weather. The next table shows we need to be careful what sources we accept. Everybody has an axe to grind.

Table 4: 2009 crop predictions and recorded harvests

prediction by: ↓	crop	total predicted harvest	actual crop	recorded by	date
CFU	wheat	18,000t	12,000t	FAO (est)	August
Government target	wheat	100,000t	47,910t	Sunday Mail	15/11/09
CFU	maize	397,000t	1.14Mt	FAO	(August)
Brig.Gen Nyikayaramba (operation Champion Farmer)	maize	2.5Mt			
Renson Gasela	maize	600,000tt	1.2Mt	T.Biti	October
ZFU	maize	“>410,000t”			
CFU	small grains	113,000t			
CFU	tobacco	39,700t	64,000t		
TIMB	tobacco	42,000t			
ZTA	tobacco	35,000t			

Maize and grain supply

Of the 2008/09 maize harvest, about a third (400,000t) was surplus to farmers' personal requirements. FAO estimated Zimbabwe's total domestic cereal availability for 2009/10 at 1,39 million tonnes. Cereal imports would need to be 680,000t, about 70% of which would be maize. Even assuming that 500,000 tons would be imported, there will still be a significant gap of about 180,000t.

Currently, 22,000 children under the age of five need treatment for severe or acute malnutrition, while maternal and child

under-nutrition is largely responsible for over 12,000 deaths, or one-third of all deaths of all children under five. Distribution remains a problem. In January 2009 ZANU-PF had been plundering maize meal in Bulawayo in the midst of scarcity. GMB officials were implicated in diverting it to the black market. *The Herald* claimed "the uncontrolled importation of mealie-meal" was undermining local millers.[4]
The market was not farmer-friendly: GMB officials claimed that they can only raise money to pay for crops after they have received the crop, but private buyers cash prices were not good. On 24April the Herald reported that the Grain Millers Association was offering US$200/tonne. On 28 April this was raised to $265/t. Farmers were still not satisfied. Maize production in 2009 at 1,14 million tonnes, was a 130% improvement on 2008 (FAO)
Of the 50,000t maize seed needed for the 2008-9 crop, 23,000t were produced locally and 5,000t were imported, leaving a 44% shortfall. One company, Pioneer, produced 1,800t of seed maize in 2008 and expected to raise this to 4,000t in 2009. If all seed producers had achieved this average increase, they would have met demand in 2009-10, but in September the country was estimated to need to import 18,000t seed, 36% of requirements.

At the end of August, Biti announced seed and fertiliser were to be bought from Malawi and provided on loan, especially to smallholder farmers. This was supported by €15.4 million from EU, who are also ready to support the promised land audit.

Wheat

Only 1/3 of the planned acreage was planted, only ¼ of the required fertiliser was available, farmers planted late due to difficulties in getting finance and inputs – which made the crop more vulnerable to quelea birds – so the *Sunday Mail*"s claim that 48,000t were harvested sounds unlikely. But even this is only 12% of demand.
More than 300 tractors and other farming implements arrived in Zimbabwe from China in May under a US$40-million government-supported scheme being facilitated by Farmers World Holdings. Other implements in the consignment include 300 disc harrows, 300 ploughs, more than 100 generators of different sizes, excavators, front-end loaders, 300 reapers, 30-tonne trucks, 10-tonne trucks, 30 combine harvesters, electric motors for irrigation, irrigation sprinklers and pipes[5].

Cotton

Zimbabwe is losing out on the market because some farmers with contracts to sell their crops find the contractors can't deliver inputs. They may sell elsewhere either because contractors can't meet their obligations or to avoid repaying loans, all of which further weakens the system.

Many farmers withheld their crop from sale because the 25c/kg they were offered was not enough to cover costs.

Tobacco

Like cotton growers, many new tobacco growers were selling to unlicensed buyers, preferring a small payment in hand to a promised market price that does not materialise. I haven't seen figures for the total crop, either total sales through the three sales floors or estimates allowing for sales 'on the side'.

The number of small-scale flue-cured tobacco growers seems to be growing, but less of the high quality 'lemon tobacco' a yellow leaf used to flavour well-known brands of cigarettes, is being grown.

Payment continues to be a problem. Gono admitted in April 2009 that RBZ had used money meant to pay tobacco and wheat farmers for other purposes. After official dollarisation,. this year growers would be paid in foreign currency. In late April, just before the opening of the sales season, RBZ said growers were still owed about $20 million for the 2007 and 2008 crops. However, dollarisation made it easier for growers to be paid in meaningful cash. The crop of 64,000kg earned about 10% of GDP:
In May, tobacco was selling at around US$2,84/kg.

Sugar

More than 1,900 Triangle Limited employees have resigned between April 2009 and January 2010, citing poor remuneration. The development has reportedly resulted in a decline in production at the company, which is locked in a wage dispute with the remaining workers. Most of the affected staff are field workers, planters, irrigators and cane cutters, all who are said to be earning an average of US$85 per month.

Output fell 15% in the year April 2008-March 2009, compared to the previous 12 months, but exports to EU rose.

