USAID/ZIMBABWE
(Mission or AID/W Office)

(ES#)

CURRENT FY ANNUAL EVALUATION PLAN?
yes ☒ slipped ☐ ad hoc ☐

Eval. Plan Submission Date: FY 85 Q 3

C. EVALUATION TYPE
Interim ☐ final ☒ ex post ☐ other ☐

D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program(s) evaluated; If not applicable, list title and date of the evaluation report)

Project #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)
613-K-604	Zimbabwe Agricultural Sector Assistance Program (CIP Component)	10/29/82	7/16/87	31.0	31.0
613-K-605	Commodity Import Program	7/15/83	6/30/87	37.0	37.0
613-K-605A	Commodity Import Program	8/01/84	6/30/87	10.0	10.0
613-K-606	Basic Education and Skills Training Sector Assistance Program (CIP Component)	8/31/83	12/02/87	29.0	29.0
			Total		$107.0

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

Action(s) Required	Name of officer responsible for Action	Date Action to be Completed
Currently, there are no plans for another CIP. However, in the event another program is to be undertaken, the following actions are recommended: Prior to the initiation of another CIP, evaluation of the Government of Zimbabwe's foreign exchange allocation system should be performed to determine whether to recommend changes to improve the system or to give better access to new importers. Any future program should be directed to the private sector unless there are particular reasons for public sector allocations. A.I.D. should consider with care the optimum amount to be established as the minimum for import allocations.		

(Attach extra sheet if necessary)

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION: mo 5 day 8 yr 87

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Signature	John Lewis			A B Herrick
Typed Name	John J. Lewis		Lucretia Taylor	Allison B. Herrick
Date:	6/26/87		26 June 87	26 June 1987

USAID/Zimbabwe's Commodity Import Program, which was started in 1982, has accounted for approximately 42 percent of the total USAID assistance to Zimbabwe. It has promoted the fulfillment of the two major long-term goals stated in USAID/Zimbabwe's FY 1984 CDSS:

- the marshalling of foreign exchange and domestic resources into the productive private sector to provide a firm basis for sustainable poverty alleviation, development, and growth; and

- assistance to the Government of Zimbabwe in raising living standards, expanding agricultural output, raising rural incomes, and increasing employment opportunities while narrowing the stark dualism of the economy.

The CIP had a deep and significant impact on the Zimbabwean economy as a whole and on the private sector in particular. Individual firms stated during the course of the survey that their production levels would have dropped 30 to 50 percent if they had not received allocations under the CIP. According to the Confederation of Zimbabwe Industries, at the peak of the CIP's disbursements in 1984, CIP imports were responsible for 3.8 percent of the GDP and approximately 5 percent of total employment. The program at that time financed 75 percent of U.S. exports to Zimbabwe.

AID was able to implement the CIP and disburse funds quickly and efficiently by using the GOZ's existing allocation system. Established businesses were familiar with the system and thus able to easily take advantage of the CIP. The historical basis upon which foreign exchange allocations are awarded does, however, discourage new entrants to the system. Since the primary objective of the CIP was to facilitate the rehabilitation and reconstruction of the economy, the decision to work the program through the existing system was well taken.

In carrying out the evaluation, the team conducted a survey in which fifteen firms, one parastatal, three local banks, the Confederation of Zimbabwe Industries, the Zimbabwe National Chambers of Commerce and the Ministry of Trade and Commerce were interviewed. The sample of firms represented a broad range of industries and commercial enterprises receiving various amounts of funds under the CIP.

Information gained from the survey indicated that the CIP saved several firms from bankruptcy and maintained the viability of others. The program established not only good business relationships, but also goodwill and a positive impression of the United States.

I. EVALUATION COSTS

1. Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (US$)	Source of Funds
Neal Cohen	USAID/Swaziland	20 days	$1,526	OE
Jane Buchmiller	Tufts University, Mission Intern	30 days	1,800	PM&R

2. Mission/Office Professional Staff Person-Days (estimate) 15

3. Borrower/Grantee Professional Staff Person-Days (estimate) 4

A.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)
Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: USAID/Zimbabwe Date this summary prepared: June 18, 1987

Title and Date of Full Evaluation Report: Evaluation of Commodity Import Programs in Zimbabwe, October 1986

The evaluation is concerned only with the foreign currency component of the Commodity Import Program. A separate evaluation is currently assessing the impact of the local currency generated under the CIP. Therefore, this evaluation provides half the story of the CIP.

The evaluation team was very impressed with the administration and operation of the CIP. It conducted a survey and interviewed fifteen firms and one parastatal receiving CIP allocations, three local banks, and representatives from the CZI (Confederation of Zimbabwe Industries), ZNCC (Zimbabwe National Chamber of Commerce), and MTC (Ministry of Trade and Commerce). The evaluation team also reviewed a large number of business, trade, and economics publications. With these resources at its disposal, the evaluation team made the following findings:

1. The CIP had a deep and significant impact on the Zimbabwean economy as a whole and on the private sector in particular. Individual firms stated during the course of the survey that their production levels would have dropped 30 to 50 percent if they had not received allocations under the CIP. According to the CZI, at the peak of the CIP's disbursements in 1984, CIP imports were responsible for 3.8 percent of GDP and approximately 5 percent of total employment. It then financed 75 percent of U.S. imports in Zimbabwe.

2. The loss of the US$10 million 1987 CIP will result in a 0.5 percent reduction in GDP and an additional reduction in productive employment for 8 thousand people. From 1980 to 1985, donors' commodity import programs represented 30 percent of the private sector's foreign exchange allocations; the U.S. CIP accounted for 20 percent of all commodity import assistance. Therefore, the elimination of the CIP in Zimbabwe will have a deleterious effect on the entire economy but particularly on the private sector, which received the lion's share of the assistance. In some cases, the US was the sole source of certain imports; in other cases, it was the best quality or less costly source. Most firms which required or preferred U.S. imports were naturally channelled into the CIP. Since their ad hoc allocations will be cut by the withdrawal of the CIP, they will have to reduce their imports or seek alternative funding sources. Without the CIP, U.S. exports

to Zimbabwe will decline, but to what extent remains uncertain.

3. AID was able to implement the CIP and disburse funds quickly and efficiently by using the GOZ's existing allocation system. Establisned businesses were familiar with the system and thus able to easily take advantage of the CIP. The historical basis upon which foreign exchange allocations are awarded does discourage new entrants to the system. Since the primary objective of the CIP was to facilitate the rehabilitation and reconstruction of the economy, the decision to work the program through the existing system was well taken.

4. Evidently, the CIP saved several firms from bankruptcy and maintained the viability of others. It provided raw materials and equipment essential to individual firms as well as critical industries and the national economy. Some firms, such as Berkshire International, doubt that they will be able to stay in business without the CIP. The program established not only good business relationships but also goodwill and a positive impression on the United States.

5. The Commodity Management Officer, John Lewis, managed and administered the CIP exceptionally well. According to the firms surveyed, he kept CIP-users well informed, responded quickly to any questions or concerns, and resolved any difficulties arising with US banks or suppliers. CIP-users found the program's rules to be clear and direct, and the actual operation of the program to be more efficient than that of any other donor. They did, however, state that a U.S. CIP allocation took six months longer to process by the GOZ than a regular ad hoc allocation. GOZ officials stated that from their viewpoint, the U.S. program had the fewest restrictions and was the simplest to administer.

In light of these findings and the withdrawal of bilateral assistance to Zimbabwe, the evaluation team made the following recommendations for a possible future CIP.

1. An evaluation of the GOZ's foreign exchange allocation system should be performed prior to another CIP. Such an evaluation would uncover and analyze inherent strengths, weaknesses, and biases within the system. The evaluation should be done in close cooperation with the GOZ, since its officials are well aware of the system's shortcomings. They have expressed a desire to reform the allocation system, but Zimbabwe's present balance of payments problems have created a "management-by-crisis" situation, in which long-run needs and reforms are overshadowed by immediate crises. By offering a large CIP, the United States may help the GOZ to

since its officials are well aware of the system's shortcomings. They have expressed a desire to reform the allocation system, but Zimbabwe's present balance of payments problems have created a "management-by-crisis" situation, in which long-run needs and reforms are overshadowed by immediate crises. By offering a large CIP, the United States may help the GOZ to implement necessary changes in the allocation system. An evaluation of the allocation system may also enable the United States to offer a small CIP that would address specific biases within the system.

2. The private sector's absorptive capacity for foreign exchange indicates that a future CIP could be entirely directed to that sector. The private sector is strategically important to Zimbabwe due to its productivity, jobs, and its self-reliant and diversified nature.

3. The CIP should not be targeted to specific productive sectors (e.g., agriculture) or activities unless evidence exists that the present allocation system is biased against them and that this bias undermines the economy as a whole. In the absence of such evidence, sectorization complicates the administration of the CIP and creates distortions which may have deleterious effects on the economy by channelling resources to one sub-sector over another.

4. If AID and the GOZ agree that, for administrative purposes, the minimum allocation should be US$10 thousand, then AID should encourage the use of consolidators. Consolidators would enable several firms which require less than US$10 thousand to share an allocation, thus more private enterprises could benefit from the CIP. Also, it is possible that consolidators could obtain better prices for larger purchases, as well as reduce shipping costs from the United States.

5. The disbursement period should be set for 24 months, rather than 18, so as to allow for all residual funds from individual transactions to be consolidated, re-allocated and disbursed.

In conclusion, the evaluation team commends USAID/Zimbabwe and the GOZ for administering an extraordinarily efficient, clear and understandable program. The CIP had a major and salutary impact on the reconstruction and rehabilitation of the private sector. It addressed Zimbabwe's post-independence needs and objectives very well.

The withdrawal of the CIP is going to undermine severely the health and well-being of the private sector and the national economy. Another CIP, particularly a large CIP (e.g. US$40 million), could open doors for a policy dialogue between the US and GOZ in a number of important areas, as well as assist the GOZ to meet some of its future long-term objectives, including a reform of the foreign exchange allocation system.

This evaluation covers only one side of the CIP. The local currency side of the program is equally important to the foreign exchange component and accounts for the main developmental impact of the CIP in the public sector. An evaluation of the local currency projects funded under the CIP is currently being

K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

Evaluation Report

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

It is the Mission's opinion that:

- The evaluation meets the demand of the scope of work prepared for the evaluation.
- The evaluators spent sufficient time in the field to fully understand the activity, its impacts and the problems encountered in managing the activity.
- The evaluators showed no biases which effected the findings.
- The findings and recommendations included in the evaluation generally concur with the conclusions reached by the USAID staff.

Since this is the final evaluation of the program, and no new program is planned, the recommendations included in the evaluation should be considered during the design and negotiation of any future CIP.

The evaluation is structured in such a manner as to provide a history of the program, including how it was designed and implemented. It was felt that this could prove useful in the design and implementation of any future program.

17

ISN = 50689

EVALUATION OF COMMODITY IMPORT PROGRAMS
613-K-604, 613-K-605 and 605A, 613-K-606
IN ZIMBABWE

Prepared by: Dr. Neal Cohen
Ms. Jane Buchmiller

October 1986

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E - Commercial Projects Committee (Description of Operation)
F - Description of Other Donors' Commodity Import Programs
G - The Budget 1986/87 - Summary
Spending Patterns
Revenue
Public Sector Investment Program (PSIP)
Direct Government Investments in Productive Sectors
Subsidies
Funding the Deficit
Economic Ratios

ABBREVIATIONS

BEST	- Basic Education and Skills Training Program
CIP	- Commodity Import Program
CMB	- Cotton Marketing Board of Zimbabwe
CZI	- Confederation of Zimbabwe Industries
EEC	- European Economic Community
GOZ	- Government of Zimbabwe
IMF	- International Monetary Fund
L/COMM	- Letter of Commitment (A.I.D. financing document)
MFEPD	- Ministry of Finance, Economic Planning and Development
MTC	- Ministry of Trade and Commerce
PSIP	- Public Sector Investment Program
SITC	- Standard International Trade Classification
SDR	- Special Drawing Rights
UDI	- Unilateral Declaration of Independence
USAID	- U.S. Agency for International Development Mission to Zimbabwe
ZANU-PF	- Zimbabwe African National Union - Patriotic Front (the ruling party in Zimbabwe)
ZASA	- Zimbabwe Agricultural Sector Assistance Program
ZNCC	- Zimbabwe National Chambers of Commerce

EXECUTIVE SUMMARY

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I. BACKGROUND

A. Political Summary and Policy Environment

Since independence in 1980, the Government of Zimbabwe (GOZ) has sought to redress the inequities of its colonial past. Zimbabwe, formerly Rhodesia, endured approximately ninety years of settler rule and domination. The settler minority managed de facto self-government beginning in 1923, and in 1965 made a unilateral declaration of independence (UDI) from the British government. The international community responded to UDI by imposing sanctions against the Rhodesian government in order to condemn its racist system and policies. Extensive state intervention and control characterized the "rebel regime's" economic policies over the next fifteen years leading to independence. The government introduced import and exchange regulations to control manufacturing, introduced subsidies to white farmers, and established quotas for agricultural production. Economic sanctions encouraged industry and manufacturers to diversify and substitute imports with domestically produced goods. Meanwhile, disparities between the white minority and the black majority continued to widen.

The advent of majority-rule in 1980 brought opportunities for social and economic development to the Zimbabwean black majority. Free and compulsory primary education was introduced, clinics and health facilities were extended to people in outlying areas, a minimum wage and other labor legislation were enacted, and access to economic inputs, e.g., rural credit, was improved. Such programs, however, are unsustainable without economic growth.

Growth remained strong in 1980-81, but drought, coupled with a worldwide recession, and foreign exchange shortages put the economy into a downward spiral, beginning in 1982. It began a significant recovery in 1985, as a bumper harvest signalled the end of the drought and as world markets recovered from the international recession. The economy is now facing large budget deficits reflecting repayment of debt incurred for post-independence reconstruction, expanding social programs, and serious defense and security considerations. The GOZ is faced with the challenge of maintaining sensible, long-term economic goals in a fragile and fluid political and economic enviroment.

1. U.S. Interests and Involvement in Zimbabwe

The U.S. government became active in the search for a negotiated settlement to the Rhodesian conflict in 1976. Successive attempts for internationally-sponsored negotiations failed, but the United States continued to pledge substantial financial assistance to the new GOZ if its inception was the result of a negotiated settlement.

A politically stable and economically dynamic Zimbabwe was recognized as essential to the peace and stability of the entire southern Africa region. The Lancaster House Conference in late 1979 finally found an end to the war by designing a transition to majority-rule. Zimbabwe achieved independence on April 18, 1980. The new government, led by ZANU-PF, came to power with an agenda to redress the extraordinary economic and social inequities fostered over ninety years of minority rule. To date, reconstruction has been successful and war damage has been repaired. The GOZ's policies of reconciliation toward whites and preservation of the capitalist economic structure have won support from many observers.

The United States supports the GOZ's initiatives to resolve economic and social problems resulting from the war and decades of neglect and exploitation of the black population. The GOZ has established for itself the challenge of fundamentally transforming the colonial social structure in order to distribute economic and social opportunities and benefits equitably among the entire population. Without such an adjustment, there will be no lasting peace and no certain future for the large and prosperous private sector that has developed over the years.

Zimbabwe is founded and functioning on democratic principles. There are indications that Prime Minister Mugabe's goal of a peaceful non-racial society will be realized and that this society will rest upon a strong mixed economy, of which the private sector will be an important part. Zimbabwe's success in attaining these objectives will provide other nations, particularly South Africa, with an invaluable example.

