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The Textile and Clothing Industry in Zimbabwe

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1. Introduction: Policies and Growth of the Industrial Sector in Zimbabwe

1.1 The Era of Import-Substitution Industrialisation

By moving to the north from his South African base, Cecil John Rhodes hoped to find a second gold rand north of the Limpopo River. When hopes of finding the second rand were dashed, especially following the collapse of the Johannesburg Stock Exchange in 1900, a process of diversifying away from mining was launched, beginning with agriculture and extending into manufacturing in Rhodesia, now Zimbabwe. By 1940, the country already had a relatively developed industrial base, with the only integrated iron and steel plant in sub-Saharan Africa. It is estimated that by then, the manufacturing sector accounted for 10% of GDP and 8% of exports (Ndlela & Robinson, 1995). When the Federation of Rhodesia and Nyasaland involving what is now Malawi, Zambia and Zimbabwe was established in 1953, this accelerated the process of industrialisation, with much of the investment going to Rhodesia.

The collapse of the Federation in 1963 was followed by the Unilateral Declaration of Independence (UDI) by the minority white regime in Rhodesia in 1965, which resulted in the imposition of sanctions by the international community. This ushered in a new era of inward looking Import Substitution Industrialisation (ISI) and an intensive process of industrialisation where the state played a central role in resource allocation. A centralised foreign exchange allocation system was introduced, with an elaborate system of state enterprises and price controls. This foreign exchange rationing benefited the companies that were in existence in the late 1960s, undermining new and especially small enterprise growth. However, the state machinery operated in close consultation with the predominantly white private sector. The 1964 bilateral agreement with South Africa provided a basis for sanction-busting and the generation of the much-needed foreign currency.

Whereas the manufacturing sector accounted for 17% of GDP in 1965, its share had grown to 25% by the advent of independence in 1980. This is exceptional by Sub-Saharan African standards. While the share of manufacturing output in

GDP in Zimbabwe averaged 23.3% of GDP during the period 1980-89, the corresponding figure for Sub-Saharan Africa was only 10.4%. Agriculture is the dominant sector in most Sub-Saharan African countries, contributing on average 31.6% of GDP during the period 1980-89. In the case of Zimbabwe, agriculture accounted on average for only 12.2% of GDP over the same period. Apart from its relative size, the manufacturing sector was diversified. On the advent of independence, industry already consisted of some 1,260 separate units producing 7,000 different products.

The manufacturing sector presents its own contradictions. The import substitution industrialisation strategy, which had performed well during the sanctions period, (particularly during the fastest growth period of 1966-74), was already showing signs of severe stress by 1980. All easy and moderately hard industrialisation had been exhausted by 1975 (Green and Kadhani, 1986). The deliberate policy of compressing imports to contain the balance of payments situation left capital stock in an obsolete and depleted state. The manufacturing sector itself became a net user of foreign exchange. Although it contributed 32.1% of export earnings in 1984, it accounted for 90.6% of imports during the same year. Furthermore, the high level of protection created a monopoly structure whereby 50.4% of manufacturing products were produced by single firms, 20.6% in subsectors with 2 firms and 9.7% in subsectors with 3 firms. This meant that 80% of goods produced in Zimbabwe were monopoly or oligopoly products (Ndlela, 1984; UNIDO, 1986). This market structure was further exacerbated by the concentration of production in the two major towns, Harare (accounting for 50%) and Bulawayo (accounting for 25% of all manufactured products).

With the advent of independence in 1980, the country was readmitted into the international community. However, government retained the control measures of the pre-independence era. In this regard, government policy continued to favour big business, thwarting the growth of small and medium sized enterprises. However, in spite of the widespread controls, the World Bank (1989) found Zimbabwean industries to be highly efficient, thereby defying expectations and experiences elsewhere where controls were associated with gross inefficiency. As a result, World Bank support during the 1980s focused on establishing export incentives without pressing for the liberalisation of the economy.