Other crops

9,700ha were targeted for paprika production in the 2009-10 season but only 29ha had been planted by December

against 2,460ha at the same time in 2008. The drop has been attributed to high production costs and poor market prices. On the other hand, some tomato producers are complaining of poor prices on the traditional markets. Most tomato producers said they were selling their produce at US$1 for four boxes and sometimes return with their tomatoes to the farms.
Coffee production was down to 300 tonnes for the season, and quality not good.
Farmers blame electricity cuts for disrupting irrigation and therefore flower production.

Income

Crop yields and earnings from sales have increased this year, but the improvement could have been greater if inputs and credit had been more readily available. As it is, Finance Minister Biti announced in October that the GMB would be issuing grain bills to finance the purchase of grain from farmers. The take-up of the first issue, for $2.5 million, was only about 60%.

Since July 2009 there has been talk of setting up a commodities exchange

Planned output and prospects for 2009-10: 2.4Mt maize, 65,000ha under tobacco & 150,000ha cotton. - modest compared to the best times. Real revival will only come with restored external relations, impossible until some degree of democracy is restored.

An official crop and livestock assessment report released in February 2010 shows that the area under maize increased to 1,723,990ha, 14% more than in 2008-9, while the cotton area dropped 17%, to 261,191ha from 316,656ha. The decline in the cotton area planted, according to the report, resulted from lack of comprehensive input support following the scaling down of input-support programmes by cotton companies.

Employment

GAPWUZ estimates that 80-90% of farm workers have lost their jobs. The union currently has 15,000 members. Less than 10 years ago membership was close to 200,000. Other industries and parastatals have seen lay-offs. There has been little visible revival of formal employment although the informal sector looks livelier than it has since *Murambatsvina*. The workers resigning from Triangle Sugar Estate must believe they will do less badly elsewhere.

A small percentage of farm workers received plots and most lost their jobs when formerly white-owned commercial farms were redistributed during the 'fast-track land reform' programme that began in 2000. Those who have remained on the farms mainly survive by piece-work and gold panning, but living standards have plummeted and basic social services like farm schools and clinics no longer exist. "Life is very difficult in farm communities," said Zivei Kabungaidze, Mashonaland Central provincial coordinator of the Farm Orphan Support Trust (FOST), and HIV/AIDS is making the lives of the children FOST supports even harder.

Despite some degree of industrial revival, there are no data on its impact on formal employment. Employers are demanding longer hours from existing workers rather than employing more people.

Finance

Bank lending

Deposits had risen from US$350 million in April to over US$800 million in mid-August owing to an increase in transactions going through the RTGS. Lending rates were up to 10% and investment rates for the money market between 6% and 8%. Banks started giving personal loans in August.

In August banks introduced forex-denominated cheque books[6] and some started offering personal and corporate loans[7] to account holders who receive their salaries through those banks. An official manning the CBZ stand at the Harare Agricultural Show said the bank was offering short term mortgage loans through CBZ Building Society, on strict conditions (property as security & for refinancing and home improvements, on condition that one demonstrates capacity to repay the loan within the prescribed period). The bank would also charge monthly interest rates:10%/year for 30 days, 12%/yr for 60 days and 14%/yr for 90 days. The minimum loan amount is US$500 and the maximum, US$25,000. CBZ is also offering personal loans to account holders who receive their salaries through the bank. One gets a loan half their salary plus a 10% monthly interest charge. The bank offers less than 1 percent interest to account holders who regularly deposit money into their accounts.

Some figures published in the Zimbabwe Independent in February 2010 showed the ratio of loans to deposits was still low although confidence in the banks was slowly recovering from the years of hyperinflation and RBZ raids on private accounts. Many borrowers don't have anything to offer as security.

Table 5: bank loans and deposits sampled across Africa:

Country	**deposits**	**loans**	**loans/deposits**	**domestic**	**manufacturing**	**mining**	**agriculture**
South Africa	$321 bn	$306bn	95%	38%	4%	3%	1.5%
Kenya	$12bn		68%				
Tanzania			68%				
Zambia	$3.1bn		57%				
Zimbabwe	$1.3bn		49%				

The banks are desperate for a more efficient clearing system so that the multiplier effect of forex in circulation can brings rewards. However,the political cat and mouse game delays foreign investment and funding for the financial sector. Zimbabwe has asked its neighbours for $2 billion, half to support retail and other sectors, and the rest to help schools and restore health and municipal services. It requires billions more from other donors. However, Western countries have reiterated their demands for the restoration of the rule of law, respect for title and the cessation of farm invasions.

The IMF report on a visit by a mission to Zimbabwe in Jubne put pressure on the coalition government to sack the country's central bank governor, Gideon Gono. Mugabe reappointed Gono for another five-year term in March, sparking IMF protests.

The release of the IMF report came ahead of a crisis meeting between the country's political leaders: President Mugabe, his deputies; Joice Mujuru and Joseph Msika, prime minister Morgan Tsvangirai and his two deputies; Arthur Mutambara and Thokozani Khuphe, over the issue of Mr Gono. International finance institutions and western countries have put pressure on the inclusive government to remove Mr Gono before any direct aid starts flowing in. For Britain, Lord Malloch-Brown said he did not trust the people who signed the cheques at RBZ[23].

Government income and expenditure:

On the formation of the inclusive government in February, the state coffers were empty – and very leaky. Finance Minister Biti succeeded in getting some donors, such as the Australian government, to pay for a part of the rural education and health services Bank accounts were being raided by RBZ.