U.S. interests in southern Africa rest heavily upon Zimbabwe's success. To further those interests, the Commodity Import Programs have been designed to provide Zimbabwe with foreign exchange to support the private sector and with local currency generated under the CIPs to finance a wide array of public sector development projects.

2. U.S. Assistance Objectives and the CIP

A detailed discussion of the objectives of US development assistance is presented in USAID's FY 1987 Country Development Strategy statement (CDSS). The US is committed to facilitating the realization of the GOZ's goal of equitable socioeconomic development.

The CIP served as an integral component of U.S. development assistance from FY 1982 to FY 1986, accounting for 42 percent of total U.S. assistance to Zimbabwe. It promoted the fulfillment of the two major long-term goals stated in USAID/Zimbabwe's FY 1984 CDSS:

- the marshalling of foreign exchange and domestic resources into the productive private sector to provide a firm basis for sustainable poverty alleviation, development, and growth; and

- assistance to the GOZ in raising living standards, expanding agricultural output, raising rural incomes, and increasing employment opportunities while narrowing the stark dualism of the economy.

The March 1984 Evaluation of the Zimbabwe Commodity Import Program 613-K-603 ($50,000,000) outlines the overall success of the initial CIP in meeting these objectives. This evaluation will seek to determine the efficacy of the CIP in meeting both the general goals of the United States in Zimbabwe and those specific assistance objectives for the 1987-1990 strategy period, which are:

- to preserve and maintain the productive structure and general infrastructure of the Zimbabwean economy; the private productive agriculture, manufacturing, mining and service sectors, with under-utilized capacity, provide the best opportunity for long-term growth, employment, and social development;

- to guide Zimbabwe toward a successful post-independence economic model; this will mean a clearer definition of the country's intended mixed economy and visible and sustainable progress toward the GOZ's objective of growth with social equity. The maintenance of a viable private sector requires consistent, clear signals from the GOZ on the role of private enterprise;

- to promote Zimbabwe as a strong economic actor within the southern Africa region and as a successful multi-racial political model, especially with regard to South Africa; continued growth in Zimbabwe's agricultural sector and the creation of food surpluses can set policy examples for other African countries and provide food security throughout the region.

B. Economic Background

The GOZ's challenges arise from its inherited, inequitable structure of access to resources. The ninety years prior to independence marked a period in which economic policies, legislation, administration of land rights and public education were used to establish a structure which ensured cheap labor for the modern sector. Such policies also widened the gap in levels of infrastructure, social services and employment opportunities available to different racial groups. This dualism led to the co-existence for two economically interdependent but highly unequal sectors. Small, poor subsistence farmers stood in juxtaposition to large, commercialized agricultural producers;

modern industries and manufacturers exploited cheap African labor. The contrasts were sharp.

Following UDI, the Rhodesian economy was forced to diversify and to become self-sufficient under the pressure of international economic sanctions. In 1964-65, there were 350 different tariff items imported into Rhodesia. The Zimbabwe Commercial Import Controller estimates that only 250 tariff items are currently being imported. As a result of the diversification and self-reliance developed during the period of UDI, Zimbabwe has the most highly developed infrastructure of any independent African country, other than South Africa.

1. Recent Economic Performance

Zimbabwe's national accounts statistics indicate a rapid recovery of real gross domestic product (GDP) in 1980 and 1981 following a severe three-year slump reflecting the intense hostilities from the war. This recovery, however, ended, and a sharp economic decline began in 1982 and lasted through 1984. The 1982-1984 decline had three factors: (1) drought, which reduced real agricultural output by almost 30 percent; (2) recessionary export demand for minerals, the production of which declined by 12 percent over four years in Zimbabwe; and (3) a severe shortage of foreign exchange for imported inputs, which reduced capacity utilization and production (by 5 percent in 1983 alone) in manufacturing. While GDP dropped 1-2 percent in 1984, 1985 marked a turnaround, and the 1986 GDP is expected to reflect an increase of 4-5 percent.

More serious long-term trends appear to be affecting the labor force and employment. With Zimbabwe's population (currently around 8 million people) and its labor force (approximately 2.8 million people) growing close to 3.5 percent annually, the economy must provide productive employment for a net additional 80,000 workers each year. Formal (modern) sector employment has been relatively stagnant, and rough estimates indicate that formal sector employment has declined as a proportion of the total labor force, from 49 percent in 1975 to 37 percent in 1983. This trend suggests that new job seekers are increasingly forced to seek employment in the traditional agricultural sector or the informal sector. Meanwhile, the expansion of education in Zimbabwe has raised the expectations of school-leavers at a time of growing unemployment and underemployment in the formal sector.

The profile of available jobs changed significantly following independence. Between 1975 and 1983, employment in commercial agriculture fell 28 percent, and an additional 36 thousand jobs were lost in construction and domestic services, and only 17 thousand new jobs were created in the manufacturing sector. Meanwhile, over the same period, approximately 81 thousand additional jobs were created in public administration, education, and health-related services. This growth reflected the expansion

of the GOZ's administration and its commitment to providing the entire population with greater social services. Services accounted for only 25 percent of total formal sector employment in 1975, but accounted for 32 percent in 1983.

From the perspective of the total labor force, the traditional small farm sector is still dominant. Close links between workers in the formal sector and tne informal rural sector exist. Many workers employed in the formal sector still attend to their small holdings, which are an important part of their livelihood. Communal farmers alone reflected nearly 27 percent of the work force in 1982. Approximately 70 percent of all workers depend directly on the agricultural sector although it accounts for only 14 percent of GDP. The manufacturing sector, on the other hand, reflects 23 percent of GDP but employs only 6 percent of the entire working age population.

2. History of the CIP

When AID commenced its program in Zimbabwe at the time of independence, it sought a programmatic form that would have maximum and immediate impact. On the basis of the decision to move quickly, AID made a program grant in the form of a US$20 million cash transfer to the GOZ. The US dollars under this arrangement went into the foreign exchange reserves of the GOZ which, in turn, made available the countervalue amount in Zimbabwe dollars for deposit into the National Development Fund Account in the Reserve Bank. The funds were used for a mutually agreed upon list of projects. Thus, the grant provided immediate balance of payments support through the foreign exchange element, and budgetary support from the Zimbabwe dollars deposited as countervalue. In 1981, a similar grant was made to the GOZ in the amount of US$24.3 million. During this period, ZIMCORD took place and Administrator McPherson pledged to the GOZ US$75 million per year for the years 1982, 1983, and 1984. In planning the 1982 program, a decision was made to move away from the cash transfer programmatic form, where the US dollars could be spent by the GOZ anywhere in the world for any type of goods, in favor of a commodity import program, tied to the U.S. and an eligible list of commodities. Under such an arrangement, there would still be the requirement for the Zimbabwe dollar countervalue to be deposited into a special account in the Reserve Bank to fund mutually agreed upon activities.

On April 7, 1982, the first CIP agreement in the amount of US$50 million was signed. The purpose of the CIP was twofold. First, it sought to stimulate the Zimbabwean commercial sector to play its critical role in nation re-building and employment creation by making available AID foreign exchange resources to import U.S. goods. The second objective was to support GOZ reconstruction and development initiatives by using the local currency countervalue generations to finance a broad range of public sector programs and

activities in the areas of education, health, and agriculture. The program included the following salient feature: (1) a minimum of 80 percent of the funds had to be channelled through the private sector while the remaining funds were made available to the public sector; (2) both private and public sector users of the funds were required to deposit countervalue in the special account established in the Reserve Bank of Zimbabwe; (3) all allocations of funds to the private sector would be handled by the GOZ, using their established allocation procedures; and (4) all commercial and merchant banks operating in Zimbabwe would be authorized to open letters of credit under the program to allow importers to maintain their business relationships with these banks. In short, the CIP was designed to interfere as little as possible with normal commercial practices, yet take into account AID's rules and regulations.

The demand for foreign exchange was so great that there was no doubt of the absorptive capacity for the funds. By October of 1982, the Ministry of Trade and Commerce had allocated the entire $50 million, and goods covered by the earlier allocations were beginning to arrive in Zimbabwe. The CIP was 88 percent disbursed within eighteen months of the agreement being signed. In March of 1984, an evaluation of the CIP was completed. It stated: "Analysis of the types of commodities financed and the industries receiving CIP imports showed that the goods were appropriate to Zimbabwe's needs and were effectively used." The evaluation also indicated that one of the primary reasons for the implementation success of the program was that "AID designed its CIP to function within the existing GOZ import allocation procedures and commercial banking system, in the same manner as regular commercial imports."

Separate CIPs have played a major role in USAID's ZASA (Zimbabwe Agriculture Sector Assistance) and BEST (Basic Education and Skills Training) programs. US$31 million and US$29 million of CIP funds have been channelled into ZASA and BEST, respectively. The ZASA and BEST CIPs are allocated and administered separately from the general CIP. The ZASA evaluation indicates the CIP component played a major role in promoting development within the agricultural sector, particularly through the generation of local currency, and there are strong indications that the same holds true for the BEST CIP. Upcoming evaluations of BEST and local currency projects will assess the developmental impact of such projects. Although the ZASA and BEST CIPs may be viewed as elements of separate programs, the foreign exchange element of these sectoral CIPs is included within the scope of this evaluation. Both aspects of the CIP, the provision of foreign exchange and the generation of local currency, serve the needs of critical sectors in a developing country.

The terms of the 1983 CIP, 613-K-605, for US$37 million and the 1984 amendment, 613-K-605A, for US$10 million were virtually identical to those of the 1982 CIP, with only several minor

exceptions. By the time the 1983 CIP was signed on July 15, 1983, the GOZ, the private sector importers and the local banks were all familiar with the program and how it functioned. Consequently, funds were used more rapidly. A significant difference between the 1982 and 1983 CIPs was the size of the allocations. Under the 1982 CIP, there were a number of allocations in the US$100 thousand to US$200 thousand range. The subsequent CIP was used to grant smaller allocations. By reviewing the list of allocations, this indicates that more small and medium-sized businesses are participating in the program.

The Mission's FY 1984 program included US$10 million for a CIP. After examining the options available, the design team and the Mission concluded that amending the US$37 million 1983 CIP to add US$10 million would be more practical and expedious than preparing a new PAAD, which would have been similar to the two previous CIP PAADs. The amendment, adding US$10 million to CIP 613-K-605, was signed on August 1, 1984. By November of 1984, 99 percent of these funds had been allocated. However, once the public sector transactions had been finalized, it was found that the actual costs of the items imported were less than the amounts budgeted. In order to use these funds, it was necessary to extend the terminal disbursement date under the CIP by eight months to November 30, 1986.

3. Current Status of CIP

Although original U.S. interest in Zimbabwe remain highly relevant and valid, U.S. commitment to those interests has changed. U.S. economic assistance to Zimbabwe was suspended indefinitely in July of 1986. Consequently, no funds were released for the 1986 CIP nor for the CIP component of ZASA. The CIP component of BEST, worth US$3 million, was approved prior to the July decision. The same principal conditions of the 1982 and 1983 CIPs apply to the BEST CIP. No less than 80 percent of CIP resources must be allocated to the private sector, and the imported goods and manufacturers must originate from the U.S.

II. METHODOLOGY OF EVALUATION

The evaluation, which was undertaken during October of 1986, covers the CIPs 613-K-605 ($37,000,000) and 613-K-605A ($10,000,000), and the CIP elements of the Agricultural Sector Assistance Program ($31,000,000) and the Basic Education and Skills Training Sector Program ($29,000,000). As part of the evaluation, the team conducted a survey in which fifteen firms, one parastatal, three local banks, the Confederation of Zimbabwe Industries (CZI), the Zimbabwe National Chambers of Commerce (ZNCC), and the Ministry of Trade and Commerce were interviewed. The sample of firms represented a wide range of industries and commercial enterprises receiving various amounts of funds under the CIP. Specific sectors which received major assistance

under the program, i.e., textiles, agribusiness, food processing, were identified. The selection of firms within each sector identified was relatively random.

Sample questionnaires, used consistently during the survey, are presented in Annex D. Information was gathered not only from responses to the questionnaires but from supplementary materials provided by the interviewees. The local banks, the Confederation of Zimbabwe Industries (CZI), the Zimbabwe National Chambers of Commerce (ZNCC), and the Ministry of Trade and Commerce were able to supply many useful figures and to refer relevant studies and publications to the evaluation team. This information was then used for standard economic analysis. The text of the evaluation is footnoted, and, in some cases, the specific methodology used to arrive at certain assertions is footnoted and explained in greater detail.

The general outline and scope of the evaluation was taken from Evaluation Guidelines for Non Project Assistance (CIPs) and CIP-Like Activities, USAID, August 1985.

III. HIGHLIGHTS OF SURVEY RESPONSES

To a great extent, this evaluation is based upon the information, responses, and impressions that the team gathered during the course of its extensive survey. Representatives from fifteen private enterprises, one parastatal, three local banks, the CZI, the ZNCC, and the Ministry of Trade and Commerce were interviewed, and all of the interviewees provided extremely useful information and insights. The evaluation team has listed below some of the salient points and issues which arose from the survey in order to reveal how its interviews shaped its assessment of the CIP.

A. The Interdependencies of Zimbabwe's Economy

The interdependencies characterizing Zimbabwe's economy were evident from the responses of each CIP participant surveyed. The sanctions imposed during UDI encouraged self-reliance and the formation of a relatively "closed" economy. Foreign exchange shortages following independence have reinforced the need for Zimbabwe's manufacturers to rely upon domestic suppliers and producers. However, many of these suppliers are heavily dependent upon key imports of machinery and raw materials. Imports funded under the CIP proved to be essential not only to the importers but to a long chain of secondary industries and manufacturers. The following examples gathered from the survey underscore the fragile network of dependencies upon which the health of Zimbabwe's economy rests.

- Saltrama Plastex provides packaging materials for Z$6 billion worth of goods. It received US$2 million under the CIP for raw materials. Industrial Farming and

Development, which received allocations under the CIP for importing petroleum jelly, could not keep its eighty handicapped employees productively employed if it did not have Saltrama's plastic containers for packaging its product. Tobacco, Zimbabwe's largest source of foreign exchange, could not be exported without the proper packaging furnished by Saltrama. Meanwhile, Saltrama and several parastatals are mutually dependent upon each other. The Cold Storage Commission's beef exports must nave air-tight plastic packaging. The Dairy Marketing Board's purchases of plastic sachets for milk and other products account for Z$6 million of Saltrama's yearly Z$36 million gross sales. Saltrama also exports more than Z$1.5 million of plastic sheeting to Zambia and Malawi.

- Vitafoam (Pvt) Limited uses US$3.6 million in foreign exchange per year to import the two chemicals required for foam. It supplies 75 percent of the domestic market with foam and employs 160 people. Although foam may not initially appear to be a critical industry, 30 thousand jobs in secondary industries - primarily furniture manufacturers - depend upon Vitafoam's product.

- Edward L. Bateman (Pvt) Limited received foreign exchange under the CIP to import hydrocholorinators and mechanical shaft couplings. Municipalities require hydrochlorinators in order to treat water and sewage. These municipalities largely represent Zimbabwe's growth points. The GOZ is encouraging industries to establish themselves in designated growth points to provide employment in outlying rural areas and to stem urban migration. Isolated mines also need hydrochlorinators to ensure water and properly treated sewage for their workers. Mechanical shaft couplings are used for trench-digging machines to lay infrastructure for municipalities and for mining operations.