1.2 The Era of Export-led Growth and Export Processing Zones (EPZs)

However, as the foreign exchange shortage hit harder, resulting in depressed investment and low levels of employment, the World Bank and IMF leveraged for the liberalisation of the economy in the late 1980s. As a result of this pressure, government introduced the Economic Structural Adjustment Programme (ESAP) in 1991. Through ESAP, government shifted from the highly interventionist approach towards a more market-driven economy. The liberalisation of trade was an important component of ESAP, and in fact Zimbabwe was way ahead of schedule on this issue. Other measures accompanying the liberalisation of trade included the removal of export incentives, phasing out of the import-licensing regime, elimination of foreign currency controls, reduction in tariffs to create a tariff band ranging from 0 to 30% and achieving an export growth rate of 9% per annum. These measures were followed by further liberalisation within the multilateral context of the WTO since 1994 and the regional frameworks such as SADC Trade Protocol and COMESA Free Trade Area (since 2000).

To promote exports, government adopted the strategy of promoting Export Processing Zones (EPZs) through the EPZ of 1995. EPZs in Zimbabwe were established country-wide and not confined to industrial parks. The following are the incentives offered to qualifying firms for an EPZ status:

- Corporate tax holiday of 5 years and a low flat rate of 15 percent thereafter;
- Duty free importation of capital equipment and machinery for EPZ operations;
- Duty free importation of all raw materials and intermediate goods required in the production process and in construction;
- Exemption from withholding tax on dividends;
- Exemption from fringe benefits tax on EPZ employees;
- Exemption from withholding taxes on interest-earned, fees, remittances and royalties;
- Exemption from branch profit tax for a branch of a foreign registered company operating in EPZs;
- Exemption from capital gains tax.

To be an EPZ company, the following criteria have to be met:

- Be a new investment (Greenfield investment);
- Export at least 80 percent of annual sales/turnover;
- Create employment opportunities and undertake human resource development;
- Undertake value addition activities;
- Provide adequate environmental safeguards;
- Strive to achieve significant technical know-how and technological transfer; and
- Be approved by the Export Processing Zones Authority (EPZA).

Zimbabwe has benefited from the Lomé arrangements since 1980, and now from the Cotonou Agreement (2000) where the EU provides preferential market access to its market. It has not enjoyed market access under the African Growth and Opportunity Act (AGOA) with the USA since it is not eligible because it did not meet the criteria of good governance.

1.3 The Current Crisis

Following the opening up of the economy, the manufacturing sector, and especially the textiles, clothing and footwear sub-sectors were hardest hit by the closure of companies that accompanied the influx of cheap imports. Like other major producers of textiles and clothing and footwear, Zimbabwe was hit on two fronts, namely, I) cheap imports especially from Asia and particularly China are crowding out local producers on the home market and II) in third markets where the quota system is under threat following the expiry of the Agreement on Textiles and Clothing (ATC) in December 2004.

The crisis in the textile and clothing industries coincided with a national political crisis in Zimbabwe, which emanated from the fall-out of government with the people owing to the adverse impact of ESAP. For the purposes of this paper, it is important to distinguish the post-independence, pre-ESAP period (1980-1990), which was the period of continued import substitution industrialisation, the ESAP period (1991-95), and the period of political crisis when government undertook policy reversals and adopted a fire-fighting management, "crisis by crisis" approach ("ad hocism"). Consequently, the Zimbabwean economy is now mired in crisis as characterised by critical shortages of foreign exchange and a thriving parallel market, fuel, basic commodities, rising inflation (265.1% as at August 2005), punitive interest rates (of at least 300%), falling real incomes and widening income differentials, endemic unemployment (75%), poverty (80% of Zimbabweans live below the poverty line) and its feminisation, onerous debt and the scourge of corruption. While cumulatively, real GDP declined by 31% during the period 1999-2004.

2. Structure & Development of the Textile and Clothing Industry in Zimbabwe

2.1 Importance of the Textiles, Clothing and Footwear Industries in the Manufacturing Sector

Table 1 provides data on the percentage share of the textiles and clothing and footwear sub-sectors in manufacturing gross output for the period 1985-95 and the index of volume of production for these sub-sectors and the manufacturing sector for the period 1995-March 2005.