By mid-May the Finance Ministry's careful planning for the future of Zimbabwe was reportedly adding more fuel to the fire of animosity between the MDC and ZANU-PF. The Ministry struggled to secure direct cash investment in the government. Donor countries demanded to see real change in Zimbabwe before investing, and have held back funds in the face of ongoing violations of the Global Political Agreement. So far, only credit line pledges to support the privateThe banks are desperate for a more efficient clearing system so that the multiplier effect of forex in circulation can brings rewards. However,the political cat and mouse game delays foreign investment and funding for the financial sector. Zimbabwe has asked its neighbours for $2 billion, half to support retail and other sectors, and the rest to help schools and restore health and municipal services. It requires billions more from other donors. However, Western countries have reiterated their demands for the restoration of the rule of law, respect for title and the cessation of farm invasions. sector have been made, while international donor governments have only funnelled cash directly to aid groups battling the humanitarian crisis.
Biti launched a new campaign to mobilise donor funds through structures that are not part of the government, directly and in cash, thus avoiding the risk of sticky ZANU fingers getting on the money. . The Finance Minister met in the first week of May with donors to discuss creating a Multi-Donor Trust Fund to mobilise donor aid under the 'Humanitarian-Plus' initiative.

A more difficult problem was presented by the inflated central and local government payrolls. A full civil service audit has still not been completed by June 2010.

Civil servants have since March 2009 been receiving monthly allowances of US $100 across the board, a factor that has also contributed to low receipts from PAYE as the civil service constitutes the country's biggest work force.

In June "Zimbabwe and China reached a US$5 billion platinum-backed deal," a government source said. "But the problem is that the loan facility benefits China far more than Zimbabwe. This has caused problems in certain circles of government and will definitely become an explosive issue in parliament." The deal is structured in a controversial manner. Zimbabwe will get US$5 billion from Eximbank of China and in return the Chinese get 50% equity in a US$40 billion platinum concession without paying anything. By July, government had secured a total of $3 billion in foreign loans.

2009 budget

The finance minister managed to trim expenditure from the US$12 billion requested to US$2,25 billion. This is still much more than the revenue target of US$1.4 billion.

Corporate and personal taxes were reduced which should see aggregate consumption rising and further stimulate demand. Increased growth will only come about with increasing use of resources much of which depends on increased investment. The aim was to get a smaller piece of a larger pie, still managing to increase revenues. Attempts were also made to curb revenue leakages by improving monitoring and tax collection systems.

However, banks need to adjust their policies. Generally transaction charges are high and banks give depositors much lower interest than they charge borrowers[8].

Table 6: Government debt US$ millions

MONTH	TOTAL	EXTERNAL	DOMESTIC	ARREARS
February		4,690		
July				>3100
October	5,613	5,200	413	3,600

With foreign assistance still slow to come in, the burgeoning debt remains one of Biti's biggest problems. He favours seeking Heavily Indebted Poor Country (HIPC) status. ZANU-PF legislators oppose this, voicing reservations about the loss of control of one's own economy which would carry more weight if they came from anyone else. We saw the damage the international financial institutions' prescriptions did under ESAP, but alternatives still get little hearing against the current conventional wisdom.

Balancing the budget

- became essential, as the country was so deep in debt that further borrowing wasn't possible and the system had been so hollowed out that the financial dodges most governments use in a tight corner were not available. Everything had to be done in cash, meaning thqat if the cash wasn't there, government couldn't spend. Revenue income rose steadily, which offered some encouragement.

Table 7: government revenue & expenditure, 1st half of 2009:

	revenue & grants	total expenditure	surplus (deficit)	deficit/ revenue	cumulative gap
Jan/09	4.7	100.0	-95.3	-20.3	-95.3
Feb/09	15.0	100.0	-85.0	-5.7	-180.3
Mar/09	44.0	100.0	-56.0	-1.3	-236.3
Apr/09	51.6	100.0	-48.4	-0.9	-284.7
May/09	66.8	100.0	-33.2	-0.5	-317.9
Jun/09	70.0	100.0	-30.0	-0.4	-347.9

Zimbabwe govt has been getting 40% of its revenue from import duties, which will be reduced if/when we join the proposed COMESA customs union. (It's been a 19-member FTA since 2000) - this makes Zimbabwe very vulnerable to world economic crisis

With world prices for precious metals rising, Biti announced that royalties on gold and platinum would be raised from 3% to 3.5% as from 1 January 2010[9].

US$510M has been obtained from the IMF, which Minister Biti said has been allocated as follows:$58 for transport infrastructure; $57M for water & sanitation; $15M for health; $7.8M for education; S72.2M unspecified; $50M for grain purchases; $80M loans for production; $140M for clearing arrears; $25M reserve[10].

The government has raised more than $180 million from donors in Europe to help pull the nation out of recession, Finance Minister Tendai Biti said. The money was raised during a trip by government officials to countries including Sweden and Belgium.[11]

The German Ambassador to Zimbabwe said a group of major donors known as Friends of Zimbabwe were hoping to persuade the World Bank to increase its support to the Multi-Donor Trust Fund, a vehicle set up to help the transitional government rehabilitate the economy. But he said this would only happen if the Global Political Agreement (GPA) was fully implemented[12].

The new Chirundu one-stop border post is expected to save about $486 million annually in costs incurred due to long delays at the old border.