- The Cotton Marketing Board (CMB) received the lion's share of the public sector's allocations under the CIP. The CMB met 100 percent of its foreign exchange requirements from the CIP for importing ginning equipment. In the opinion of CMB officials, there are no alternatives to the US for such equipment. India represents one possible alternative, but officials doubted that its equipment would enable Zimbabwe to meet the higher standards of the competitive world market. Cotton is the second largest export earner in the agricultural sector. It is the largest cash crop for smallholders in Zimbabwe, and over 300 thousand people are dependent on the industry for their livelihoods. Without new ginning equipment, which the CMB was

expecting to purchase under a new CIP which never materialized, the cash incomes of these people will suffer. The growing textile industry purchases between 26 and 28 percent of the CMB's crop to make cloth for both the domestic and export markets.

- Agricair (Pvt) Limited imported spare parts and special metals for servicing and repairing aircraft through the CIP. It must import parts and metals from the US in order to comply with aviation regulations and manufacturers' warranties. Agricair is one of three approved service specialists for US Pratt & Whitney engines and the only one for Canadian Pratt & Whitney engines in Africa. It services planes used for crop-dusting as well as tourism. Agricair's own fleet of aircraft dust crops in Zimbabwe and throughout the entire African continent. Its importance to the agricultural sector is increased in light of a possible locust invasion in Zimbabwe.

- Bell Inn (Pvt) Limited represents one commercial farm which imported pure-bred Hereford bulls and frozen bovine semen from the US under the CIP. Its breeding operations supply cattle with the leanest meat and the highest quality carcass to commercial farmers and thereby make Zimbabwe very competitive on the export market. Although Canada and Australia may serve as alternative suppliers, American Herefords are strongly preferred for breeding purposes. They have already improved the bloodlines of Zimbabwe cattle and promise to improve Zimbabwe's penetration of the profitable EEC market.

- Rice and Diethlem (Pvt) Limited imported raw materials and finished products for welding through the CIP. Zimbabwe's industries were unable to replace machinery and equipment during sanctions, and in the face of subsequent foreign exchange shortages, they have become heavily reliant upon welders, tool and dye makers, and other skilled artisans for repairing machinery and customizing spares. Mr. Greenwood of Rice & Diethlem stated that welding triples or quadruples the useful life of equipment in Zimbabwe. Consequently, the transport, mining, engineering, and other industries require welding materials imported under the CIP by Rice & Diethlem. A current shortage of cast iron rods had delayed repairs and reduced production for some firms.

- Caribonum (Pvt) Limited manufactures carbon paper and relies upon aid from Sweden, the U.K., West Germany, France, and Canada to import raw materials. It received CIP allocations for importing carbonizing tissue and

carbonizing ink for the manufacture of one-time carbon paper. In this case, the CIP displaced imports from Sweden. Recent shortages of raw materials for one-time carbon have had reprecussions throughout the private and public sectors. Firms using office stationery, particularly computer carbon paper, depend on Caribonum. The GOZ uses Caribonum's computer carbon to print government checks.

Zimbabwe's economy is also dependent upon heavy equipment and raw materials made in the US and sold or manufactured through local dealers or licensees. These firms relied on large CIP allocations to meet the needs of their clients and to maintain their own commercial viability. They each relied upon their CIP allocations to import spares and, in turn, predicted that their clients would be severely affected by further shortages of spare parts.

- ZEMCO (Zimbabwe Earth Moving Company) is Zimbabwe's Caterpillar dealer. It has imported US$10.1 million worth of Caterpillar equipment and spares and represents 9 percent of the allocations made under 613-K-604, 605, 605A and 606. Its imports are used in mining, construction, road construction and maintenance, agriculture and land preparation. ZEMCO serves sectors generating Z$1 billion in foreign exchange (e.g., mining and agriculture) and import substitution (e.g., power plants and utilities). It requests foreign exchange allocations to provide equipment for the Central Mechanical Equipment Department, the District Development Fund, the Ministry of Transport, private construction contractors, agricultural estates, commercial farms, and forestry projects. Its basic allocation covers one-third of its foreign exchange needs and is used primarily for the importation of spare parts. The CIP had been satisfying most of ZEMCO's earth moving machine needs, with some 200 units having been imported under the program

- Duly & Company has been the Ford dealer in Africa since 1911. Its allocations through the CIP enabled Duly & Company to import agricultural machinery for commercial farmers. Ford and Massey Ferguson have a 75 percent share of the market for commercial farmers' tractors. Agricultural machinery accounts for 40 to 50 percent of the company's sales, and 90 percent of those purchases were funded under the CIP.

- Smith & Bennet, Zimbabwe's John Deere dealer, received US$1.87 under the CIP to import combines, tractors, balers and spares. It has a 10 percent market share for combine harvesters, a 6 percent share for tractors, and a 30 percent share for balers. The CIP has accounted for 70 percent of its equipment sales. Without the CIP, Smith & Bennet will drastically curtail its operations by maintaining only supplies of spares and its repair shop.

- Dunlop received US$7.76 million under the CIP to import raw materials for the manufacture of tires. It is the largest single recipient of foreign exchange in the private sector. Dunlop is the only tire manufacturer in Zimbabwe. Therefore, its ability to produce tires and re-treads impacts on agriculture, public and private transport, national security, and the personal safety of people travelling by bus and car. Approximately 95 percent of Dunlop's raw materials are imported, and 60 to 70 percent of the value of Dunlop's tires are derived from imported goods.

The importance of raw materials became evident from responses gathered through the survey. Zimbabwe's industrial and commercial sector has a highly developed infrastructure. Existing facilities are often under-utilized, and firms must operate below capacity due to shortages of foreign exchange to import need raw materials. Illustratively, the soap-making division of Blue Ribbon Foods is running under capacity. Without raw materials, eighty-five people there are unproductively employed. Another example is the local tire industry. If the private sector fails to obtain raw materials for tires and re-treads, the entire transport sector would grind to a halt and the national economy would be severely hurt.

B. Views Regarding the Foreign Exchange Allocation System

The survey revealed that a great deal of confusion and uncertainty exists among firms in the private sector and among parastatals regarding the GOZ's import priorities. Mr. Greenwood of Rice & Diethlem stated that his basic allocation reflected the GOZ's appreciation of the need for welding materials and tools to create spare parts. However, other critical industries described the allocation system as capricious and time-consuming. Many CIP participants perceived the allocation system as a game of "Russian roulette." Still others suggested that the GOZ's priorities were shifting from industry to education, health, and defense. All participants surveyed voiced concern over the time required to process their applications for foreign exchange. Several stated that the turnaround time for the GOZ to process a CIP application was six months longer than the turnaround time for a standard *ad hoc* application.

CIP participants surveyed noted that *ad hoc* allocations have become increasingly unreliable in light of Zimbabwe's foreign exchange shortages. Firms have had to become more dependent upon their basic allocation. However, every firm surveyed stated that their basic allocation had been steadily reduced over the past several years. The only exception was Industrial Farming & Development, an emergent business that employes handicapped personnel. Its basic allocation has been increased since it first received one in 1982, but the 1986 basic allocation of Z$58

thousand still fell short of its Z$500 thousand per year requirement. The rule, however, has been a steady decline in basic allocations since 1980. Agricair provided the table below which illustrates the decline of that company's basic allocation over the past several years.

AGRICAIR BASIC ALLOCATION OF FOREIGN EXCHANGE
(US Dollars)

	Jan-March	April-June	July-Sept	Sept-Dec
1980	72,520	72,520	270,700	270,700
1981	62,474	62,474	210,100	210,100
1982	51,420	51,420	134,500	134,500
1983	26,930	26,930	84,830	84,830
1984	16,480	16,480	41,409	41,409
1985	10,230	10,230	42,197	40,042
1986	10,740	10,740	N/A	N/A

Many firms employ someone fulltime to investigate potential sources of ad hoc allocations. These representatives liase with the GOZ and various donors. Smaller firms felt disadvantaged relative to larger firms, since they cannot afford such a fulltime representative and suggested that the availability of CIP funds be more widely publicized.

Although many interviewees expressed ambivalence over the present allocation system, none of them suggested that it be changed. One interviewee noted that the system cannot be changed as "everyone is used to it." Another described the historical basis of the basic allocation system as "fair discrimination." In other words, the system benefits those firms which have been entrenched through its operations since UDI. One local economist noted that firms are so dependent upon their allocations that they would not risk losing them for the sake of reform. Consequently, new entrants to the system are almost completely discouraged. Mr. Grey, representing the GOZ's Commercial Import Controller, observed that only one or two new firms made the list of companies receiving basic allocations this year. New firms found it easier to enter the system between 1980 and 1983. However, the increasing pressures on the supply of foreign exchange have deterred the formation and growth of new enterprises.

C. Advantages and Disadvantages of a Large CIP

The size of the US CIP provided definite advantages from the viewpoint of firms receiving large allocations. Both Mr. Thompson of ZEMCO and Mr. Davidson of Dunlop agreed that large foreign exchange users cannot take advantage of CIPs and other donor programs unless the programs are sufficiently big. They believe that the GOZ feels pressure from donors and from the public to

allocate CIP funds to as many firms as possible. Consequently, firms such as Dunlop and ZEMCO, which may request an allocation exceeding the amount available in a small CIP, will not receive donor assistance. A large CIP, such as 613-K-605, enabled the GOZ to allocate foreign exchange widely and, at the same time, to meet the demands of big critical industries, such as Dunlop.

On the other hand, Mr. Davidson observed that industries dependent upon imports from one country become "patterned" into that donor's aid program. The size of the U.S. CIP accommodated the demands of many firms, such as Dunlop, the CMB, Agricair, Rice & Diethlem, Bell Inn, and Smith & Bennett, which source most, if not all, of their imports from the US. It also encouraged other firms to exclude alternative suppliers and import from the United States. Consequently, many of Zimbabwe's critical industries have become dependent upon CIP allocations to source equipment and raw materials. Firms which must source their goods from the United States expectedly suffer serious setbacks as a result of the withdrawal of the CIP. The position of firms with alternative suppliers is not much better, since other aid recipients have already been patterned into other donor programs. The CIP participants surveyed expressed concern over the reliability of the United States as a donor. They have approached other donors with little success, and they are now staking their future on countertrade and the continuation of their basic allocations. Many, such as Berkshire International and Smith & Bennet, have a bleak view of the future and the viability of their enterprises.

D. The Virtues and Shortcomings of U.S. Suppliers

Without exception, the CIP participants surveyed were pleased with the quality of U.S. goods. Firms with alternative suppliers of imports generally selected U.S. suppliers first on the basis of aid availability and secondly on the basis of quality. Bell Inn's breeding operations depend greatly upon meeting certain standards. Although Mr. Belinsky, the proprietor, could import from Canada or Australia, he indicated that the high quality of American Herefords made the United States the most desirable supplier. Industrial Farming & Development has imported petroleum jelly from West Germany and Belgium. Although it sources of imports are determined mostly on the basis of aid availability, Mr. Sibanda noted that its U.S. imports were of much better quality. U.S. suppliers were also commended for their reliability. They seldom failed to make deliveries, and their shipments were normaly complete and intact.

On the negative side, firms such as CPL (Pvt) Limited, which imported cellophane and aerosil paper under the CIP, found U.S. imports to be high-priced as a result of the overvalued U.S. dollar and the depreciated Zimbabwe dollar. Duly & company stated that U.S. suppliers often lack export expertise. It had received

shipments which were not properly packed. Vitafoam had shipments which were not complete. Mr. Little of Vitafoam said that U.S. suppliers failed to realize the consequent problems for importers, since late shipments are much more difficult to clear through Customs. Berkshire International, along with other participants, had problems with suppliers and the U.S. bank regarding the implementation of letters of credit. However, many firms stated that U.S. and Zimbabwe banks and U.S. suppliers were now more familiar with the program and that the CIP operates smoothly from their viewpoint.

E. Participants' Evaluation of the CIP

The CIP participants surveyed were, without exception, pleased with the conception, administration, and operation of the program. They found that the AID Commodity Management Officer, John Lewis, kept them well informed and was able to resolve any difficulties, particularly those with U.S. banks or suppliers. The CIP was handled through the GOZ's present allocation system, and procedures did not vary from the standard ad hoc application. Firms which had received CIP allocations from other donors claimed that the U.S. CIP was the "quickest, cleanest, and simplest". The U.S. CIP allocations did required more time for the GOZ to process than a standard ad hoc allocation, according to some firms. However, others did not observe any difference. They simply expressed concern over the slowness of the allocation system as a whole.

Mr. Thompson of ZEMCO was interested in waiving the requirement to source goods directly from the US. Caterpillar recently moved its assembly of smaller tractors, which are in high demand in Zimbabwe, to Brazil, France, and Japan. These tractors still have a high degree of US content. Other importers were interested in sourcing goods with US content from outside the US under the CIP.

Firms surveyed did not seem as concerned about the cost of US CIP shipping requirements as they were about the infrequency of US ships sailing to Durban. ZEMCO's deliveries had been delayed as a result of no ship sailing immediately for southern African ports.

Finally, participants doubted the reliability of the US as a donor. Mr. Sibanda of Industrial Farming & Development stated that long-run assistance would improve the framework within which a firm's budgeting and investment planning decisions are made.

IV. MANAGEMENT AND ADMINISTRATION OF PROGRAM

A. Responsibility

The responsibility for the management and monitoring of the CIP was divided between the GOZ and the Mission. On the GOZ side, the responsibilities were divided among the Ministry of Finance, Economic Planning and Development, the Ministry of Trade and

Commerce, the Ministry of Industry and Technology and the Ministry of Lands, Agricultural and Rural Resettlement.

The Ministry of Finance, Economic Planning and Development (MFEPD) had primary responsibility for the program. Their responsibilities included the following:

1. It participated in the development of the PAADs.

2. It carried the primary responsibility for negotiating the agreements for the GOZ.

3. It signed the CIP agreements on behalf of the GOZ.

4. It coordinated the preparation of and presented the conditions precedent to disbursements, called for by the agreements.

5. It coordinated the allocations of foreign exchange to the various public sector entities participating in the program.

6. It formally notified the Ministry of Trade and Commerce of the amount of funds available for allocation to the private sector, and the terms and conditions of the program.

7. It received and accounted for the local currencies generated under the foreign exchange transactions.

8. It deposited the local currencies in the Special Account in the Reserve Bank of Zimbabwe, and to the extent practicable, placed these funds in interest bearing accounts so as to accumulate additional funds for the Special Account.

9. It selected the U.S. banks that were to receive the A.I.D.-issued letters of commitment.

10. It provided guidance to the local banks who participated in the program, including establishing the requirements for their participation.

At the time of the design of the first CIP in 1982, the GOZ's foreign currency allocation system was reviewed by the CIP design team. On the basis of this review and the recognized management capabilities of the GOZ, a decision was made to integrate the CIP funds into the GOZ's system to the extent that this was possible, taking into consideration A.I.D.'s requirements on source/origin, etc. Therefore, the Ministries of Trade and Commerce and Industry and Technology shared the responsibility for allocating the CIP

funds to the private sector. The Ministry of Industry and Technology was responsible for all allocations used for importing raw materials, intermediate goods and manufacturing equipment, while the Ministry of Trade and Commerce was responsible for all allocations to dealers or representatives to import goods for resale. The Ministry of Trade and Commerce also had the responsibility of formally notifying all importers regarding their receipt of an allocation under the program, maintaining records on the funds being allocated and issuing all import licenses for transactions funded under the CIPs. Allocations involving agricultural equipment, live animals, cattle embryos, etc. were coordinated with the Ministry of Lands, Agriculture and Rural Settlement by the Ministry of Trade and Commerce.