Table 1: **Percentage Share of Textiles and Clothing & Footwear in Manufacturing Gross Output & Index of Volume of Production**

	% of Manufacturing Output			Index of Volume of Production (1990=100)		
	Textiles	Clothing &Footwear	Manufng / GDP	Textiles	Clothing &Footwear	Manufng
1985	11.3	6.3	18.1			
1986	10.1	6.2	19.5			
1987	10.0	6.4	20.7			
1988	11.0	6.8	19.5			
1989	11.0	6.3	23.0			
1990	10.9	7.0	20.5	100.0	100.0	100.0
1991	10.8	7.0	24.1			
1992	8.3	5.5	26.9			
1993	10.9	5.9	21.0			
1994	8.7	5.7	19.1			
1995	7.9	5.0	19.2	59.3	82.9	96.0
1996			16.4	74.7	97.2	108.2
1997			14.9	74.0	106.2	108.0
1998			14.0	79.1	114.6	106.6
1999			13.4	87.3	125.7	99.9
2000			11.4	72.8	120.8	93.3
2001			9.7	69.0	123.0	86.9
2002			7.2	49.4	108.4	76.2
2003			10.8	32.0	104.4	64.0
2004				39.8	96.2	58.0
Jan-Mar'05			39.7	95.2	62.5	

Source: Quarterly Digest of Statistics, CSO, June 2001 & March to December 2003 & Unpublished CSO Data.

Data on the distribution of manufacturing output by sub-sector are only available up to 1995. However, Table 1 indicates that the textiles sub-sector accounted on average for 10% of total manufacturing output between 1985 and 1995, while clothing and footwear represented on average 6.2% of manufacturing gross output over the same period. The share of the manufacturing sector in GDP averaged 21% during the respective period. While the textiles sub-sector produced on average 11% of total manufacturing output during the period before economic liberalisation (1985-90), its share declined to an average contribution of 9% during the period of ESAP (1991-95). The share of the clothing and footwear sub-sector in manufacturing output declined from an average of 7% during the pre-ESAP period to 6% during the period of ESAP.

Following the introduction of ESAP, the share of the textiles sub-sector in manufacturing output declined from 11.3% in 1985 to 7.9% by 1995, while that of the clothing and footwear sub-sector dropped from 7% in 1990/91 to 5% by 1995. The share of the manufacturing sector in GDP declined from a high of 27% in 1992 to 19.2% by 1995 and 7.2% by 2002. The decline during the ESAP period (1991-95) was mainly due to the influx of competing cheap imports, while the further decline after 1995 reflected both the liberalisation of trade and the current economic crisis. Thus, the opening up of the economy since 1991, exacerbated by the current political crisis, has resulted in marked de-industrialisation. The index of the volume of production for the textiles sub-sector plunged from 100 in 1990 to 59.3 by 1995 (due mainly to trade liberalisation) and further to 39.7 by March 2005 (due to both the liberalisation of trade and political crisis). The index for the clothing and footwear sub-sector fell from 100 in 1990 to 82.9 by 1995, peaking at 127.5 in 1999 before declining to 95.2 by the first quarter of 2005. The manufacturing sector dropped from an index of 100 in 1990 to 96 by 1995. This indicates that the manufacturing sector suffered de-industrialisation following the liberalisation of trade since 1991, while the textiles sub-sector was the worst affected..

The current 'Look East' policy of Government, which actively promotes investment from Asia and particularly China, has exacerbated the situation, resulting in an influx of cheap, poor quality imports from Asia, and especially China.

2.2 Number of Companies and Investment by Country and Domestic Investment

A study by FAFO (2000) suggested that in 1999, there were 90 companies operating in the textiles sub-sector of which 1 was operating in the EPZ. Out of 250 companies in the clothing sub-sector, 5 were in the EPZs, and only 1 of the 70 companies in the leather and shoe industry had EPZ status. The ownership structure is reflected in Table 2.

As indicated in the FAFO study (2000), the output is mainly for the local market, with the main export destination being Europe where preferential access is granted through the Cotonou Agreement (formerly Lomé Agreements). According to information provided by the Federation of the two unions covering the textiles and clothing sub-sectors, 10 companies closed in the textile industry between 1990 and 2005, while 30 closed in the clothing sub-sector during the same period. Since the EPZ legislation was signed into law by the President in 1995,

Table 2: **Ownership of Companies, 1999**

Sector	Clothing Industry	Textile Industry	Leather and Shoe Industry
No. of companies	250	90	70
Owners/Nationality			
British	24%	31.3%	6.3%
Indians	24%	22.9%	-
Jews	8%	14. 2%	2.1%
Coloureds	2%	-	-
Zimbabweans	42%	20.3%	15.0%
South Africans	-	6.3%	16.7%
Palestinians	-	4%	-
Greeks	-	-	4.2%
Lebanese	-	-	10.4%
Italians	-	-	16.7%
Koreans	-	-	6.3%
Portuguese	-	-	16.7%

Source: FAFO, 2000, Table 4, pages 8-9.