Industry

Prime Minister Tsvangirai visited Cape Town in December for a series of meetings with leading figures of the Zimbabwe Diaspora to discuss ways to kick-start Zimbabwe's economic growth. One of the main outcomes of the meetings was an action plain detailing an economic reconstruction programme. The plan was not made public.

Industrial production

Although agriculture grew faster than other sectors, it had a long way to go and its low performance deprived manufacturing of inputs. Low capacity utilisation led to low productivity and low employment in formal industry.
One observer reports that Zimbabwe's famous brands such as the Mazoe drink, available in supermarkets in Windhoek, Namibia, are manufactured in South Africa, adding that the only product from Zimbabwe seen in foreign supermarkets is Tanganda's Silver tea. On the other hand, the main visible local products in our own shops are fruit juices and canned foods: many are produced by firms that appear to be short-lived.

Many firms are in the position of Mutare Board and Paper Mills, where machinery seen on ZBC news in May looks like relics from the early 1900s.

Manufacturing, mining and commerce were hit hard by the continuing shortage of electricity, with frequent more or less planned 'load shedding'. However, access to energy improved somewhat as, after dollarisation, fuel vouchers were phased out in May and customers could buy petrol and diesel for cash anywhere.

By May, industrial capacity utilization had climbed to 20% from lower than 10%, though revival was not as quick as some had hoped. In November CZI said factory output doubled in the first six months of the year and capacity utilisation had climbed to 32.3% The climb continued to the end of the year, although the hoped for increase to 60% did not occur, and now seems unlikely to be reached in 2010. [The week, 9/12/09]
Government policy was summed up by Deputy PM Mutambara at a conference on 'public-private partnerships' in June:

The State (both national and local institutions) does not have enough money, technology and human capital to deliver all the required infrastructure and services on its own. This can only be achieved through Public Private Partnerships. Ownership of the means and factors of production is not as important as allowing the same means and factors to deliver services and outcomes that will lead to shared economic growth and job creation.

- but he was not recorded as having any ideas on how private firms, especially the big corporations, can be brought to serve the public interest. He did say that there was no plan for wholesale privatisation, but added:."There would be parastatals that require reforms, where there is general agreement the public will know."[13]

Due to forex shortage and the world recession, industry is still faced with high costs, well above the regional average and cannot sell abroad profitably. Zimbabwe pays a premium for its petroleum products which again reduces competitiveness. This will not change until the economic revival is funded by western donors[14].

Retail sales continue to grow, especially the food sector, but this is at the expense of manufacturing which cannot access capital to pay for raw materials and other strategic inputs.

The use of foreign currency meant that companies had the hard currencies needed to import raw materials. However, manufacturers still struggle to re-equip and re-capitalise in order to compete against foreign imports. Investment capital remained scarce and investors were discouraged by ZANU-PF's talk of indigenisation. It is almost impossible for companies to maintain adequate cash flow. In June there were still often no cheque books and credit cards.

SADC certification allows neighbouring countries duty free access to the Zimbabwean market which is further punishing local industry. Some businesses, mainly importers of finished goods, are reported to be forging SADC Certificates of Origin for Asian products.

Interest rates remained very high although there were signs in November that they were beginning to drop.In spite of this, the Herald reported in November that manufacturing was running at 40% capacity, though other sources put the figure somewhat lower, but well over 30%.

CZI periodically appeal for a return to a single currency, but others seem happy with the multi-currency system[15].

One of the biggest constraints on growth is supply of electricity. Zimbabwe's peak demand is about 2000-2500Mw but in

2008 ZESA generated an average 1,000Mw.In November, with plant failures at Kariba and Hwange this dropped to 600Mw. ZESA was then stated to owe nearly $100 million to neighbours for electricity, and claimed its own customers, mainly domestic, were some $200 million in arrears. [Electric meters are not read: ZESA squeezes what it can out of customers, making monstrous demands on those who can pay to support the many who cannot]

Zimbabweans are experiencing power cuts of up to 20 hours daily, yet ZESA is exporting power to Namibia at a discounted tariff to help settle a US$50 million loan. ZESA is supposed to provide 180MW of power to Namibia for a minimum of five years from 2007. A World Bank report says an ash dam at Hwange needs refurbishing at a cost of $6M or it risks collapse which would destroy the power station. Considerable overhauls and refurbishment are also needed at Kariba south and would cost some $84M16. According to the World Bank report, the transmission infrastructure was in a poor state of repair and requires huge investment to rehabilitate and reinforce the network to an acceptable level. The cost for transmission emergency rehabilitation amounts to US$561 million. Besides this ZESA Holdings is saddled with a US$428 million debt which it is battling to settle. The power utility's cash woes are compounded by "unrealistic" tariffs over the years in comparison to the viable rates levied by other utilities in the region.

Cash problems at ZESA Holdings also mean the country faces uncertainty over future supply of power considering that the power utility has a daunting task to raise US$385 million for emergency power needs. ZESA Holdings' external debt stands at US$317 million while its internal debt is at US$111 million. Regional power utilities are reportedly reducing supplies to ZESA Holdings due to technical problems and non-payment of debts. ZESA is said to be getting about 100MW from Cahora Bassa in Mozambique and 50MW from Snel in the DRC.