On the Mission side, the responsibility for the management and monitoring of the program was shared by the Commodity Management Office and the Controller. The Commodity Management Office was responsible for the following:

1. Coordinating and participating in the preparation of the PAADs, drafting the agreements, and the negotiation of the agreements.

2. Drafting all implementation letters related to the CIPs.

3. Providing guidance to all involved GOZ ministries concerning the implementation of the CIPs, in terms of A.I.D.'s requirements.

4. Reviewing all proposed allocations in terms of A.I.D.'s requirements, and obtained AID/W prior approvals where required by the A.I.D. Commodity Eligibility Listing.

5. In coordination with MFEPD, establishing procedures for all local banks to act as approved applicants under the CIPs, so as to permit them to open letters of credit under the A.I.D.-issued letters of commitment.

6. Providing guidance and information to the banks and the private sector regarding the implementation of the CIPs. A pamphlet, included herewith as Annex B, was developed by the Mission's Commodity Management Office to provide information on the operation of the program and A.I.D. regulations, and distributed to importers and potential importers interested in the program.

7. Monitoring the allocation of funds, the issuance of letters of credit by the local banks, the shipment of goods by the U.S. suppliers, and the payment of the local currencies by the local banks to the Ministry of Finance. This aspect of the program included the maintenance of records on each of these functions.

8. Assisting the local banks and importers in resolving problems related to commodity imports and payments.

9. Assisting the public sector importers in carrying out their procurements in accordance with A.I.D's regulations, including the preparation of invitations for bids, requests for quotations, and, in certain cases, waivers authorizing sole source and proprietary procurements.

10. Supervising the arrival accounting and end-use checks for the commodities imported under the programs.

11. Providing guidance to Mission management and the Embassy regarding the implementation of the CIPs.

The Mission Controller was responsible for monitoring the deposits of local currency into the Special Account in the Reserve Bank of Zimbabwe, reconciling these deposits with the AID/W disbursement reports, coordinating with MFEPD the establishment of interest bearing accounts and the deposit of funds from the Special Account into those accounts, and administration of the Trust Fund Account.

B. Mission System for Monitoring and Managing Program

The Mission's system for monitoring and managing the CIPs involved tracking the funds from the time an allocation was made to an importer by the Ministry of Trade and Commerce, until an end-use check was completed. In order to carry out this function, the Mission worked with a local software company to develop a computer program for monitoring each step. As the allocations were made by the Ministry of Trade and Commerce, all pertinent information on the allocation was entered into the system.

The next documents generated under the program were the letters of credit opened by the local banks on behalf of the importers who had received allocations. The Mission received a copy of each letter of credit, as well as any amendments, with the pertinent details from these documents being entered into the monitoring system. Each letter of credit required that a set of shipping documents be sent to the Mission. As these documents were received, the pertinent information was entered into the system. As disbursements were made under each letter of credit by the U.S. bank, the local banks were notified and would collect the local currency countervalue. They would then transmit a check to the MFEPD, providing the Mission with a copy of each transmittal letter, which showed the amount of U.S. funds disbursed under the letter of credit, the date of the disbursement, the exchange rate and the total amount of countervalue generated. This information would then be placed in the monitoring system.

The information available from this system was found to be extremely helpful in monitoring and managing the program. For example, allocations for which letters of credit had not been opened within the allowed 60-day period could be identified and follow-up actions initiated to determine if the funds should be re-allocated or if the importers needed more time to finalize their contracts; payments by the local banks to the MFEPD could be monitored, including total local currency generations under the program; utilization of funds under individual allocations could be monitored, so that any residual funds under completed transactions could be recovered and re-allocated, and, as terminal disbursement dates approached, analyses could be carried out to determine if the program would be completed within the established time frame. The information was also useful to the Mission when reconciling disbursements reports from AID/W with the reports from the local banks and the reports prepared by MFEPD for the Mission Controller.

C. Financing Method

There was a concerted effort made to design the CIP so that its implementation would parallel normal commercial practices as closely as possible, with an emphasis on the maximum involvement of the private sector. In view of this concept, coupled with the types of commodities that were to be funded, the bank letter of commitment method of financing was determined by the Mission to be the most practicable. Under this arrangement, all commercial and merchant banks operating in Zimbabwe were designated as "Approved Applicants" by MFEPD. Thus, each of the 9 banks was permitted to open letters of credit under the CIP. The purpose of permitting all banks to open letters of credit under the program was to allow the importers to transact their business under the CIP with the same banks that they used during their normal course of business. Therefore, if the importer required credit to pay for the transaction, this could be more easily arranged. In order to better serve (and keep) their customers, it was found that all the banks were anxious to participate in the program.

The local banks opening the letters of credit were held responsible by MFEPD for collecting all countervalue generations under each letter of credit. To formalize this arrangement, each bank provided a written guarantee to MFEPD to this effect. Following discussions with MFEPD, it was decided that payment of local currency by the importer would be required as soon as the local bank received notification of a disbursement by the U.S. letter of commitment bank. The exchange rate would be the official rate in effect on the date of the disbursement. The banks' agreement with MFEPD included a requirement that they would collect the local currency from the importer within 15 days of the notice of disbursement by the U.S. bank, and forward a check in the amount of the countervalue to MFEDP. Since the banks were responsible for collecting the local currency generations, the

burden of determining the creditworthiness of their customer rested with them. Accordingly, they would in some cases make arrangements through the letters of credit to receive all shipping documents, which they would hold until payments were received from the importers. They would then release the documents to the importer to clear the goods from Customs. In other cases, usually involving longtime customers, they would permit the shipping documents to be sent directly to the importer.

At the design stage of the CIP, the Mission discussed with the MFEPD the desirability of having the importers deposit 20 percent of the value of their letters of credit at the time their banks opened the letters of credit. The MFEPD, for administrative reasons, preferred to wait until the funds had actually been disbursed under a transaction, before receiving any of the countervalue.

At the time the CIP started in 1982, several U.S. bank were anxious to participate in the program by being designated to receive a letter of commitment from A.I.D.. Part of this interest stemmed from the fact that they were trying to penetrate the financial market in Zimbabwe, and this was a good means for gaining a certain amount of exposure. During the course of disbursing the funds, the MFEPD, who was responsible for selecting the U.S. banks to receive the letters of commitment, divided the business between four banks, all located in New York. In the main, this method of financing worked fairly efficiently. One of the primary problems encountered by the local banks with the US banks was obtaining information on all disbursements related to individual letters of credit, on a timely basis. This was especially true with regard to interest charges claimed by the U.S. L/Comm banks to cover the use of their money from the time they made a disbursement until A.I.D. reimbursed them. Over the course of implementing the program, arrangements were worked out with some of the banks; however, this issue continued to be a problem throughout the life of the program. Also, the AID/W W-214 Report on Disbursements under the CIPs would have been much more useful if each disbursement it reported had been identified with a reference number available to the Mission. Due to the lack of any reference, the reconciliation of disbursements reported to the Mission by the local banks and AID/W was a very time consuming process.

D. Program Compliance

The A.I.D. regulations and grant agreements covering the CIPs required that certain procedures be complied with during the course of implementing the CIPs. One of the important requirements in the agreements was that a minimum of 80 percent of the funds had to be allocated to the private sector, with the balance being available for use by the public sector. In fact, during the course of monitoring compliance with the requirement, it was found that the percentage allocated to the private sector was closer to 85 percent.

The responsibility for commodity arrival accounting and end-use checks rested with the Mission. A system was devised for combining the arrival accounting and end-use checks. Mission personnel would call on each importer and review the documentation on the transactions involved, specifically the import license, which would show that the items had entered Zimbabwe and had been cleared from customs. At the same time, the end-use check would be completed. In those cases where the importers were not the end-users, but had sold the items to end-users, random samples of the items would be checked with the end-users. Experience showed that imports by the private sector were virtually always cleared promptly from customs and either sold or used to manufacture other products. While the public sector imports were always promptly cleared from customs, there were instances when the items were not placed in use as quickly as they should have been. Therefore, all public sector procurements were subjected to end-use checks.

Prior to funding being made available for certain commodities, such as agricultural products, computer equipment and pharmaceuticals, it was necessary for a "prior approval" to be obtained from AID/W. The Mission was responsible for identifying these items prior to an allocation being finalized, and coordinating the approval with AID/W. Since in some cases this was a protracted process, especially with regard to computer transactions, AID/W eventually evaluated the situation in Zimbabwe and give the Mission an ad hoc authority to approve all computer transactions for the private sector. Since there were several million dollars worth of computer equipment funded under the CIPs, this proved to be especially useful, in that it reduced the time required for making an allocation for such equipment from weeks to one or two days.

The Mission also had responsibility for coordinating all procurements by the public sector under the program, to assure that they complied with the A.I.D. rules and regulations. Through the assistance of the Office of Procurement in Washington, these transactions, in most cases, went smoothly. It was found that when delays were encountered in completing such transactions, they were often related to the time required for specifications to be reviewed in AID/W.

E. Transportation of Commodities

Transportation of commodities to land-locked countries is always a problem, and Zimbabwe is no exception. It is estimated that over 95 percent of the commodities funded under the CIP were transported through the South African ports of Durban and Port Elizabeth. In the early stages of the program, many importers were purchasing goods on a CIF South African port basis, and using foreign exchange from the Zimbabwe Reserve Bank's "invisibles

account" to cover the cost of moving the goods inland. As foreign exchange became more scarce, MFEPD brought an end to this practice, and required that all allocations be made on a CIF Zimbabwe basis, so that all foreign exchange costs related to transportation and insurance would be covered under the CIPs. In order to accommodate this requirement, the U.S. shipping lines serving the southern Africa ports made arrangements to issue through bills of lading from the United States to Zimbabwe. These procedures were adopted by the business community and, while there was the occasional problem, they generally worked very smoothly.

F. Disbursement Rates

The demand for the funds under the CIPs far exceeded availability, thus there was no need to consider any kind of incentive scheme to encourage importers to use the program--as has been the case in other countries where similar programs are being implemented. Disbursement rates are, of course, directly related both to how quickly the funds are allocated to importers by the GOZ and to the types of items being imported, as some items have far shorter delivery schedules than others. In general, the allocations under the CIPs were completed in a timely manner and most items imported had relatively short delivery schedules, which resulted in what is considered a good disbursement rate for the program. It was, however, found under the first CIP that some importers would, for reasons related to cash flows, seasonal activities, construction schedules, etc., hold allocations for a considerable period of time prior to drawing import licenses, placing orders and opening letters of credit. In order to keep the program moving, the allocations letters from the Ministry of Trade and Commerce were revised to inform the importers that letters of credit must be opened within 60 days from the dates of the letters, unless otherwise authorized. In order to open the letter of credit, it was necessary to draw the import license, and the import license was valid for a period of 6 months. There were, of course, exceptions granted to this requirement; however, the net result was that it kept the program moving at a steady pace.

The following information shows the disbursement rates from the beginning of the program in 1982 through July of 1986. The relatively low disbursement rate in 1982 reflects the fact that the agreement was signed in April, the first set of conditions precedent to disbursement had to be satisfied, allocations made, goods ordered, shipments completed and disbursements made by the U.S. banks.

	Obligations	Disbursements
1982	$58,000,000	$ 5,024,609
1983	52,000,000	47,073,533
1984	31,000,000	56,383,649
1985	13,000,000	32,475,791

During the first 6 months of 1986, the disbursements under the CIPs totalled $8,776,205, which is a grand total of disbursements, up to that time, of $149,733,787 out of a total amount of $158,750,000.

Each CIP agreement included an established disbursement period of 18 months from the date of the agreement. It was found that these dates had to be extended under each of the CIPs for two basic reasons: first, it took considerably longer to finalize some of the public sector procurements due to requirements for preparing competitive specifications and undertaking the formal competitive procurement procedures; and, second, once an importer completed a transaction there would frequently be residual amounts of funds remaining in the individual allocations, which, when added together, made a sizable amount available for new allocations. For any future CIPs, consideration should be given to using a 24-month disbursement period.

V. ECONOMIC IMPACT

A. Allocation of Foreign Exchange in Zimbabwe

The CIP is administered through the GOZ's foreign exchange allocation system. This system must be clearly understood in order to evaluate the CIP's impact in Zimbabwe.

The present foreign exchange allocation system was created following the imposition of sanctions against Rhodesia. The system has not been modified significantly over the past twenty-one years, although some reforms were made after independence. There are several classifications for foreign exchange allocations; namely, direct government allocations, basic allocations to the private sector, ad hoc allocations to the private sector, and allocations for new projects/activities.

Every six months, the Reserve Bank of Zimbabwe and the Treasury determine the amount of foreign exchange available to the public and private sectors. Due to uncertainties regarding the balance of payments situation, actual allocations are made every three months. The Import Planning Section of the Ministry of Trade and Commerce calls for bids for the use of foreign exchange by government ministries and departments, statutory bodies, local authorities, commerce, industry, the mining sector, petroleum users, and other users of foreign exchange. Each request is analyzed and then placed under one of thirty-two sub-heads by tariff categories. Data to support each request will come from relevant ministries, particularly either the Ministry of Industry and Technology or Ministry of Mines. Some of the sub-heads are as follows:

- electricity
- petroleum fuels and lubricants
- army and air force maintenance
- government maintenance (most ministries procure through the private sector, but some items can be imported by government directly)
- maintenance of statutory bodies, parastatals, and the University of Zimbabwe
- regular commercial imports, handled by the Commercial Import Controller
- regular industrial imports, handled by the Industrial Import Controller
- new projects
  (a) building projects are reviewed by the Building Projects Committee;
  (b) industrial projects are reviewed by the Industrial Projects Committee of the Ministry of Industry and Technology;
  (c) commercial projects are reviewed by the Commercial Projects Committee of the Ministry of Industry and Technology and the Ministry of Trade and Commerce;
  (d) mining projects are reviewed by the Ministry of Mines;
  (e) government ministries, departments, parastatals, local authorities, and University development projects are reviewed by the Ministry of Finance, Economic Planning, and Development;

- mining imports
- fertilizers, pesticides, and raw materials
- coal and coke imports
- computers
- grain and sugar bags
- earthmoving equipment
- liquid petroleum gas
- completely knocked down passenger and commercial vehicle kits (a limited number of assembled vehicles are imported)

The Ministry of Trade and Commerce informs the Treasury of foreign exchange demands for the next six-month period. Since foreign exchange reserves cannot meet the demand, the thirty-two sub-heads are re-analyzed to determine where cuts can be made. All ministries concerned participate in these negotiations to prioritize import requests.

Below is a breakdown of the GOZ's established import priorities and estimates of the share of total foreign exchange allocated to each priority:

(1) petroleum and fuels, medical equipment and pharmeceuticals, and critical inputs not manufactured in Zimbabwe (30 percent);

(2) machinery and spares, and industrial raw materials (20 percent);

(3) commercial and industrial inputs, for which shortages are occasionally allowed (40 percent);

(4) desirable, but non-essential items (5 percent);

(5) luxury items (5 percent)

Once the ministries conclude these negotiations, foreign exchange is then allocated to the public and private sectors.

1. Public Sector Allocations

Allocations to the government are made in order to repay foreign debt obligations and to provide for direct government imports. Zimbabwe's debt service is expected to represent 30 percent of its 1986 export earnings, while general public sector consumption should account for 19 percent of GDP (gross domestic product). The GOZ meets most of its import demands through the private sector. For example, ZEMCO imports Caterpillar equipment and spares from the US which it then sells to CMED for use by government ministries. In this case, the GOZ is the end-user of a private sector allocation. A strong and symbiotic relationship has developed between the public and private sectors.