273 projects have been approved. Of these, 166 are currently operational. As at 31st March 2001, EPZA had approved the development of 130 projects and 10 operating zones. Of the total approved projects, only 66 were fully operational, of which 27 were in the agro-processing sector, 16 in manufacturing, 6 each in leather, footwear and services, 3 each in floriculture, furniture manufacturing and textiles and clothing, 1 each in chemicals and timber processing, as depicted in Table 3 below.

Of the total investment made, 30% was by foreign investors, 30% by joint ventures between Zimbabwean and foreign companies, and 40% by Zimbabwean investors. By March 2001, EPZs had generated only US $ 246 million in foreign currency. Of this total, agro-processing, textiles, clothing and furniture manufacturing have accounted for US $ 114, US $ 59, US $ 29 and US $ 20 million respectively. By 31st January 2004 EPZ projects had created an estimated 31,193 jobs (permanent, contract and casual). Table 4 shows the total employment figures per sector and the percentage share of employees in EPZs per sector.

Overall, the total number of jobs rose by 50 percent from 15,574 by 31 March 2001 to 31,193 by 31st of January 2004. The agro-processing accounts for the highest number of employees, namely 52.6 percent of the total workforce in EPZs and a total of 16,420 workers. Textiles & clothing employ 13.3 per cent of the total EPZ workforce.

Table 3: **Performance of EPZs in Zimbabwe as at 31 March 2001**

Sector	Number of Firms	Employment	Investment Z$	Exports US$
Agro-processing	27	8,893	1,291,323,472	113,693,109
Manufacturing	16	832	1,419,724,588	29,413,189
Floriculture	3	93	32,600,000	925,013
Furniture manufacturing	3	385	203,437,304	20,399,197
Chemicals	1	72	194,998,000	5,959,759
Leather & footwear	6	516	215,600,000	12,338,450
Timber processing	1	14	3,000,000	131,906
Textiles & clothing	3	4,710	52,000,000	58,845,288
Services	6	59	197,700,000	3,901,983
Total	66	15,574	3,610,383,364	245,607,885

Source: Export Processing Zones Authority of Zimbabwe

Table 4: **% Share of Employees by Sector as at 31st January 2004**

Sector	Total Employment	% of Employees
Agro-processing	16,420	52.60
Manufacturing	1,723	5.50
Floriculture	5,989	19.20
Furniture Manufacturing	1,298	4.20
Chemicals	72	0.23
Leather and Footwear	589	1.89
Timber Processing	880	2.82
Textiles/Clothing	4,163	13.30
Services	69	0.22
Total	31,193	100.00

Source: Export Processing Zones Authority of Zimbabwe

2.3 Employment and Union Coverage

Table 5 illustrates the levels of employment and trade union coverage for the periods 1990 and 2005.

Table 5: **Employment, Retrenchment, Job Losses and Union Coverage in the Textile and Clothing Industries, 1990 & 2005**

Sector	Employment		Retrenchment	Job Losses	Union Membership		Union Density	
	1990	2005	1990-2005	1990-2005	1990	2005	1990	2005
Textile	24,000	11,522	12,500	12,478	12,000	11,503	50.0	99.8
Clothing	27,000	17,300	20,000	10,000	15,000	12,000	55.6	69.4

Source: Zimbabwe Textile Workers' Union (ZTWU) & National Union of the Clothing Industry (NUCI).
Notes: Where job losses are less than the retrenchment figure, this implies some of the retrenchees got absorbed by other companies in the industry.

The levels of employment for the textile and clothing industries have shrunk from 24,000 and 27,000 respectively in 1990 to 11,522 and 17,300 respectively by 2005. The union density in the textile industry increased markedly from 50% in 1990 and 52% in 1999 to 99.8% by 2005, reflecting the aggressive mobilisation of membership by the union following the threats emanating from the loss of membership due to retrenchments. This was a result of the five-year strategic plan adopted by the Zimbabwe Textile Workers' Union (ZTWU) in December 1999, which sought among other things to raise the union density to 90% by the end of the plan in 2004. According to the General Secretary of ZTWU, Silas Kuveya, the study circle approach to trade union education contributed to the raising of union membership, to almost a closed shop situation. The study circle programme was funded by the International Textile, Garment and Leather Workers' Federation (ITGLWF). The union density in the clothing industry also increased from 55.6% in 1990 to 69.4% by 2005. This increase in membership in both industries was greatly boosted by the Zimbabwe Congress of Trade Unions (ZCTU) organising support project of 1999. Through this project, unions undertook joint membership recruitment exercises and were provided with financial resources.