The World Bank said there has been a decline in ZESA's operational, commercial and financial performance since 1997 when the power supplier collected 97% for accounts due. That has dropped to 49%, an estimated US$20 million a month from its customers. This hardly covers ZESA's payroll. The general downturn in the economy and lack of access to financing have also contributed to ZESA's huge financial distress. "ZESA's trade creditor arrears from power imports are about US$98 million, of which US$69 million is over-due by more than 128 days. ZESA's external debt arrears stand at about US$317 million (domestic arrears at about US$111 million)," said the World Bank.[17]

ZISCO, according a May action plan document, would complete relining of one of its blast furnaces in 90 days. Investors have been eyeing ZISCO has over the years with takeover in mind. In June a consortium led by Jindal Steel and Power Limited was short-listed as one of two bidders to buy a majority stake in Ziscosteel. The consortium includes the Investment Development Corporation of South Africa and the Development Bank of South Africa. The other contender is ArcelorMittal South Africa Ltd.

Zimbabwe has shared in Africa's cellphone boom: For the first time subscribers could migrate from one cellphone operator to another as SIM cards were readily available, thanks to the use of multiple currencies. The SIM cards' price went down from a US$150 to less than US$10. This was a departure from the past five years when owning one became an investment. Operators had foreign currency for expansion and they expanded in style: “fighting" each other through advertising.

And for the first time in more than 10 years, the Postal and Telecommunications Regulatory Authority of Zimbabwe released US$5 million from the operators' contribution to cater for expansion in undeveloped areas[18].

Mining

Mineral production figures are perhaps the country's best-kept secret – even from government.

The first systematic fugures in a decade were published in NewsDay,15/7/10 quoting by T.Biti's mid-term budget statement for 2010, attributed to Ministry of Mines/Chamber of Mines

Table 8: mineral production, 2005-9

	Asbestos,t	gold,t	chrome,t	Coal,kt	copper	Nickel, kt	Platinum,t
2005	123.15	13.45	831.88	3,468.94		9.47	4.56
2006	110.00	10.80	690.00	2,200.00		9.20	5.19
2007	115.00	6.80	693.45	2,600.00		9.25	5.30
2008	11.49	3.07	442.58	1,701.60		6.35	5.50
2009	5.50	4.97	201.00	1,606.32		4.86	6.86

(I had to assume that the figures for coal and nickel are in thousands of tonnes to make any sense of the few trade figures we have.)

Copper has dropped right out of sight.

The Chiadzwa diamond deposits are agreed to be large, but how large? *NewsDay* in its report on the 2010 mid-term budget review, said that since mid-2006 6,482,112.92 carats of diamonds had been mined, of which 1,772,846.17 carats had been sold for US$31,052,411.72, leaving 4,709,266.75 carats in stock. But Biti admitted the government does not know where this $30 million went. It seems unlikely that they have been able to trace all the diamonds so far mined. We all know how little surveillance there is. When the new airstrip in Marange becomes operational, the army, police and ZANU bigwigs will be more easily able to fly diamonds out of the country. Just what problems they will have in selling them on the formal market and how they evade them remain uncertain. The World Diamond Council merely keep the price of diamonds up by controlling supply. Such a system can stand a certain amount of dealing outside the agreement, but above a certain scale, 'illegal' diamonds become a threat to the system and serious action will follow. Street rumour has it that diamonds were being mined in Chiadzwa for years by recognised companies who had prospecting licences. Maybe, or maybe the licences were being held as a long-term investment, perhaps by companies who at least suspected the size of what they were sitting on. Either way, plunder on the usual ZANU scale could quickly upset the apple cart.

Official **gold** production remains low, though by November it already exceeded the total for the whole of 2008 as more mines re-opened.

The mysterious exports of specialised 'paper' products to South Africa in October are a transparent effort to cover up something but what? Since Zimbabwe lost its place on the London Metal Exchange as a gold producer, some outlet must be found. One remembers that Fidelity Printers used to be the licensed gold exporters for the Reserve Bank.

Platinum remains high on Mugabe's list for 'indigenous' control. Having a high value for small bulk, it is very convenient for his purposes.

Nickel and nickel ores still figure prominently in such export figures as are available.
Commodity prices have begun to recover on the international market, with gold rising from an average of US$800/ounce in November 2008 to about US$1,280 in November 2009, whilst, the price of platinum moved from US$870/oz to about US$1,450/oz in the same period[19].

Discussion of the proposed Indigenisation Bill has discouraged new foreign investment, especially in mining, but Mwana Africa has obtained a loan to refurbish the Bindura nickel smelter and now hope to raise funds to reopen The Freda Rebecca gold mine.

Stock Exchange

Trading was stopped from Nov. 21 2008 after RBZ accused some traders of using fraudulent cheques to buy shares. Eleven companies and nine individuals had their accounts frozen on Nov. 20 after the cheques totalling "Z$60 hexillion" had been used to buy shares, Gideon Gono said.

Stock Exchange resumed trade March 26, 2009, to a slow start.

According to Kingdom Stock Brokers, in the absence of US dollar denominated financial data, there was no agreement as to the method that could be used to evaluate share prices in the newly dollarised environment. "This resulted in very low bids to the few buyers who were then available in the market as they also wanted to avoid buying overpriced assets.