The private sector can receive allocations from any of the sub-heads. In some cases, it receives foreign exchange to import an item for a priority sector, e.g., mining equipment. For the most part, private firms receive allocations from regular commercial (for re-sale) or regular industrial (for production) imports.

2. Basic Allocations to the Private Sector

The basic allocation is determined by a firm's historical consumption and allocation of foreign exchange. A firm's pre-UDI (that is, from 1965) use of foreign exchange determined its initial basic allocations, and that initial allocation, in turn, served as the benchmark for subsequent allocations. The determination of basic allocations by historical use of foreign exchange, therefore, favors pre-UDI recipients, who are able to maintain their "stake" in the system, and disadvantages new entrants. The system consequently relegates other criteria, such as economic efficiency or comparative advantage, to secondary importance.

The Commercial Import Controller, a government employee of the Ministry of Trade and Commerce, but physically located in the offices of the Zimbabwe National Chamber of Commerce, administers both basic and ad hoc commercial allocations, while the Industrial Import Controller, an employee of the Ministry of Industry and Technology, situated with the Confederation of Zimbabwe Industries, is responsible for industrial allocations. If the amount of foreign exchange available for basic allocations changes significantly from that of the previous period, then that change will normally be reflected evenly across the board. If foreign exchange resources are cut 25 percent from one period to the next, then virtually all firms will have their basic allocations reduced by 25 percent. If there is only a small change, then the Commercial Import Controller or Industrial Import Controller will consider expanding or contracting the importation of certain tariff items.

Once the determination is made for each tariff item, all listed importers of the item will receive an allocation established by the "basic" quota. At this point, allocations become a relatively simple exercise. If a firm's quota to import an item is 25 percent and if Z$100 thousand will be allocated for the importation of that item then the firm receives Z$25 thousand as part of its basic allocation. The license issued to a commercial importer permits the importation of a specific tariff item. These licenses do not allow the importer to shift from one tariff item to another.

The total industrial allocation is broken down by industrial division then by individual firms within each division. An industrial allocation may be used to import items under a number of tariff items which have been approved for that particular type of manufacturing operation. The strict prioritization of commercial imports does not apply to industrial imports.

Appeals to the system are possible and consist of making an application to the relevant import controller, who reviews and forwards the appeals to the relevant ministry. The appeal process involves the application for an adjustment to a firm's foreign exchange allocation through the ad hoc system.

3. Ad Hoc Allocations

The ad hoc allocation system provides foreign exchange to supplement basic allocations. Each ministry has a reserve of foreign exchange for contingencies and emergencies. The Commercial Import Controller can approve an ad hoc allocation of up to Z$2.5 thousand, whereas the Industrial Import Controller can approve ad hoc allocations up to Z$5 thousand. Ad hoc requests above those limits are referred to the Joint Allocations Committee. The ad hoc applications must include specific information regarding the use of the funds as well as a statement

from the end-user. These requests are vetted by the appropriate import controller and ministry officials, who investigate the applicant's use of regular allocations, check for improprieties, and verify the pro-forma invoice. Requests for adjustments usually exceed by sixteen times the amount of foreign exchange available for ad hoc allocations, while the requests for basic allocations are generally three to four times the amount available. No firm or enterprise can receive an ad hoc allocation without first being granted a basic allocation. The allocations tend to reflect the GOZ's import priorities.

CIPs from the US and other donors are channelled through the ad hoc system. However, a firm must make a separate application for each ad hoc it needs and a different and separate application for each donor's CIP. CIPs are all handled separately. A firm cannot make a general ad hoc application and expect to be considered automatically for any relevant CIP as well as regular ad hoc allocations. In this manner, the CIPs add to the paperwork and bureaucracy of the system. Many firms, such as Vitafoam (Pvt) Limited, have a fulltime employee to investigate donor aid programs and make ad hoc applications. Smaller firms which cannot expend such resources on paperwork, e.g., Rice and Diethlem (Pvt) Limited, are seriously disadvantaged. Recently, a private consulting firm in Harare began publishing and selling a quarterly list of CIPs available and their rules and regulations.

4. New Projects/Activities Allocations

The foreign exchange allocation system has given the GOZ significant control of the private sector's access to foreign exchange. It has limited the expansion of some firms and the establishment of new firms requiring imports. New firms can obtain foreign exchange, but their applications must be approved by the the New Projects Committee. The criteria upon which the Commercial Projects Committee bases its decisions are presented in Annex E. Although one criterion is that the importer demonstrate the ability to import an item or items at a substantially lower foreign exchange cost than any existing importers of the item(s) concerned, taking into consideration comparable standards of quality and after sales service, there is no provision that the importer sell the item for less. However, the benefits of increased competition are implicit in the allocation and do not in and of themselves serve as sufficient justification for an allocation. Once the Commercial Projects Committee makes a positive decision on an application, the importer will be classified on a separate list for two years. If the recipient has demonstrated efficient utilization and justification of its foreign exchange allocations, then it will be entered on the list of those firms receiving basic allocations.

Figures for new allocations are not available, but members of the allocation committee reported that no more than one or two firms

received new allocations from the Industrial Import Controller, and no firms obtained new allocations under the Commercial Import Controller in 1985. Between 1980 and 1983, new firms and importers registered with the GOZ found it easier to obtain their initial allocations. Foreign exchange was not so scarce until 1982, and the GOZ was anxious to fill with new entrepreneurs the void left by whites who emigrated. The system targeted "emergent businessmen," who in some cases lacked business skills and expertise import goods, and in other cases, they made greater profits by selling their allocations than by importing the items

B. Donor Funded Commodity Import Programs

Between 1980 and 1985, the Ministry of Finance, Economic Planning, and Development estimated that donors provided Z$596 million of aid that was tied to the purchase of commodities and equipment. This estimate, which may be considerably understated, represents 35 percent of the total aid disbursed during the period.

From 1980 to 1985, China, Yugoslavia, and France Provided over 90 percent of their disbursed assistance to Zimbabwe through the CIP mechanism, while Switzerland, Japan, Italy, Canada, and the Netherlands provided over 60 percent through the mechanism. Not less than 30 percent of the assistance of the major donors (those providing over Z$25 million in assistance) was channelled through CIPs. The U.S. CIP represented 42 percent of the total U.S. assistance to Zimbabwe.

The United States was first to introduce the CIP mechanism in Zimbabwe. Consequently, other donors followed the U.S. lead and patterned their programs after the U.S. example. GOZ officials and CIP participants commented throughout the survey, however, that the U.S. CIP had the fewest restrictions and that it was the "cleanest, quickest, and simplest" program. For a description of other donors' CIPs, please refer to Annex F.

Recently, countertrade or barter deals have emerged as a new "aid" mechanism. Some donors may initiate or help to organize a countertrade, but the terms of such deals generally lack any concessionary element. Countertrade accounts for just 2 percent of Zimbabwe's total trade, yet its role a means to finance Zimbabwe's internationals trade is growing. Almost all countertrade arrangements thus far have been with Eastern Bloc countries and have involved "distressed" Zimbabwean goods. Distressed good are those for which international demand remains low. Zimbabwe has used tobacco and asbestos for countertrade. Between 1983 and 1985, Zimbabwe had US$40 million in countertrade with Bulgaria, another US$35 million with East Germany, US$8 million with Romania, and US$7 million with both Hungary and Czechoslovakia. The US company Goodyear has had a countertrade proposal approved to exchange heavy equipment tires for Zimbabwe textiles. The Austrian tobacco monopoly will soon exchange

pharmaceutical raw materials for Zimbabwe tobacco. The major problems encountered in countertrade include brokers' commissions ranging between 30 and 100 percent, the low quality of goods imported, and the further depression of prices for Zimbabwe's distressed goods as some trading partners "dump" these goods on the international market.

C. Composition and Complementarity of CIP Imports

The CIP was channelled through the GOZ's foreign exchange allocation system in order to disburse funds as quickly as possible, and to support the system to prioritize Zimbabwe's import needs. The lack of change in the composition of Zimbabwe's imports from 1978 to 1984 indicates that the GOZ's administration of import priorities did not change as a result of the introduction of the CIP. This is confirmed by the following table.

PERCENTAGE DISTRIBUTION OF ZIMBABWE IMPORTS BY SITC

SITC Classification	1978	1979	1980	1981	1982	1983	1984
(0) Food Products,	1.2	1.8	3.5	1.5	1.0	2.0	7.0
(1) Beverages, Tobacco	0.3	0.4	0.5	0.2	0.2	0.3	0.2
(2) Crude Materials, Non-fuel Items	3.3	3.4	3.2	3.3	3.5	3.9	3.2
(3) Minerals, Fuels Electricity	22.9	29.5	24.1	20.8	16.5	21.1	21.4
(4) Animal/Vegetable Oils and Fats	0.1	0.4	0.8	0.8	0.6	1.1	0.9
(5) Chemicals	15.0	13.9	13.5	14.0	11.6	14.2	14.8
(6) Manufacturers	17.3	17.2	18.5	19.3	14.5	14.5	14.8
(7) Machinery, Transport, Radio TV	25.3	23.1	25.8	32.2	40.7	34.4	31.1
(8) and (9) Misc. Manu. Items and Other	14.7	10.4	10.3	7.9	11.4	8.5	6.5

Source: Government of Zimbabwe: Statistical Yearbook, 1985

The table above reveals that there has been little variability in import allocations from year-to-year. The only SITC groups showing high variability (as measured by the coefficient of variation) are SITC 0 (Food Products) and SITC 4 (Animal or Vegetable Oils and Fats). These variabilities reflect Zimbabwe's sustained drought during the period 1982 to 1984. All other SITC groups show exceptionally low year-to-year variation. The coefficients of variation are low in comparison to those of neighboring countries; they reflect a lack of adjustment in the method of allocating foreign exchange for Zimbabwe.

The distribution of imports financed through the CIP is given in the table below.

PERCENTAGE ALLOCATION OF CIP IMPORTS BY SITC

	- CIP Program -			
	604	605	605A	606
(0) Food Products	0	2	0	2
(1) Beverages, Tobacco	0	0	0	1
(2) Crude Materials, Non-fuel Items	0	2	0	0
(3) Minerals, Fuels Electricity	0	4	8	3
(4) Animal/Vegetable Oils and Fats	0	2	6	0
(5) Chemicals	21	18	7	28
(6) Manufacturers	2	20	10	10
(7) Machinery, Transport, Radio TV	62	37	40	40
(8) and (9) Misc. Manu. Items and Other	14	16	28	17

The major difference between the allocations under the U.S. CIPs and the general GOZ allocations is in SITC 3 (Mineral Fuels and Electricity), which were not imported under the program. If this category is excluded, then there are no major differences between the allocations made under the U.S. CIP and those made under the general GOZ allocations. This finding indicates that the U.S. CIP complemented Zimbabwe's import needs, as determined by the GOZ.

Under the U.S. program, fewer funds were allocated for foodstuffs, non-fuel crude materials, and manufactured items compared to the GOZ average. This is generally due to the competitive pricing and comparative advantage that other countries have in these goods. The United States was the favored source for machinery and equipment, transport, and electrical equipment. There is no systematic observable bias in the allocation of CIP funds which cannot be explained within the scope of U.S. comparative advantage in the region or AID regulations. Although Zimbabwe has received U.S. food commodities, they were not financed under the CIP.

D. The CIP and Economic Efficiency

The major constraint on economic development in Zimbabwe since independence has been the shortage of foreign exchange. A periodic survey done by the RAL Merchant Bank of Zimbabwe since November 1984

reveals the opinions of those in the private sector regarding production constraints. It shows that the number one constraint in the manufacturing sector has been foreign exchange. While 70 percent of the respondents cited this problem in November 1984, 90 percent of the respondents identified it as their primary problem in August 1986. Shortages of raw materials and lack of manufacturing equipment or other productive capacity are the two next significant problems mentioned. They are both related to the shortage of foreign exchange. Raw materials are frequently imported, and foreign exchange shortages have necessitated cutbacks of those inputs. Meanwhile, the GOZ assigns priority to spare parts over new equipment, thereby diminishing the potential productive capacity of individual firms and discouraging new production techniques. Forty percent of the firms surveyed in August of 1986 mentioned a lack of orders or sales as a significant problem.

Government Policy and the Manufacturing Sector, April 1983, a study prepared under the direction of Dr. Doris Jansen and, therefore, more commonly known as the "Jansen Study," developed some reasonably simple but analytically valid methods to measure efficiency. Jansen suggested that the utilization of foreign exchange among Zimbabwean industries should be measured in terms of economic efficiency. In her analysis, she converted all prices of tradeables into comparable international prices. Her domestic resource cost ratio is the ratio of domestic factor costs in social prices to value added (revenue minus tradeable imports) in social prices. This methodology measures the opportunity costs of using domestic factors in production and social profitability, and can compare efficiency across various products and firms.

Since completion of the Jansen study, there have been large devaluations of the Zimbabwe dollar. Consequently, some industries which the study labelled inefficient are now efficient. The GOZ and business have argued that the measures of efficiency proposed in the Jansen study are too global in scope and static in their analysis. Therefore, in their view, the applicability of the study's proposals is undermined. The study adopts a short-run perspective and, as a result of this myopia, does not foresee changes in efficiency through the industrialization process. The Jansen study also ignores the variability of input and output prices, which may make an industry temporarily inefficient. It was faulted for its narrow, incomprehensive analysis of the strengths and weaknesses of the manufacturing sector and of the entire panolply of relevant government policies.

This last criticism of the study is perhaps the most formidable. The manufacturing sector is subject to a labyrinth of government controls affecting labor, wages and prices as well as foreign exchange. Changes in the foreign exchange allocation system without changes in other areas of control will not produce the increases in production given in the Jansen study.

The evaluation team adjusted the ratios in the Jansen study to reflect the devaluation of the Zimbabwe dollar and the degrees of capacity utilization in the manufacturing sector in order to determine which industries, operating at comparable capacities, are the most or least efficient. The industries herein are listed in four categories; within each category, industries are not listed in order of efficiency.

The most efficient industries are:

- meat slaughtering and processing
- bakery products
- sugar refining, confectionary
- other food products
- beer, wine and spirit manufacture
- footwear
- fertilizer and insecticide manufacture
- soaps, detergents, and toilet preparations
- plastic products
- glass and glass products
- agricultural implement manufacture

Relatively efficient industries include:

- grains, animal feeds
- dairy products
- tobacco products
- cotton ginning, textiles (including the Cotton Marketing Board)
- knitted products
- pharmeceuticals
- paints and industrial chemicals
- rubber products
- pottery
- cement and bricks
- light metal products
- industrial electrical equipment

Relatively inefficient industries include:

- soft drinks
- clothing
- sawmilling, wooden products
- furniture
- printing and stationery
- heavy metal equipment
- transport equipment

Very inefficient industries include:

- cotton ginning, textiles (excluding Cotton Marketing Board)
- paper products
- ZISCO (steel)
- non-ferrous metals
- household electrical equipment

Many industries that Jansen listed as inefficient protested on the grounds that they exported and thereby earn foreign exchange. This argument assumes that if a firm exports, it cannot be inefficient. However, the survey revealed that a number of firms export their products at a loss in order to maintain a market toehold and to justify their foreign exchange allocations. As long as the Zimbabwe dollar remains overvalued, then a firm will find it profitable to export, even if it incurs a loss, in order to acquire foreign exchange permitting additional imports and production. By keeping production lines as long as possible, a firm can spread its overhead costs over a larger quantity of items. A firm's exports also establish a base for future basic allocations. Most of these exports, however, are destined for the southern Africa region and do not earn the hard currency that the firm consumes.