According to FAFO (2000), union densities are higher in EPZ compared to non-EPZ companies, with densities of 100% compared to 52% in non-EPZ companies for textiles, 60% for clothing compared to 47% in non-EPZs and 82% compared to 75% in non-EPZs in leather and shoe industry (all for 1999). Wages in the textile, clothing and footwear industries remain pathetically low, averaging US $ 40 a month.

2.4 Exports Relative to Imports

The import substitution industrialisation programme resulted in an inward-looking economy, with hardly any export culture. ESAP sought to restructure the economy towards exports largely through the depreciation of the exchange rate. However, the performance under ESAP was dismal. Whereas exports were expected to grow at an annual average rate of 9% during the period 1991-95, the actual outturn was an average annual rate of 0.9%. Export performance has deteriorated during the subsequent period of crisis. Table 6 reflects the export to import situation in the leather and textile industries for the period 2000-2003.

Table 6: **Export Relative to Import Performance of the Leather and Textile Industries, 2000-2003**

	Exports				Imports			
	Leather products		Textile products		Leather products		Textile products	
	Z$'000	Tonnes	Z$'000	Tonnes	Z$'000	Tonnes	Z$'000	Tonnes
2000	794,044	5,478	1,341,903	24,885	59,092	322	3,527,232	25,917
2001	61,341	513	175,792	2,223	20,586	73	1,936,554	14,743
2002	370,929	4,444	1,667,842	26,773	66,253	123	3,002,569	20,937
2003	40,651	1	11,144,214	34,901	9,251	2	5,036,927	43,070

Source: Quarterly Digest of Statistics, March to December 2003, CSO, pages 25 & 31.
Notes: Leather products include leather, leather manufacturers & dressed fur skins while textile products include textile yarn, fabrics, made-up articles and related products (all commodity classification 6).

Whereas the leather industry is more export-intensive, the textile industry is more import-intensive. Except for 2002, imports of textiles far outweigh exports. The scenario could be intensified by the erosion of preferential access to developed markets due to the expiry of the Multi-Fibre Agreement.

3. Reactions of Trade Unions Towards the Crisis

Three unions affiliated to the ZCTU organise the textile, clothing and leather industries. These are ZTWU, NUCI and the Leather, Shoe and Allied Union respectively. They are all affiliated to the International Textile, Garment and Leather Workers Federation (ITGLWF). The National Union of the Clothing Industry goes back to the early 1940s, while the textiles union separated from the clothing one following the enactment of the Industrial Conciliation Act in 1958 and the leather union was formed in 1980.

To deal with the challenges they are facing, the unions formed the Federated Unions of Textile, Clothing and Leather Workers of Zimbabwe, which seeks to amalgamate these unions into one. To date, the Federation has developed an education and training policy (2001), a gender policy (2004) and an information system policy (2005). As far back as 1996, the Zimbabwe Textile Workers' Union and the National Union of the Clothing Industry, in conjunction with FOS-Belgium, initiated a project on "Creating Social Awareness Through Worker Education," whose key objective was the raising of worker awareness and consciousness regarding their socio-economic rights and reviewing the socio-economic situation of the clothing and textile industries. In August 1999, the Zimbabwe Textile Workers' Union and the National Union of the Clothing Industry organised a comprehensive workshop on "The Impact of Globalisation on Workers in the Clothing and Textiles Industries", facilitated by local and regional researchers.