Investor interest was coming by September, but slowly, from China, Pakistan, India, Mauritius, South Africa, Kenya, Nigeria, Britain, the United States and Canada. Mining attracted most interest, followed by manufacturing, tourism, services and construction. However, foreign investors are snapping up shares as they are cheap.

Table 9 :Summary of changes in ZSE indices, 2009:

date	industrial	mining
18/03/09	54.34	69.63
25/03/09	54.45	68.64
29/04/09	99.55	148.46
06/05/09	113.44	180.08
27/05/09	141.46	293.75
03/06/09	138.14	290.17
10/06/09	142.48	367.37
17/06/09	143.29	280.61
01/07/09	151.56	273.27
08/07/09	144.98	252.31
15/07/09	146.98	246.91
29/07/09	152.39	219.56
05/08/09	140.77	224.67
12/08/09	141.55	244.43
09/09/09	136.58	175.95
16/09/09	130.86	191.58
14/10/09	166.94	258.49
21/10/09	172.85	234.18
04/11/09	146.00	158.06
11/11/09	171.93	234.18
02/12/09	151.42	193.60
09/12/09	147.67	199.82

Source: Zimbabwe Independent

It is not clear how the new baseline for the indices was determined.

By mid-December: ZSE registered 200% growth from the $1,6 billion market capitalisation at the start of the year.

Table 10: ZSE market capitalisation:

capitalisation: (US$ millions)	date
12,000	1999
1,600	March 2009
4,800	December 2009

By the end of August trading was dominated by four mining stocks - Bindura, Falcon Gold, RioZim and Hwange Colliery (HCC) while US$19,7 million (40%) went to two industrial counters, Econet (US$12,4 million; 27% of the money) and Delta (US$7,3 million). Niels Kristensen, head of Rio Tinto's diamond unit in Zimbabwe, told a mining conference in September the country would not see new investment in mining unless uncertainty over the indigenisation law and fiscal policy were resolved.

The German government sent an official letter of complaint to Zimbabwe, lamenting that German investment continues to be under threat due to ongoing lawlessness in the country. The letter follows an attempt by some Zimbabweans to take over a German-owned farm near the border with Botswana.

Foreign investment made up 43.18% worth of capital invested between April and October, in contrast with the previous trading pattern where local institutional investors were more active.

Hwange Colliery is failing to attract investors because of low coal reserves. Reserves at Hwange are projected to last 25 years.[20]

In November, Zimbabwe signed the Bilateral Investment Promotion and Protection Agreement with South Africa signalling government's intentions to attract investors. Government also said it had covered more ground in the creation of a One- Stop Shop to simplify investment procedures. Local pension funds were by then the largest owners of equity (15%) and they are now beginning to enjoy net inflows which is yet another good sign.

Premier Finance Group (PFG), the parent company of Premier Banking Corporation and Premier Asset Management lured African Development Corporation with a 54% sweetener for US$6 million. The new shareholder together with a consortium of local investors led by George Manyere and Doug Mamvura now has an unassailable 82% shareholding in PFG[21].

GDP

Government's revised figure for GDP growth in 2009 was 5.7%.This comparison between 2008 and 2009 and between sectors comes from Minister Biti's mid-term budget review 2010:

Table 11: GDP growth, sectoral analysis

sector	2008, actual	2009, revised
agriculture	-30.3%	14.9%
manufacturing	-14.0%	10.2%
mining	-33.4%	8.5%
Tourism	-17.3%	6.5%
electricity, gas & water	2.8%	1.9%
construction	-36.5%	2.1%
Finance & insurance	-27,9%	4.5%
Real estate	-36.4%	2.0%

sector	2008, actual	2009, revised
Transport & communication	5.4%	2.2%
Public administration	0.0%	2.0%
OverallGDP growth	-14.8%	5.7%

Source: *Newsday, 15 July 2010*

The political stalemate continues to frustrate business. GDP growth forecast in August 2009 to be up to 3.7%, did exceed this although it did not match the November prediction of 'over 6%'[22]. However, by year end, growth seemed to be slowing due to international reluctance to engage without more evidence of changes in governance.

Trade

ZITF: US$-denominated fees were slashed for local exhibitors, who threatened to boycott the fair otherwise. Still, only 400 exhibitors out of an anticipated 1,000 participated in the Fair, which opened on 28 April.

It is difficult to rely on any CSO figures. A few leaked out to the press, though sometimes the reports were unclear or contradictory, and later the CSO denied publishing any trade figures for the past two years.

However, ZimTrade produced figures by major commodity categories for 2008, according to which the most important items were:

Table 12: Top ten imports:

code		**imports, US$,000**	**exports, US$,000**	**balance, US$,000**	**import rank**	**% of imports**
	All products	2446932	2078649	-368283		
10	Cereals	384946	337	-384609	1	15.7%
27	Mineral fuels, oils, distillation products, etc.	380156	26131	-354025	2	15.5%
84	Nuclear reactors, boilers, machinery, etc.	327271	17017	-310254	3	13.4%
87	Vehicles other than railway, tramway	280898	2878	-278020	4	11.5%
85	Electrical, electronic equipment	126523	10507	-116016	5	5.2%
73	Articles of iron or steel	70750	4618	-66132	6	2.9%
31	Fertilizers	61573	5099	-56474	7	2.5%
39	Plastics and articles thereof	53780	5595	-48185	8	2.2%
40	Rubber and articles thereof	47030	5713	-41317	9	1.9%
30	Pharmaceutical products	46097	1318	-44779	10	1.9%
93	*Arms and ammunition, parts and accessories*	*n/a*	*8*	*?*	-	-

