United Nations Research Institute for Social Development

PROJECT BRIEF 06

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An Anti-Development Model?

OVERCOMING OBSTACLES TO DOMESTIC RESOURCE MOBILIZATION IN ZIMBABWE

Weakened by hyperinflation, political instability and lack of investment over the past decade, Zimbabwe also witnessed the withdrawal of official development assistance and a shift to aid distribution through NGOs. In recent years, these have been providing key services following the sharp contraction of public social spending. Buoyed by the recent move to a multi-currency regime, renewed investor interest and stronger commodity markets, the booming mining sector now features centrally in the country's resource mobilization strategies. But administrative, enforcement, infrastructural, rent-seeking and political challenges pose severe constraints that must be overcome if the fiscal potential of the mining sector is to be realized.

Setting the Scene

In the early post-independence period Zimbabwe experienced positive development performance due to investment in education, health and social infrastructure. However, over the past two decades what could be called an anti-development model has taken hold (see table). The country has seen a dramatic increase in poverty and a deterioration in social indicators in the context of shifts towards neoliberal market reforms. These were compounded by the devastating HIV/AIDS pandemic, fast-track land redistribution, drought and food insecurity, leading to a deep crisis of livelihoods which has only recently shown slight improvement.

In the 1990s President Robert Mugabe's ruling ZANU-PF party confronted political challenges by militarizing the political sphere, undermining and marginalizing democratic institutions. Fiscal crisis set in, and the productive sector contracted significantly. The crisis culminated in 2008, when disputed elections led to widespread violence and the economy came to the brink of collapse. A power-sharing agreement between President Mugabe and Prime Minister Morgan Tsvangirai (leader of the opposition MDC-T party) in 2009, and booming commodity prices, led to some economic progress. A notable achievement of the Government of National Unity was the adoption of a new constitution, with a comprehensive Bill of Rights, through a referendum in March 2013. National elections in July 2013 brought an end to the GNU and returned ZANU-PF to power through a controversial overwhelming victory at the ballot box, putting into question the sustainability of the country's nascent recovery from years of turmoil and crisis.

Politics of Domestic Resource Mobilization

The project seeks to inform global debates on the political and institutional contexts that enable poor countries to mobilize domestic resources for social development. It examines the processes and mechanisms that connect the politics of resource mobilization and demands for social provision; changes in state-citizen and donor-recipient relations associated with resource mobilization and allocation; and governance reforms that can lead to improved and sustainable revenue yields and services. For details and updates, see Project Brief 01/July 2012 on "The Politics of Domestic Resource Mobilization" and www.unrisd.org/pdrm.

Research Themes and Questions

(I) Who pays: Contestation, bargaining and outcomes

In Zimbabwe, two factors shape the context for resource bargains. First, there seems to be limited scope for further increasing tax revenues because tax performance is already high. Second, weak institutions and regulations are obstacles to capturing mineral rents for the broader public interest. These are compounded by the opaque role of a political and security elite with secretive influence in, and considerable personal benefits from, strategic mineral resources. The research analyses which actors, institutions and processes have featured centrally in resource mobilization and bargaining in successive models of economic and social development since 1980; the spaces and arenas that exist for social mobilization and contestation; and the main drivers of change in resource bargains and outcomes over time.

Zimbabwe is now at a crossroads. Administrative, enforcement, infrastructural, rent-seeking and political constraints must be overcome if the fiscal potential of the mining sector is to be realized.

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Indicator	Zimbabwe
GDP per capita (current USD, 2012)*	757
Life expectancy (2012)**	52.7 years
HDI score 2012 (ranking)**	0.397 (172)
Inequality adjusted HDI (ranking)**	0.284 (167)
Gini Index**	53.1 (2008)
Mineral Dependence	
Total mineral rents (as % of GDP)*	6.9 % (2011)
Mineral revenue (as % of budgets)*	4.9 % (2012)
Tax Performance	
Revenue as % of GDP***	33.3 % (2012)
Net ODA received (as % of Central Government expense)*	16.6 % (2008)

Sources:
* World Development Indicators (WDI)
** UNDP Human Development Report Statistics
*** International Monetary Fund (IMF) 2013

(II) Changes in key relationships: State–citizen and state–donor

Relations between citizens and the state in the context of DRM strategies have changed since 1980. The strong state-citizen relationship of the early post-independence period deteriorated markedly in the 2000s, with fiscal space steadily shrinking until 2008. With the collapse of the social protection system in the 2000s, people turned to labour out-migration and diaspora remittances to guarantee a minimum livelihood, which effectively entailed a move away from a social contract based on tax payments in exchange for public social services.

Relations between the state and donors/investors deteriorated radically due to national policies of "indigenization" and "national economic sovereignty", including fast-track land reform in 2000, and in the context of political repression and militarization, under ZANU-PF. The results were massive capital flight as well as rising tensions with external donors. Official development assistance flows dropped dramatically in the early 2000s with donors channelling aid outside government systems directly to beneficiaries through UN agencies and NGOs.

The research examines how the social contract between state and citizens in Zimbabwe has changed over time and what role DRM strategies played in this process. It analyses the implications of fiscal reforms on donor choices and aid allocation, and the role donors and business have played in extending and reforming taxation regimes, the management of the mineral sector, and in influencing the direction of social policy.

(III) Upgrading institutional capacities for revenue mobilization and service delivery

The Zimbabwean government has enacted a range of reforms with regard to both tax administration and new taxes (VAT in 2004; presumptive taxes targeted at the informal economy in 2005) and boasts one of the highest tax to GDP rates in the developing world (see table). Yet the country's vast mineral wealth is a source of potential revenue for financing socioeconomic development that is not being tapped into successfully. Mining is regarded as the most viable source of much-needed fiscal revenues to meet external obligations and finance development, but this contribution has been largely undermined by strongly negative institutional, social and governance practices such as corruption, inadequate regulation, political interference, and low company compliance.

The research analyses the objectives, processes and outcomes of reforms undertaken in fiscal and revenue institutions, and studies the impact on social service delivery institutions; and it examines the factors leading to the high tax performance in the country, obstacles to further reform and those that hinder effective investments in social services and social protection.

Project Information

Funding

This project is made possible by the generous support of the Swedish International Development Cooperation Agency (Sida).

Research Team

The country research is conducted by Richard Saunders, Godfrey Kanyenze, Alan Martin and Shamiso Mtisi. Katja Hujo and Harald Braumann are coordinating the research at UNRISD.

Outputs

Four Research Reports, a Synthesis Report and a Policy Brief.

Updates

www.unrisd.org/pdrm

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Through our work, we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

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www.unrisd.org

Palais des Nations
1211 Geneva 10
Switzerland
info@unrisd.org

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