Efforts to address the crisis went beyond the national level. On 8-10 May 1999, representatives of the textile, clothing and leather industries from Lesotho, Malawi, Mauritius, Mozambique, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe met in Maputo, Mozambique to deliberate on the fate of their industries

The Maputo Declaration called upon governments to adopt appropriate macroeconomic policies, pursue debt cancellation, promote workers' rights, to use industrial policy to promote and develop local industries, seek preferential access to developed countries, desist from promoting EPZs, use the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy adopted by the ILO in 1977, involve trade unions in trade and WTO business, promote equitable regionalism with a strong accent on social development, support regional collective bargaining agreements and tripartite dialogue and negotiations as well as democratic governance. They undertook to build their organisations, and especially strong shop-floor structures, unionise at least 20% of the non-unionised workers annually, share information and build a comprehensive database, to unite actions across the region to defend jobs, fight for a living wage and workers' rights, coordinate their work and meet as a regional structure at least twice a year, engage their governments, empower shop stewards and unite the union movement.

Following a regional meeting held in Cape Town, South Africa, union representatives from the textile, clothing and leather industries of Lesotho, Mozambique, South Africa, Swaziland, Zambia and Zimbabwe issued a statement on China and the Southern African clothing, textile and footwear industry on 22 September 2005. The statement noted the global and local challenge emerging from Chinese imports, decrying unfair trade emanating from unfair practices from China such as its use of subsidies, suppression of workers' and trade union rights, poor working conditions and wages. It also drew attention to attempts by the EU and USA and other governments to protect their markets by entering into agreements with China to limit the flood of imports by introducing safeguard measures. The statement further called on African governments to work with unions in developing trade safeguards and a trade and industrial policy.

Beyond piece-meal knee-jerk reactions, the unions, as part of a ZCTU initiative, developed a comprehensive alternative policy 'The Beyond ESAP' document which outlined a sector-by-sector alternative. The draft alternative document was discussed and adopted at the ZCTU Congress in 1995. One central recommendation was the establishment of an institutional framework for social dialogue and negotiation of policy. Government went on to establish the National Economic Consultative Forum (NECF) in 1997 on the basis of this recommendation. However, the NECF was reduced to a cosmetic talk-shop, without institutional representation. As a result, the ZCTU boycotted it. Since 2004, the African Labour Research Network, in conjunction with the regional trade union movement, is developing 'An Alternative to Neo-liberalism in Southern Africa – ANSA.' The ANSA project walks on two legs, namely, i) the development of detailed alternatives through a combination of intellectual input and participatory approaches involving trade unions from the region, and ii) the mobilisation by the trade unions and other civil society groups in the region and engagement of governments and key stakeholders (SADC, COMESA, AU, World Bank, IMF, WTO etc).

4. Outlook and Way Forward

Clearly, the textile, clothing and footwear industries are in crisis and their future is under threat from the various processes of globalisation. Following the introduction of ESAP, the share of the textiles sub-sector in manufacturing output declined significantly mainly due to the influx of competing cheap imports, the liberalisation of trade and the current economic crisis.

After years of denial, the World Bank admitted that ESAP had failed. In a candid 'Performance Audit Report' it conceded that, "... the concerns, however, go beyond the issues of pace and design: the comprehensiveness of the program seems a fundamental issue, especially given the objective of reducing poverty. Given the highly dualistic nature of Zimbabwe's economy (where the white minority dominates formal sector economic activity and owns two-thirds of high potential land, and the black majority is concentrated in rural, communal areas and the urban informal sector), it would appear that some basic questions were not explicitly addressed at the outset. ," (1995: 11).

Kapil Kapoor who was the chief economist at the World Bank office in Zimbabwe during the ESAP period, pointed out that: "Given the weak implementation capacity in African economies, ... structural adjustment programs, in general, have unrealistic expectations about how fast adjustment can occur; consequently, the political costs of speedier implementation are also often underestimated," (1995:3). While the World Bank / IMF framework sees trade liberalisation as resulting in the collapse of inefficient industries and their replacement by efficient ones, Kapoor has cautioned that the adjustment is not automatic since successful exporting requires "... the upgrading of export infrastructure, the provision of export finance, and the development of market intelligence," 1995:4). This does not happen overnight. Thus, export growth requires more than just depreciating the exchange rate. Lessons from South East Asia suggest that industrial development requires a strategic role of the state in guiding and leading the market through provision of incentives to those productive sectors offering the best returns (picking winners).