Table 13: Top ten exports:

code		**imports, US$,000**	**exports, US$,000**	**balance, US$,000**	**export rank**	**% of exports**
	All products	2446932	2078649	-368283		
75	Nickel and articles thereof	84	436031	435947	1	21.0%
24	Tobacco and manufactured tobacco substitutes	27036	297702	270666	2	14.3%
72	Iron and steel	45270	275648	230378	3	13.3%
26	Ores, slag and ash	939	272451	271512	4	13.1%
52	Cotton	5592	126210	120618	5	6.1%
88	Aircraft, spacecraft, and parts thereof	22159	93105	70946	6	4.5%
25	Salt, sulphur, earth, stone, plaster, lime and cement	9923	78898	68975	7	3.8%
17	Sugars and sugar confectionery	4951	74118	69167	8	3.6%
71	Pearls, precious stones, metals, coins, etc.	4151	41686	37535	9	2.0%
06	Live trees, plants, bulbs, roots, cut flowers etc.	230	31228	30998	10	1.50%

Source : ZimTrade Market Analysis Section (Mirror)

But the source of these figures is not clear. They probably come from some international organisation less well placed to check facts. ZimTrade don't seem to have the capacity to monitor trade themselves.

Mining sector contributed 51% of export income, followed by tobacco, which contributed 16%, with manufacturing and other agriculture contributing 15% each, horticulture two percent and hunting one percent.[contrast http://www.herald.co.zw/ Monday, August 3, 2009]

Table 14: contribution to exports by sector:

	EXPORTS, Total, US$M	minerals	% of total	agriculture	% of total	Horti-culture	manu-facturing	% of total	IMPORTS. Total, US$M	balance US$M
2007	~1600									
2008 (full year)	~1400		*51.0*							
2008(1st half)	762.02	402.9,	*52.8*	224.9	*29.5*	11.91	124.26	*16.3*	816	-53.98
2009(1st half)	475.52	211.1	*44.4*	191.3	*40.2*	7.30	67.10	*14.1*	646	-171.48

Official exports decreased 37.6%, but imports only by 20.8% in the first half of 2009, compared with 2008

No-one can give a reliable estimate of the quantities of diamonds and gold actually being exported, mainly for the benefit of ZANU-PF party coffers, from which indeterminate quantities of weapons, mainly small arms suitable for domestic 'security' use, have been imported, in spite of a Western sales boycott.

According to a confused 3 December report in The Independent (Harare) CSO figures for October show that . "New stamps, stamp-impressed paper, cheque forms and bank notes" pushed Zimbabwe's total exports to South Africa to a new high of US$200 million in October. These "paper" exports sound strange. Were Fidelity Printers, who had been handling gold sales involved?

Nickel ores followed a distant second accounting for 10% of exports made during the period under review (which was not clearly defined), followed by semi manufactured gold; tobacco and monetary gold, granite, air pumps, 'table linen of (sic: 'or cotton'. Petroleum oils; "other personal effects", vehicles and maize seed were the main imports from South Africa.

Arms trade is significant:

Zimbabwe is circumventing sanctions by exporting arms to the US via Eastern Europe, according to a July 2009 report by the International Peace Information Service (IPIS), a Belgian research hub.

Throughout 2008, when the political climate was at its most volatile, the IPIS tracked shipments of arms in and out of the country. It says they not only pose a threat to Zimbabweans, but outline the dubious nature of arms deals that continue to take place with a country that is heavily sanctioned.

In the space of 48 hours in August 2008, 53 tons of ammunition were allegedly flown from the DRC to Harare, say report authors Brian Johnson-Thomas and Peter Danssaert. The ammunition was flown by Enterprise World Airways, aboard a Boeing 707-3B4C aircraft registered as 9Q-CRM. The first shipment on August 21 contained 32 tons of 7.62mmx54 cartridges. Two days later a second shipment arrived, containing 20 tons of 7.62mmx39 cartridges, which are used in AK-47s. Four months earlier a consignment by sea from China was turned away at Durban, only to be flown into the country later from Angola, the report claims.

The researchers also tracked the shipment of 1,349 stripped MAG58 machine-gun bodies, 2,051 barrels and various other machine-gun parts from Harare to Podgorica airport in Montenegro in February 2008, which they claim later found their way to the US. According to the airway bill, the consignment was dispatched by the ZDI to its Montenegrin counterpart, a deal they say was brokered by Swiss company BT International with Ohio Ordnance Works as the final recipient. Montenegro's Department of Defence declined to comment. The report suggests the deal "may have been to evade US sanctions on Zimbabwean individuals and entities". The authors also note that only two countries voted against pushing ahead with the proposed Arms Trade Treaty at the UN General Assembly last October, namely the US and Zimbabwe.

Sugar exports to EU rose to 86,880t from 55,910t, despite a drop in production (to 29% from 16% of the crop) - and this while the EU's own sugar production is being cut..EU began to cut preferential prices in 2006 and a further cut, from €448.80/t to €335.20, was due in October 2009. Zimbabwe also sells sugar to the USA, where it has a 12,012 tonne quota, South Africa, Egypt, India, Malaysia and Canada.