The evaluation team, to the extent possible, classified the U.S. CIPs according to whether efficient or inefficient industries were likely to benefit from the allocations. CIP 613-K-604 (1982-83) had the largest proportion of allocations going to efficient industries (plastics, rubber, paints/industrial chemicals, and the Cotton Marketing Board). The next CIP, 613-K-605, had the least efficient allocation due to sizeable allocations to non-Cotton Marketing Board cotton ginning and textiles, soft drinks, paper and non-ferrous metals. The 613-K-606 CIP was relatively efficient due to decreased allocations for the relatively inefficient industries and greater emphasis on plastics, rubber, footwear, and paint/industrial chemicals.

Unfortunately, there is no clear trend towards allocating CIP funds to more efficient or less efficient industries, since the GOZ does not award allocations on the basis of efficiency or comparative advantage, but on historical use of foreign exchange. The lack of any clear trend reflects the GOZ's lack of initiative in reforming the allocation system.

The foreign exchange component of the CIPs was first intended to facilitate the "reconstruction and rehabilitation of the economy." A secondary objective of the CIP was to introduce domestic firms and consumers to U.S. commodities in order to expand the market for American goods. In the case of Zimbabwe, the evaluation team found that a number of producers were already using American products as a result of license requirements, difficulty sourcing from other countries, competitive pricing from U.S. suppliers, dependability, or traditional sourcing. A number of businessmen tried American imports for the first time under the CIP. In general, they commented that U.S. products were exceptionally high in quality and that U.S. suppliers were extraordinarily reliable. Many firms surveyed heavily emphasized this last point, since they had experience with other foreign companies which could not produce the items they agreed to ship.

Many new Zimbabwe users found American goods very expensive, partly due to AID's regulations regarding shipping. While some U.S. goods were priced competitively, many others were not due to the then-overvalued US dollar. In such cases, firms used their basic allocations to purchase from cheaper sources.

Zimbabwe trade figures indicate that there has been a substantial increase in the importance of U.S. imports.

ZIMBABWE IMPORTS FROM THE US AND USAID CIPs

Item	1981	1982	1983	1984	1985
Zimbabwe imports from US (Z$ millions)	74.4	103.5	100.4	111.5	184.9
As percent of total Zimbabwe imports	7%	10%	9%	9%	12%
CIP disbursements (US$million)	0	5.0	47.1	56.4	32.5
CIP disbursements (Z$ millions)	0	4.5	52.1	84.7	53.3
CIP disbursements as percent total Zimbabwe imports from US	0%	4%	52%	76%	29%

Sources: Government of Zimbabwe: Statistical Yearbook 1985, and USAID/Zimbabwe.

The figures presented in the last row may be slightly inaccurate, for a disbursement of CIP funds late in one year might only be reflected in Zimbabwe's import figures for the following year. Imports of American commodities have been increasing since independence; by 1985, the U.S. had established itself as the second largest source of imports for Zimbabwe. The CIP funded over three-quarters of total U.S. exports to Zimbabwe in 1984. Since Zimbabwe was already purchasing over the Z$100 million level, it is difficult to claim that the CIP increased the level of trade from what it would have been otherwise. The relatively high price of U.S. goods at that time probably resulted in trade diversion and a decrease in economic efficiency in Zimbabwe. This hypothesis would be disproven, however, if it could be established that the CIP showed Zimbabwe the trade creation possibilities of purchasing American products.

It is possible that the CIP either replaced normal Zimbabwe imports or maintained the level of imports from the US in the face of an overvalued US dollar. The latter appears unlikely, for imports from

the US increased in 1985, even though the level of CIP disbursements fell. This increased trade in 1985 supports the argument that the CIP caused some permanent shifts in Zimbabwean trade towards the US. The CIP may have convinced some firms to source their products from the United States, even through their basic allocations, as a result of exposure to American products. Another likely hypothesis is that as Zimbabwean firms purchased equipment from the United States, they became dependent upon the United States for spare parts. Overall, the data available since the reduction in the CIP is insufficient to prove or disprove any trade creation hypothesis.

E. Impact of the CIP on Domestic Production

Attempts to measure the macroeconomic effects of the CIP are hazardous at best, for information available does not indicate whether or not firms receiving CIP allocations were representative of the private or productive sectors. All of the firms interviewed during the survey claimed that they would have had to curtail production drastically or go out of business if it were not for the CIP. In general, these interviewees stated the CIP prevented production cut-backs between 30 and 50 percent. Almost all indicated that the CIP had saved their firm. Moreover, every firm interviewed proved itself to be a critical link in the Zimbabwean economy. Only one firm surveyed produced items which could be deemed as luxuries or non-essentials. None produced items which could be considered frivolous.

An analysis of the import content of manufacturing production indicates that every Zimbabwe dollar of imports results in Z$1.10 to Z$1.25 worth of domestic value added. However, this analysis measures only the direct impact on the importing firm.

A 1982 study by the Confederation of Zimbabwe Industries (CZI) entitled "Foreign Exchange Cuts and Manufacturing," included the effect of foreign exchange inputs on total production. The CZI wanted to measure the total impact of a cut in foreign exchange allocations on the "primary-using" industry and on the output of dependent secondary industries. A firm which relies heavily upon imports for its end-product may serve as a critical link in the economy's chain. In that case, the dependency of the economy on imports is understated if only the output of the "primary using" firm is estimated. The CZI found that each Zimbabwe dollar in foreign exchange contributed Z$5.00 dollars in value added. It broke down the results for each industry in a manner approximating the SITC. The industries which had the greatest amount of local value added for each imported dollar were beverages/tobacco, foodstuffs and non-metallic minerals. The industries with the least amount of local value added but contributing at least Z$3.00 to domestic value added included the textile, clothing, and footwear industries.

Vitafoam (Pvt) Limited offers an illustration of the economic chain effect. It is 100 percent dependent upon imported chemicals and machinery to manufacture foam. It consumes US$3.6 million in foreign exchange each year to supply 75 percent of the domestic market with foam. The only domestic value added is labor contributed by 160 employees, packaging, and transportation. Although foam may not appear to be a critical industry, 30 thousand jobs in seven secondary and related industries, including furniture manufacturers, require it as a critical input. the furniture industry is rapidly increasing its export market and cannot continue expansion without Vitafoam supplies.

The CIP provided substantial allocations for the importation of tractors and other farm equipment which indirectly impact the food processing industry. A minor proportion of the CIP provided assistance to the soft drink and tobacco industries. Essentially, the CIP did not help those industries generating the highest domestic value added. Most of the CIP has been channelled to industries whose products have little domestic content.

The CZI expects that if its study were conducted again today, the results would show that each Zimbabwe dollar of foreign exchange generates roughly Z$4.00 domestic value added. The industries assisted by the CIP would probably create a level of domestic content between Z$2.50 and Z$3.00 for every Zimbabwe dollar of imported goods. Using these results, the evaluation team determined that a US$10 million (Z$16 million) reduction in the CIP in 1986-87 will reduce value added (GDP) in Zimbabwe by approximately Z$40 million. This is equivalent to a reduction of one-half of one percent in GDP. Were half the goods imported by the CIP used directly in manufacturing, a decrease in manufacturing value added of up to 1 percent would result.

A cost/benefit analysis of the CIPs foreign exchange element would basically indicate that every dollar of foreign exchange provided under the CIP yielded Z$2.00 worth of domestic production. This analysis even includes the adjustment of domestic prices to reflect the overvaluation of the Zimbabwe dollar and the effect of price controls. If all the CIP's foreign exchange went into raw materials used in the production process, then the internal rate of return would be approximately 200 percent. Since much of the CIP's foreign exchange went to the purchase of equipment and spare parts, the actual internal rate of return ought to be even higher in light of the finding of the CZI study.

Despite the large returns to imported items, Zimbabwe cannot borrow the needed foreign exchange on international markets, since such borrowing will not generate the foreign exchange to repay the debt. The domestic value added by imported items is in local currency and sold on domestic or regional markets.

In 1983, the CIP probably contributed directly to the production of 2.3 percent of Zimbabwe's GDP. This figure rose in 1984, the year marking the largest disbursement of CIP funds, to roughly 3.8 percent of GDP. Even in 1985, the CIP imports were responsible for approximately 1.7 percent of GDP. The importance of the CIP on manufacturing output as a percentage of output was nearly twice that of the effect of GDP.

Donors' CIPs are becoming increasingly important to the manufacturing sector in light of the declining value of industry's basic allocations.

BASIC FOREIGN EXCHANGE ALLOTMENTS AND MANUFACTURING PRODUCTION
Indexed: 1981 = 100

Six Month Period		Basic Industry Alloc Index	Purchasing Power (Z$)	Real Value of Allocation	Index of Manufact
1981	I	100.0	100.0	100.0	
	II	97.8	96.9	94.8	100
1982	I	83.6	96.8	80.9	
	II	73.9	88.5	65.4	99
1983	I	70.1	75.9	53.2	
	II	66.2	71.1	47.1	97
1984	I	53.5	66.5	35.6	
	II	53.5	56.5	30.2	92
1985	I	54.3	52.2	28.3	
	II	69.8	45.3	31.6	104
1986	I	71.3	41.8	29.8	
	II	71.3	40.0	28.0	109

Note: The Basic Industry Allocation is figured in Zimbabwe dollars and then indexed. the Purchasing Power of the Zimbabwe dollar is measured in terms of its exchange rate against the IMF's SDR. The Real Value of the Allocation is the basic allocation in Zimbabwe dollars times the purchasing power of the Zimbabwe dollar.

Sources: First three columns, Zimbabwe Banking Corporation, "Economic Newsletter," 1/31/86 (updated by its author); last column, Table 8.8, Statistical Year Book 1985, Government of Zimbabwe (1985 and 1986 updates based on estimated increased in production given in Standard Chartered Bank's "Economic Bulletin, Zimbabwe," September 1986).

The column on the international purchasing power of the Zimbabwe dollar exaggerates the fall in the external value of the Zimbabwe dollar. The SDR does not include in its basket the South African rand. Since South Africa accounts for around one-fifth of Zimbabwe's trade and since its currency has declined against the Zimbabwe dollar, the actual fall in a "trade weighted" basket of currencies will be less than indicated. However, the SDR is easy to use and it provides a good approximation of the fall in the purchasing ability of allocations in Zimbabwe dollars.

In addition to the nearly 30 percent drop in the allocation of Zimbabwe dollars to the industrial sector, these allocations continue to purchase less foreign currency. current allocations can purchase only one-fourth of the foreign exchange they could during the January to June period of 1981. Despite this devaluation, manufacturing production fell just slightly through 1984, before increasing substantially in 1985. Production growth of 5 percent is estimated for 1986.

There are several explanations for this anomaly. First, the allocation index relates only to the basic industrial allocations. During this period, commodity import programs (of which the US CIP was the largest) contributed substantial amounts to meet industry's foreign exchange needs. Zimbabwe Banking Corporation's June 30, 1986 Economic Newsletter, "Foreign External Assistance to Zimbabwe 1980-1985," stated:

> The CIP assistance financed an annual average of approximately 20 percent of imports by commerce and industry over the past five years with the figure rising to one-third of private sector imports in 1984 and 1985. This largely explains why, for example, it was possible to sustain industrial production despite declining global import allocations from the country's own foreign earnings.

Manufacturing could not have maintained its levels of production without substantial donor assistance. The World Bank's Export Revolving Fund also provided significant foreign exchange resources to the manufacturing sector. Secondly, the fall in the Zimbabwe dollar is overestimated using the value of the SDR. A trade-weighted basket of currencies, heavily dependent upon the value of the South African rand, determines the exchange rate of the Zimbabwe dollar. Thirdly, Zimbabwe industries are able to maintain production because allocations have heavily emphasized spare parts and the up-keep of existing plant and equipment. UDI adapted the private sector to shortages and made it resourceful. Finally, the foreign exchange allocation system is able to channel its resources so that any deleterious effect on production are kept to a minimum.

F. Effect of the CIP on Employment

The result of the survey indicated that the CIP had only a small direct impact upon employment. Labor legislation enacted after independence seriously discourages firings and lay-offs. Consequently, many firms which have curtailed production have a pool of idle and unproductively employed workers.

The latest data available from 1983 indicates that the manufacturing sector employed 173,400 people. That year industrial allocations were around Z$265 million. This admittedly crude, static and global analysis indicates that the average manufacturing worker is supported by Z$1.5 thousand of imported goods. Allowing for

inflation since 1983, this analysis would claim that the average manufacturing worker now is supported by roughly Z$2 thousand of imports. Therefore, a US$10 million reduction in the CIP will leave an additional 8 thousand workers, or 5 percent of manufacturing workers, unproductively employed.

G. Effect of the CIP on Balance of Payments

Zimbabwe's balance of payments received substantial support from donor assistance. Commodity import programs amounted to US$349 million from 1981 to 1985. This amount equals 7 percent of total imports during the entire period, and CIPs accounted for 10 percent of total imports in both 1984 and 1985. Eighty to one hundred percent of the donors' CIP funds available were earmarked for the private sector, which therefore benefitted heavily.

It is impossible to determine precisely the amount of foreign exchange earmarked for specific purposes, but approximately 80 percent of the Z$78 million made available by twelve donors through CIPs in 1985 went to the private sector. That amount would be equivalent to increasing the manufacturing sector's basic allocations by almost 50 percent if all those resources were directed to that sector.

The figures suggest that CIP assistance financed approximately one-fifth of commerce and industry's annual imports over the past five years, and one-third of the private sector's imports in 1984 and 1985. Without the resources made increasingly available through CIP mechanisms and the World Bank's Export Revolving Fund, Zimbabwe would not have been able to maintain its level of imports with its own export earnings. Industrial production would have fallen significantly.

H. Effect of the Program on Policy Dialogue

There are two elements to the CIP; the provision of foreign exchange to purchase imports from the US, and the subsequent use of counterpart funds (local currency) generated from the imports to finance development projects and programs. The foreign exchange element operates under existing GOZ mechanisms with minimal interference from AID. AID, therefore, has implicitly accepted the GOZ's foreign exchange allocation system and has not attempted to modify it.

It is questionable whether the U.S. program has ever been large enough to permit a dialogue on the entire allocation system, the general scope of government control, or other policy issues related to the GOZ allocation system. The Mission has used other funds to commission studies on certain issues, but it has not undertaken any formal policy dialogue. The grant agreement for the CIP 613-K-605 included an annex which indicated that the GOZ had independently taken a series of policy steps designed to stimulate the economy,

manage demand and promote exports. The annex further indicated that the CIP intended to provide additional resources to underpin and render more effective those adjustments and stabilization measures.

VI. DEVELOPMENTAL IMPACT OF CIP

A. CIP's Relationship to Development Objectives

The 1982 CIP listed the three goals of US assistance to Zimbabwe as:

(1) to help create a multiracial, democratic state;
(2) to improve the quality of life for the poor black majority;
(3) to assist the GOZ in achieving self-sustained equitable growth.

It continued: "A major determining factor [in the administration of the CIP] has been our recognition that the central administration of the GOZ is probably the most capable and most efficient in Africa. For this reason, the USAID strategy is to rely heavily on GOZ capability for planning and implementation of their own development program".