Addressing the First Forum of the Structural Adjustment Participatory Review Initiative (SAPRI), on 2 September 1999, Tom Allen, the then Resident Representative of the World Bank also admitted that ESAP had failed. He attributed its failure to the following:

- Growth needs to be inclusive – "Partial deregulation without a restructuring of the dual economy creates social tensions and not enough jobs";
- Social sector expenditures need to be protected and targeted measures to deal with poverty should not be seen as 'add ones' but as an integral part of the programme;
- State intervention is necessary – "Getting the prices right and making markets work better are important, but these need to be complemented with measures to ensure that the 'unequal' balance of power of those who can readily engage in the market and those who cannot, does not lead to dangerous levels of social tensions"; and
- National ownership is critical.

At the 1999 annual meetings held in October, the Fund and the Bank adopted a new Poverty Reduction and Growth Facility (PRGF) to support Poverty Reduction Strategy Papers (PRSPs) that are:

- Country-driven, with the broad participation of civil society, elected institutions, key donors and relevant IFIs;
- Developed from an understanding of the nature and determinants of poverty and the links between public actions and poverty outcomes;
- Recognise that sustained poverty reduction will not be possible without rapid economic growth; and
- Oriented toward achieving outcome-related goals for poverty reduction.

However, PRSPs suffer from the following limitations:

- Participation of civil society is subject to the discretion of governments and is not formalised;
- The macro-economic framework is taken as a given and hence, while the PRSPs are prepared in a participatory manner, the PRGF itself is not. Participation has focused on social issues.

In this regard, the way forward should be guided by the following considerations:

- The realisation that the creation of decent work is central to poverty reduction and eradication and hence trade negotiations should take into account whether or not they facilitate or undermine the promotion of decent work. In this regard, trade negotiations should include ex ante impact assessments of trade on food security, social conditions, rights, gender and human development (Sustainability Impact Assessments – SIAs);
- diluting labour standards to promote exports is a distortion to development and hence the 8 Core ILO Labour Standards and active labour market policies should be upheld;
- The need to recast the concept of development to move away from the traditional focus on growth to promote sustainable human development as recommended in the UNDP Human Development Reports. As pointed out by the African Heads of State in 1990:
  "We, therefore, have no doubt that at the heart of Africa's development objectives must lie the ultimate and overriding goal of human-centred development … We are convinced that to achieve the above objective will require a redirection of resources to satisfy, in the first place, the critical needs of the people, to achieve economic and social justice and … to empower the people to determine the direction and content of development," (The Abridged Version of the African Charter for Popular Participation in Development and Transformation, Arusha, 1990: 4);
- Comprehensive industrial and trade policies focusing on coping with the challenges emanating from the expiry of the ATC should be put in place at national and regional levels;
- There ought to be flexibility in the interpretation and implementation of WTO agreements with respect to Special and Differential Treatment to allow for the adoption of national policies that promote human development and protect national self-determination;
- There is better protection under a multilateral trading system than bilateral negotiations, in which case bilateral and regional trade agreements should be

subordinated to multilateral agreements (ongoing negotiations such as the Economic Partnership Agreements between the EU and ACP countries should desist from the WTO + agenda and promote the right to national sovereignty);

- The better treatment of foreign companies (e.g. EPZs) creates distortions to national economies and hence should be avoided;
- Fairness in Non-Trade Barriers and the provision of technical assistance to build requisite capacities to meet the agreed standards. Other UN agencies such as ILO, FAO, UNCTAD should also be involved to ensure a balanced, holistic approach that informs WTO negotiations;
- The current global configuration gives weight to the paradigm of the World Trade Organisation (WTO), World Bank and IMF at the expense of the UN agencies responsible for social development, equitable growth, workers' and trade union rights, engendered development and environmental sustainability such as the ILO. As recommended in the ILO's World Commission on the 'Social Dimensions of Globalisation,' a Policy Coherence Initiative must be supported through which the UN agencies should review their operations to take a holistic approach to development beyond markets;
- Tariff peaks and tariff escalation in markets of interest to developing countries should be eased to allow LDCs the opportunity to add value to their raw materials;
- The right of developing countries to use tariff protection must be guaranteed within the framework of the 'less than full-reciprocity' provision of the Doha Ministerial Declaration;
- The call to democratise the WTO's working methods, and especially its informal settings and to include civil society;
- The G20 Group should be encouraged to go beyond their current focus and interest in agriculture to take up trade union concerns; and
- Unions must take up and promote the issues and positions taken by the ICFTU with respect to the Agenda of the 6th Ministerial Conference of the WTO (Hong Kong, 13-18 December 2005).

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