Zimbabwe and South Africa eventually signed a new trade deal in November after a last minute attempt by South African farmers to stop the agreement from being signed was settled.

Table 15 gives some indications of changes in the pattern of trade, changes from th figure in the first column to the second and from the third to fourth over a period of about a year. Admittedly the changes are over a very short term, but some of them might have some sigtnificance. A year is not such a long time in economic development as it used to be.

Table 15: Some shifts in trade balance (US$M)*:*

country	Imports, change from	to	exports change from	to	balance from	to	over (period)
China					-ve monthly, except February		Jan-Oct 2009

Zambia			6	10.7			Jan-Oct 2009
UK			2	13.8			Jan-Oct 2009
UK					+ve monthly		Aug-Oct 2009[24]`
USA	80.5	71	108.4	10.9	27.9	-60.1	Oct 2008-Oct 2009
Global	1500	1300	1200	1000			Jan-Oct 2009[25]

Finance minister Tendai Biti told parliament during the 2010 budget presentation in December projected a slump in trade; exports over the period January to October 2009 by 17,7% from US$1,2 billion to US$1 billion, primarily due to a drop in agricultural exports. Imports are expected to drop from US$1,5 billion to US$1,3 billion (by 15%) over the same period. Zimbabwe will continue to be a major importer of food, electricity and fuels, chemicals, manufactured goods and machinery.

Independent economic and planning consultant, Daniel Ndlela said that in August, September and October Zimbabwe has exported more to the UK than we have imported from there.

The huge deficit with China adds to pressure on the inclusive government to re-think their trade policies and look at all corners of the globe in trade matters.

ZIMRA said at least 20 second-hand vehicles are imported through Beitbridge daily, giving an average US$50 000 in duty daily, but in October Mugabe threatened to ban imports..

In December Zimbabwe was still exporting power to Namibia at a discounted tariff to meet requirements of a US$50 million deal. Under the March 2007 deal, Namibia loaned Zimbabwe US$50 million to be repaid with 180MW of electricity for a minimum of five years. The agreement commits ZESA to supply this even if they have to import elsewhere to do so[26].

Tourism

Revenue was $26 million in 2008, according to RBZ.

Table 16: "Tourist arrivals"

Tourist arrivals	from Africa	overseas
1st quarter 06	407,687	52,356
1st quarter 07	259,105	46,652
1st quarter 08	252,948	58,417
1st quarter 09	254,911	62,681
1st quarter 10	282,528	37,260

Source: *NewsDay*, 15/7/10

But, according to industry reports, tourist numbers rose from 100,000 in 2008 to 362,000 in 2009. This might make sense if the figures above represent all arrivals, including passengers in transit.

Many hotels have reported an increase in occupancy rates. But many visitors are Chinese tourists who do not spend money or visitors from other African states who stay with relatives.

In December it was reported that Zimbabwe risks being expelled from CITES after losing about 26% of its rhino population in less than three years due to rampant poaching. Rhinos are not the only species targeted by poachers.

In order to exploit the opportunities offered by the Soccer World Cup, under Statutory Instrument 46 of 2009 government allowed registered operators to import specified motor vehicles, duty free, to revive the industry. Statutory Instrument 60 gave the Zimbabwe Revenue Authority mandate to grant registered operators rebate on new capital equipment. The fiscal incentives began on March 1 and run up to February 28, 2011. By June 2010 these concessions had been used mainly by politically-connected people for their own purposes.

In June hoteliers rejected a proposed agreement with the agency responsible for hospitality during the World Cup, seeking better terms. ZANU-PF's failure to abide by the GPA discouraged FIFA and potential visitors, reducing the industry's chance of benefiting from the tournament. The Zimbabwe Tourism Authority boss Karikoga Kaseke accused operators of charging exorbitant rates, ranging from US$1,000-US$3,000 a night, a charge the hospitality industry denies[27].

Conclusion

The country made some significant steps out of the quagmire it had sunk into before the Global Political Agreement, but can go no further until that agreement is implemented. Mugabe's unilateral reappointment of Gideon Gono as RBZ governor showed that he is not serious about the agreement.

Parties on both sides of every dispute need to discard old thinking.

Agricultural performance needs to be compared with five years ago, to see which crops have a future and which don't and what new patterns of ownership and production may be emerging. While nobody seems able to mention large farms without rehashing the history from 1890 into this decade, small-scale farmers are, against all the difficulties, taking some initiatives. Re-engaging with the rest of the world would help them to build on the little they have been able to do. The MDC are clear that there can be no going back to the state of affairs before 2000, and they have more to say about the future than do either ZANU-PF or the CFU.

Likewise, the MDC agree that Zimbabweans, all Zimbabweans, need to have a greater say in the development of their own economy. Negotiating this with the people who hold power in this world would be tricky under any circumstances, but ZANU-PF's shouting about their form of 'indigenisation' only makes escape from the dead end they have driven into more difficult. Broadening ownership of the means of production beyond the remnants of the old system and the narrow clique who have profited so far is essential to progress.

As I write (July 2010) we seem to be heading back into the darkness. Those who want to go there know their position is weakening, but they can still do a lot of damage before the story is over. We hope they will see sense.

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