The foreign exchange component of the CIP was designed to strengthen "the productive sector by making additional imported commodities available for procurement by private and public entities and enabling them to play a more active role in national reconstruction/rehabilitation and development tasks." The local currency generated was to "be used to support a range of Government programs for reconstruction and development [activities] in the education, health, agriculture and small-scale enterprise sectors." Subsequent CIPs have mirrored these precepts with only slight modifications.

AID has made a distinction between providing foreign exchange to the private sector in order to support larger macroeconomic goals, and allocating local currency for development projects and programs. A further distinction can be made between growth and development. Growth necessitates increases in the value of major economic variables, such as income, employment, and production. Development requires changes in the composition of the major economic variables, e.g., changes in the distribution of income and wealth.

Obviously, there exists a link between growth and development. Growth (metaphorically, an expanding pie) facilitates development and opens options to society. Growth may not be possible without development's changes in economic relationships.

The CIP illustrates a strong relationship between growth and development. Foreign exchange allocations are based upon an existing system which serves the interests of existing businesspeople and manufacturers. The CIP increased the foreign

exchange available in the system and enabled the private sector to maintain or increase levels of production, employment, and income. It did not change the composition or distribution of the ensuing benefits.

The local currency component of the CIP was designed to facilitate changes and development. Thus, the developmental impact of the CIP lies mostly within the local currency component, which will be analyzed in a separate evaluation.

B. Complementarity of the CIP with Other Donor Programs

The U.S. CIP served as a model to guide the GOZ and other donors. The CIP gave the GOZ considerable flexibility and discretion by operating through existing mechanisms. To this extent, the CIPs of various donors have complemented each other.

Donors did not meet and agree on general terms for CIPs, nor did they coordinate the sectorization of their programs. The United States targeted some of its CIP resources to agriculture, while other donors favored other sectors or offered non-targeted assistance. Nevertheless, the CIP mechanism worked from the GOZ's viewpoint because Zimbabwe requires imports from many sources in a variety of sectors. The widespread adoption of the CIP programmatic form may have reduced trade diversion.

VII. CONCLUSIONS AND RECOMMENDATIONS

The evaluation team had extensive information and resources placed at its disposal. As a result of interviews with Zimbabwean businesspeople, bankers, economists, GOZ and USAID officials, it was able to gather a great deal of firsthand information and insights. Various publications provided additional and useful figures and analyses. Reviewing the past performance and impact of CIPs 613-K-604, 613-K-605 and 605A, and 613-K-606, the evaluation team made the following conclusions.

1. Macroeconomic Impact of the CIP

The CIP had a deep and significant impact on the Zimbabwean economy as a whole and on the private sector in particular. Individual firms stated during the course of the survey that their production levels would have dropped 30 to 50 percent if they had not received allocations under the CIP. According to the CZI, at the peak of the CIP's disbursements in 1984, CIP imports were responsible for 3.8 percent of GDP and approximately 5 percent of total employment. It then financed 75 percent of US imports in Zimbabwe.

2. Impact of the Withdrawal of the CIP

The loss of the US$10 million 1986 CIP will result in a 0.5 percent reduction in GDP and an additional reduction in productive

employment for 8 thousand people. From 1980 to 1985, donors' commodity import programs represented 30 percent of the private sector's foreign exchange allocations; the US CIP accounted for 20 percent of all commodity import assistance. Therefore, the elimination of the CIP in Zimbabwe will have a deleterius effect on the entire economy but particularly on the private sector, which received the lion's share of the assistance. In some cases, the US was the sole source of certain imports; in other cases, it was the best quality or cheapest source. Most firms which required or preferred US imports were naturally channelled into the CIP. Since their ad hoc allocations will be cut as a withdrawal of the CIP, they will have to reduce their imports or seek alternative suppliers. Without the CIP, US exports to Zimbabwe will decline, but to what extent remains uncertain.

3. The GOZ's Foreign Exchange Allocations System and the CIP

AID was able to implement the CIP and disburse funds quickly and efficiently by using the GOZ's existing allocation system. Established businesses were familiar with the system and thus able to take advantage of the CIP easily. The historical basis upon which foreign exchange allocations are awarded does discourage new entrants to the system. Since the primary objective of the CIP was to facilitate the rehabilitation and reconstruction of the economy, the decision to work the program through the GOZ's existing system was well taken in the historic context.

4. Impact of CIP on Individual Firms

Evidently, the CIP saved several firms from bankruptcy and maintained the viability of others. It provided raw materials and equipment essential to individual firms as well as critical industries and the national economy. Some firms, such as Berkshire International, doubt that they will be able to stay in business without the CIP. The program established not only good business relationships but also goodwill and a positive impression of the United States.

5. AID'S Management and Administration of the CIP

The Commodity Management Officer, John Lewis, managed and administered the CIP exceptionally well. According to the firms surveyed, he kept CIP-users well informed, responded quickly to any questions or concerns, and resolved any difficulties arising with US banks and suppliers. CIP-users found the program's rules to be clear and direct, and the actual operation of the program to be more efficient than that of any other donor. They generally stated that it took the GOZ approximately six months longer to process a U.S. CIP allocation than a regular ad hoc allocation. GOZ officials also stated that from their viewpoint, the U.S. program had the fewest restrictions and was the simplest to administer.

The CIP, along with other bilateral assistance to Zimbabwe, has been indefinitely suspended. The evaluation team's recommendations will not have any immediate impact in Zimbabwe but may prove useful in the future. In light of current US-Zimbabwe relations and the findings stated above, the evaluation team offers the following recommendations for any future CIPs.

1. An evaluation of the GOZ's foreign exchange allocation system should be preformed prior to commencement of the CIP. Such an evaluation would uncover and analyze inherent strengths, weaknesses, and biases within the system. The evaluation should be done in close cooperation with the GOZ, for its officials are well aware of the system's shortcomings. They have expressed a desire to reform the allocation system, but Zimbabwe's present balance of payments problems have created a "management-by-crisis" situation, in which long-run needs and reforms are overshadowed by immediate crises. By offering a large CIP, the US may help the GOZ to implement necessary changes in the allocation system. An evaluation of the allocation system may also enable the US to offer a small CIP addressing specific biases within the system.

2. The private sector's absorptive capacity for foreign exchange indicates that a future CIP could be entirely directed to that sector. The private sector is strategically important to Zimbabwe due to its productivity, jobs, and its self-reliant and diversified nature.

3. The CIP should not be targeted to specific productive sectors (e.g., agriculture) or activities unless evidence exists that the present allocation system is biased against them and that this bias undermines the economy as a whole. In the absence of such evidence, sectorization complicates the administration of the CIP and creates distortion which may have deleterious effects on the economy by channelling resources to one sub-sector over another.

4. If AID and the GOZ agree that, for administrative purposes, the minimum allocation should be US$10 thousand, then AID should encourage the use of consolidators. Consolidators enable several firms which require less than US$10 thousand to share an allocation. Thus, more private enterprises could benefit from the CIP. Also, it is possible that consolidators could obtain better prices on larger purchases, as well as reduce shipping costs from the US.

5. The disbursement period should be set for 24 months, rather than 18, so as to allow for all residual funds from individual transactions to be consolidated, re-allocated and disbursed.

In conclusion, the evaluation team commends USAID/Zimbabwe and the GOZ for administering an extraordinarily efficient, clear and understandable program. The CIP had a major and salutary impact on the reconstruction and rehabilitation of the private sector. It addressed Zimbabwe's post-independence needs and objectives very well.

The withdrawal of the CIP is going to undermine severely the health and well-being of the private sector and the national economy. Another CIP, particularly a large CIP (e.g., US$40 million), could open doors for a policy dialogue between the US and the GOZ in a number of important areas, as well as assist the GOZ to meet some of its future long-term objectives, including a reform of the foreign exchange allocation system.

This evaluation covers only one side of the CIP. The local currency side of the program is equally important to the foreign exchange component, and accounts for the main developmental impact of the CIP in the public sector. An evaluation of the local currency projects funded under the CIP is currently being undertaken.

SUMMARY OF ALLOCATIONS
October 1, 1986

Private Sector

FARM GOODS				
Vehicles				
Tractors & Spares	$5,768,446			
Combines & Spares	3,829,416			
Hay Balers & Spares	1,140,496			
Heavy Lift/Loading Equip	606,686			
		$11,345,044		
Livestock, Poultry and Related Items				
Bulls, Bovine Semen & Embryos	455,254			
Feed Supplements	358,500			
Dairy Equipment	273,672			
Growth Stimulants	226,000			
Silage Equip. & Spares	56,816			
Baby Breeder Chicks	30,000			
		1,400,242		
Material				
Hay Baling Twine	793,326			
Seeds	266,486			
		1,059,812		
Total Farm Goods			$13,805,098	
OTHER AGRICULTURAL EQUIPMENT				
Manufacturing and Processing				
Presses & Spares	349,023			
Meat Processing Equip.	46,120			
Extruder Cooker Unit	30,000			
		425,143		
Other				
Computers & Spares	806,898			
Truck Components & Spares	696,630			
Engines, Pumps & Spares	488,312			
Agric. Aircraft Spares	335,462			
Machines/Implement Parts	273,001			
Sprayer/Sprinkler Parts	141,660			
Outboard Motors	46,502			
Communication Equipment	45,620			
Other Equipment	29,414			
		2,863,499		
Total Other Agricultural Equipment			3,288,642	
RAW MATERIALS				
Manufacturing				
Resins, Plastics & Filter Tow	4,643,420			
Tire & Belting Mfg. Materials	1,357,542			
Food Packaging Materials	1,064,829			
Battery Mfg. Materials	287,638			
Fertilizer Raw Materials	159,430			
Nylon Yarn	49,896			
		7,562,755		
Food Processing				
Sausage Casings	274,850			
Seasonings	152,761			
		427,611		
Total Raw Materials			7,990,366	
TOTAL PRIVATE SECTOR ALLOCATIONS				$25,084,104

Public Sector

COTTON MARKETING BOARD					
Ginning Equipment	5,044,785				
AGRICULTURAL MARKETING AUTHORITY					
Computer Equipment & Software	771,358				
COLD STORAGE COMMISSION					
Meat Weighing & Process. Equip.	55,935				
		5,903,143			
			5,872,078		
TOTAL PUBLIC SECTOR				5,872,078	
TOTAL PRIVATE AND PUBLIC SECTOR ALLOCATIONS					30,956,182
UNALLOCATED FUNDS					43,818
TOTAL PROGRAM					$31,000,000

Note: Amounts in U.S. Dollars

SUMMARY OF ALLOCATIONS
October 1, 1986

Private Sector

FINISHED GOODS			
Computer Hardware, Software & Spares	$ 2,907,036		
Heavy Construction Equipment & Spares	2,377,808		
Manufacturing Equipment, Tools & Parts	1,558,785		
Other Finished Goods	1,052,092		
Industrial Equipment & Spares	678,825		
Heavy Lift Equipment & Spares	612,363		
Agricultural Aircraft Spares	425,205		
Telecommunications Equipment	313,800		
		$ 9,925,914	
INTERMEDIATE GOODS			
Miscellaneous Mfg. Components	902,479		
Industrial Refrigeration Equipment Parts & Supplies	194,527		
Animal Feed Supplements	177,379		
Truck Components & Spares	128,578		
Paper Products	114,000		
Sausage Casings	105,633		
		1,622,596	
RAW MATERIALS			
Resins, Plastics, Synthetic Rubber & Chemicals	7,940,233		
Fabrics, Yarns, Leather & Dyes	5,329,677		
Tire & Tube Mfg. Materials	2,403,404		
Packaging Mfg. Materials	1,275,000		
Tallow, Paraffin Wax & Petroleum Jelly	1,047,534		
Metal Sheets & Strips	614,040		
Health Care Mfg. Materials	556,366		
Agricultural Products (Pea Beans)	459,913		
Food Processing Materials	429,424		
Glass Mfg. Materials	325,913		
Bovine Embryos	50,000		
		20,431,504	
TOTAL PRIVATE SECTOR			$31,980,014

Public Sector

FINISHED GOODS				
Hot Box Detection Network	1,950,000			
Computer Hardware & Software	1,282,740			
Communications equipment	1,269,526			
Airport Ground Handling Equipment	517,077			
		5,019,343		
TOTAL PUBLIC SECTOR			5,019,343	
TOTAL PRIVATE AND PUBLIC SECTOR ALLOCATIONS				$36,999,357
UNALLOCATED FUNDS				643
TOTAL PROGRAM				$37,000,000

SUMMARY OF ALLOCATIONS
October 1, 1986

Private Sector

FINISHED GOODS			
Computer Hardware, Software & Parts	$ 1,155,363		
Heavy Construction Equipment	920,515		
Misc. Finished Goods	180,400		
Typesetting Machinery	149,390		
Motor Vehicle Parts	116,000		
Aircraft Parts	81,000		
		$ 2,602,668	
INTERMEDIATE GOODS			
Industrial Refrigeration Parts & Supplies	205,314		
Irrigation Equipment Components	26,873		
		232,187	
RAW MATERIALS			
Tire and Tube Mfg. Materials	2,200,000		
Paper Board	793,475		
Lubrication Additives	772,275		
Resins, Plastics and Chemicals	641,390		
Tallow and Paraffin Wax	600,000		
Packaging Mfg. Materials	254,000		
Food Processing Materials	250,000		
Fabric and Yarn	217,800		
Health Care Mfg. Materials	200,000		
Stamping Foil	10,000		
		5,938,940	
TOTAL PRIVATE SECTOR			$ 8,773,795

Public Sector

FINISHED GOODS			
Heavy Lift Equipment & Spares	773,802		
Cotton Ginning Equipment	346,652		
		1,120,454	
TOTAL PUBLIC SECTOR			1,120,454
TOTAL PRIVATE AND PUBLIC SECTOR ALLOCATIONS			$ 9,89
UNALLOCATED FUNDS			10
TOTAL PROGRAM			$10,00

SUMMARY OF ALLOCATIONS
October 1, 1986

Private Sector

FINISHED GOODS			
Forklifts, Heavy Equipment & Spares	$ 8,536,328		
Computer Hardware, Software & Parts	2,988,047		
Motor Vehicle Parts	970,483		
Manufacturing Equipment, Tools & Parts	1,096,804		
Telecommunications Equipment	390,778		
Other Finished Goods	532,763		
Stationery Supplies	235,902		
Agricultural Aircraft Spares	73,400		
		$14,824,505	
INTERMEDIATE GOODS			
Industrial Refrigeration Equipment, Parts & Supplies	84,180		
		84,180	
LIVESTOCK			
Bulls	50,000		
		50,000	
RAW MATERIALS			
Tire & Tube Mfg. Materials	4,745,300		
Resins, Synthetic Rubber & Chemicals	2,974,061		
Paraffin Wax, Petroleum Jelly & Lubricating Oils	1,185,801		
Fabric & Yarn	1,140,861		
Packaging Mfg. Materials	1,287,073		
Agric. Produce (Split Peas)	440,000		
Food Processing Materials	300,234		
Wood & Paper Products	290,580		
Metal Sheets, Strips & Plates	409,974		
		12,773,884	
TOTAL PRIVATE SECTOR		27,732,569	

Public Sector

FINISHED GOODS			
Parking Meters	200,000		
TOTAL PUBLIC SECTOR		200,000	
TOTAL PRIVATE AND PUBLIC SECTOR ALLOCATIONS			27,932,569
UNALLOCATED FUNDS			1,067,431
TOTAL PROGRAM			$28,000,000

INFORMATION AND GUIDANCE

ON THE

IMPLEMENTATION

OF

UNITED STATES

AGENCY FOR INTERNATIONAL DEVELOPMENT

COMMODITY IMPORT PROGRAMS

IN

ZIMBABWE

UNITED STATES OF AMERICA

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I. INTRODUCTION

The purposes of the U.S.A.I.D. Commodity Import Programs (CIP) are to provide badly needed foreign exchange to the Government of Zimbabwe, as well as to generate Zimbabwe dollars for use in development programs. This pamphlet is to provide information and guidance to importers in implementing procurements which are to be funded under a CIP or CIP element of a larger program, as well as to provide information to those importers seeking foreign exchange allocations under a U.S.A.I.D. CIP. *Details regarding a particular or specific CIP, including items to be financed, are contained in the one-page addendum inserted at the back of this pamphlet.* The addendum notes any features unique to the particular CIP and any variations to the general guidance provided in the body of this pamphlet.

In the event of any discrepancies between information in this pamphlet, including the addendum, and the relevant Agreement or A.I.D. Regulation 1, the latter two shall govern. Any questions concerning a U.S.A.I.D. CIP or information contained in this pamphlet should be directed, as appropriate, to the following offices: Import Planning Branch, Ministry of Trade and Commerce, or U.S.A.I.D., P.O. Box 3340, Harare, telephone number 720757.

II. IMPLEMENTATION OF THE COMMODITY IMPORT PROGRAM

A. Allocation of Funds

The decision and responsibility for the allocation of funds to the *private sector* importers will rest with the Ministry of Trade and Commerce and the Ministry of Industry and Technology, and will be carried out in accordance with their established procedures. Each application for foreign exchange should, however, indicate that the item(s) covered can be sourced from the United States of America. Upon an importer's receipt of an allocation of foreign exchange under the CIP, the documents from the Ministry of Trade and Commerce will inform him/her of the source of the funding.

The allocation of funds to the *public sector* entities will be coordinated by the Ministry of Finance, Economic Planning and Development, in consultation with the Ministry of Trade and Commerce.

Any questions concerning allocations or allocation procedures should be directed to the appropriate Ministry.

B. Applicability of A.I.D. Regulation 1

All commodity transactions financed under the CIP are subject to *AID Regulation 1.* This document sets forth, *inter alia,* the responsiblities of the importers, suppliers and U.S. banks who are involved in commodity procurements under

the CIP. Limited copies of A.I.D. Regulation 1 are available from the Imports Control Branch of the Ministry of Trade and Commerce and the U.S.A.I.D. office. Copies are, however, available for importers to use and consult in these offices.

C. Items Eligible for Financing under the CIP

It is the policy of the U.S.A.I.D. to fund only those commodities which have been determined to be eligible in terms of general and specific program objectives. U.S.A.I.D. want to assure that the commodities imported under the Commodity Import Program make a positive contribution to development in Zimbabwe; therefore, broad limitations on the categories of commodities that are eligible for financing have been established. Thus, there are restrictions on the funding of luxury goods, unsafe or ineffective products, used equipment, etc.

Commodities eligible for funding by A.I.D. under the Commodity Import Program are those listed in the A.I.D. Commodity Eligibility - 1983 Edition. Copies of the document are available for review in the U.S.A.I.D. office. In addition to the requirements of source, origin and componentry, the commodity must be unused and may not have been disposed of as surplus by any governmental agency. The following related costs to a commodity transaction are also eligible for financing:

(1) **Commodity related services**, including transportation, marine insurance, port charges, equipment installation or erection, and the training of personnel in the operation, use and maintenance of the equipment.

(2) **Bid bonds or guaranties and performance bonds or guaranties**, provided that the principal amount of the bond or guaranty does not exceed the amount customary in international trade for the type of transaction and commodity involved.

(3) **U.S. bank charges** related to processing and making payments against letters of credit issued under the A.I.D. Letters of Commitment.

D. Authorized Source of Procurement

All commodities financed by A.I.D. under the CIP must meet tests of "source", "origin" and "componentry".

(1) **Source**

The source of procurement under the CIP is the A.I.D. Geographic Code 000, which is defined by A.I.D. as the United States of America, the District of Columbia, and areas of U.S.-associated sovereignty (including trust territories). "Source" means the country from which a commodity is shipped to Zimbabwe. However, where a commodity is shipped from a free port or bonded warehouse in the form in which received therein, "source" means the country from which

the commodity was shipped to the free port or bonded warehouse. Therefore, commodities shipped from the U.S.A. to a bonded facility may be funded under the CIP, provided all other requirements of A.I.D. Regulation 1 are satisfied.

(2) Origin

Additionally, commodities must be of Geographic Code 000 origin. The "origin" of a commodity is the country or area in which it is mined, grown, or produced. A commodity is produced when through manufacturing, processing or substantial and major assembling of components a commercially recognized new commodity results that is substantially different in basic characteristics or in purpose or utility from its components.

(3) Componentry

"Components" are the goods that go directly into the production of a commodity. A.I.D. componentry rules for commodities produced in Geographic Code 000 are as follows:

(a) If the commodity contains no imported componentry it is eligible for A.I.D. financing.

(b) Components from Free World countries are limited according to the following rules:

(i) They are limited only if they are acquired by the producer in the form in which they were imported.

(ii) The total cost of such components to the producer of the commodity (delivered at the point of production of the commodity) may not exceed 50 per cent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export sale (whether or not financed by A.I.D.).

(iii) Any component from a non-Free World country makes the commodity ineligible for A.I.D. financing.

E. Procurement Procedures

(1) Private Sector

All procurement under the CIP by the private sector importers shall be subject to the Section 201.23 "Negotiated Procurement Procedures", as set forth in A.I.D. Regulation 1. Procurement on a negotiated basis shall be in accord with good commercial practice. Solicitations by the importer for quotations and offers shall be made uniformly to a reasonable number of prospective suppliers and all quotations and offers received, whether or not specifically solicited, shall be given consideration before making an award. To provide suppliers in the United States with an opportunity to participate in furnishing commodities which may be purchased on a negotiated basis under A.I.D. financing, A.I.D. will periodically publish for each cooperating country a list of commodities which may be expected to be imported, and the names and addresses of the importers

which have traditionally purchased those commodities. Interested suppliers will then make offers or furnish quotations on the products they desire to sell, directly to the importer of these products. A.I.D. will not publicize specific proposed purchases which are to be undertaken on a negotiated basis unless specifically requested to do so by the importer in accordance with the provisions as outlined below.

If the importer elects to solicit quotations and offers for specific proposed purchases through publication by A.I.D., A.I.D. will notify prospective suppliers of the export opportunity. Requests for such notification shall be submitted to the Small Business Office, A.I.D., Washington D.C. 20523, and shall contain the name and address of the importer, a full description of the commodities required, applicable price and delivery terms and other relevant procurement data in terms of U.S. standards. Requests for publication may also be submitted to the U.S.A.I.D. office for transmittal to A.I.D. in Washington.

A.I.D. may require that the importer furnish an abstract in the English language and identify thereon all offers or quotations received, the offer accepted or order placed, the price, the quantity, the name and address of all persons submitting offers and of their principals, if any (including manufacturers or processors of the commodity).

Notwithstanding the above, solicitation of offers from more than one supplier is not required if:

(a) The importer is purchasing for resale or processing, as the supplier's regularly authorized distributor or dealer, a commodity which, under the terms of the dealership or dealer agreement, the importer is precluded from buying from another supplier, or

(b)The importer is purchasing for resale a registered brand-name commodity from a supplier who is the exclusive distributor of that commodity to the area of the importer.

A.I.D. may require the importer to furnish, or cause to be furnished, to A.I.D. documentary evidence of the existence of the relationship described in paragraphs (a) and (b), above.

(2) Public Sector

Unless otherwise agreed by U.S.A.I.D., all public sector procurement transactions under the CIP in excess of U.S.$25 000 shall be carried out in accordance with Section 201.22 "Formal Competitive Bid Procedures" of A.I.D. Regulation 1. The U.S.A.I.D. will assist the procuring entity in the preparation of the invitation for bids, so as to include all A.I.D. requirements. The U.S.A.I.D. will also assist in arranging the advertisement of the invitation for bids in the U.S.A., as required by Section 201.22(b) of A.I.D. Regulation 1.

For purposes of the CIP, a public sector entity is considered to be any organization which is more than 50 percent owned by the Government of Zimbabwe, as well as all statutory bodies and local authorities.

(3) Notice to Suppliers

The importer, whether private or public sector, is responsible for advising the supplier of the following:

(a) Notice that the transaction is to be financed by A.I.D. under part 201 of A.I.D. Regulation 1;

(b) The identification number of the implementing document (see enclosed addendum for this number);

(c) The eligible source of the goods (see paragraph D.(1));

(d) The delivery period;

(e) Documentation requirements.

(4) Ineligible Suppliers

A.I.D. maintains a list of Ineligible Suppliers which consists of all suppliers and affiliates who have been debarred or suspended by A.I.D. from supplying commodities and commodity related services under A.I.D.-financed activities. A list of the suppliers will be provided to all importers receiving allocations under the CIP.

F. Financing Procedures

(1) Minimum Size of Transaction

For purposes of reducing the administrative burden of implementing the CIP, a minimum size for an individual transaction has been set. The terms of the CIP Agreement require that no foreign exchange allocation or letter of credit issued pursuant to the Agreement be in an amount less than U.S.$10,000, except as the U.S.A.I.D. may otherwise agree in writing.

(2) Letters of Commitment

On the basis of a request from the Ministry of Finance, Economic Planning and Development, the U.S.A.I.D. has arranged for the issuance of a letter of commitment by A.I.D. in Washington to a U.S. bank designated by the Ministry. In order to allow importers to use the banks that regularly handle their business, all commercial and merchant banks operating in Zimbabwe have been named "approved applicants" by the Ministry.

(3) Letters of Credit

When issuing foreign exchange allocations, the Ministry of Trade and Commerce will advise the importer if his allocation is to be funded under the Commodity Import Program. After drawing a "Customs Clearance Only" import licence, the importer may then request an approved applicant bank to open a

letter of credit in favor of the designated U.S. supplier. The approved applicant bank will open the letter of credit and have it either advised or confirmed by the U.S. letter of commitment bank, to the U.S. supplier. Upon shipment of the goods from the U.S.A., the supplier will submit the documents required under the letter of credit to the U.S. bank, which will make payment in full, unless other arrangements have been made in the letter of credit. The payment by the U.S. bank to the supplier is made from their own funds. Therefore, the U.S. bank charge interest, at the current U.S. rate, on the disbursed funds until they are reimbursed by A.I.D. Reimbursement by A.I.D. to the bank is normally completed within 48 hours, so as to hold interest costs to a minimum. These interest costs are passed on to the importer by the Zimbabwean bank as part of the U.S. bank's charges under the letter of credit.

(4) Payment of Zimbabwe Dollars

Once payment has been made to the supplier by the U.S. bank, they will notify the bank in Zimbabwe, which opened the letter of credit, by an advice of payment. The Zimbabwean bank will be responsible for collecting the full value of the letter of credit from the importer and transferring the funds to the Ministry of Finance, Economic Planning and Development. The exchange rate used will be the rate effective on the date of disbursement by the U.S. bank.

G. Shipping

(1) Eligibility of Transport Costs

The costs of transporting the goods financed under the CIP from the U.S.A. to the point of entry into Zimbabwe will be eligible for financing. However, A.I.D. will only finance those transportation costs incurred on aircraft or ocean vessels under the flag registry of the U.S.A. Additionally, goods may *not* be financed under the CIP if they are transported (i) on an ocean vessel or aircraft under the flag registry of a country which is not included in the A.I.D. Geographic Code 935, as in effect at the time of shipment, or (ii) on an ocean vessel which A.I.D., by written notice to the Government of Zimbabwe, has designated as ineligible, or (iii) under an ocean or air charter which has not received prior A.I.D. approval.

(2) Requirement for Cargo Preference

It is an A.I.D. requirement that:

(a) At least 50 per cent of the gross tonnage of all A.I.D.-financed commodities which may be transported on ocean vessels (computed separately for dry bulk carriers, dry cargo liners, and tankers), shall be transported on privately owned U.S.-flag vessels, to the extent that such vessels are available at fair and reasonable rates for such vessels.

(b) At least 50 percent of the gross freight revenue generated by all shipments of A.I.D.-financed commodities transported on dry cargo liners to the African port of discharge for onward shipment to Zimbabwe, shall be paid to or for the benefit of privately owned U.S.-flag liners, to the extent such vessels are available.

(c) When shipping is chartered for a quantitative unit of cargo, U.S.-flag vessels shall be fixed for at least 50 percent of the quantitative unit, if U.S.-flag vessels are available at fair and reasonable rates, before any fixture is made on a non-U.S.-flag vessel.

In the event an importer wishes to use other than a U.S.-flag vessel to transport cargo being financed under the CIP, he should check with the Ministry of Trade and Commerce's Import Planning Branch prior to finalizing such arrangements. It should be noted that in such instances, the transport costs would not be eligible for financing under the CIP unless approved by A.I.D. in writing.

(3) Charter of Vessels (Ocean and Air)

A.I.D. will not finance any transportation costs under any ocean or air charter covering full or part cargo (whether for a single voyage, consecutive voyages, or a time period) which has not received prior approval of A.I.D.

(4) Transshipments

A.I.D. will finance transportation costs incurred on aircraft or ocean vessels under the flag registry of any Free World country, provided the costs are part of the total cost on a through bill of lading paid to a U.S.-flag carrier. For example, on an airfreight shipment from the U.S.A., the shipment would have to originate on a U.S.-flag carrier, which would issue a through air waybill to Harare. The U.S.-flag carrier would transport the goods as far as, say London, where they would then be transshipped on a non-U.S.-flag carrier to Harare.

(5) Inland Transportation Costs

In addition to financing ocean transportation costs, A.I.D. will also finance the inland transportation costs from the African port of discharge to the point of entry into Zimbabwe. Additionally, A.I.D. will finance the cost of transportation of cargo to a point of delivery beyond the point of entry in Zimbabwe provided the point of delivery, as stated in the carrier's bill of lading, is established in the carrier's tariff applicable to international shipment.

(6) Insurance

A.I.D. will finance premiums for marine insurance, including war risk, on commodities financed under the CIP, provided the insurance is placed in the U.S.A. and the loss payment proceeds are payable in U.S. dollars. If an importer receives directly or indirectly any marine insurance loss payment under a marine insurance policy financed under the CIP, the importer shall use such loss proceeds to procure from the U.S.A. the same items as replacement goods. All orders for replacement goods shall be approved by the Ministry of Trade and Commerce. The proceeds from loss payments must be expended for such goods within a reasonable period of time after receipt by the importer.

H. A.I.D. Marking Requirements

It is the policy of A.I.D. that all items imported under the CIP be suitably marked so as to identify them as having been financed under the U.S.A.I.D. program. The term "suitably marked" as used herein means marking with the A.I.D. red, white and blue handclasp emblem, and, in addition, for shipping containers to be marked with the last five digits of the A.I.D. financing document number. While it is the responsibility of the supplier to implement the marking requirements, the importer must advise the supplier whether the item is destined for the public or private sector since different marking requirements apply. In the case of the *public sector,* all goods must be suitably marked. For the *private sector,* only the export containers must be marked. However, if the commodity is not shipped in a container, then the item itself shall be marked.

I. Utilization of Commodities

(1) Customs Clearance

Importers should ensure that customs clearance import licences for goods imported under the CIP are obtained from the Ministry of Trade and Commerce, and that such goods are promptly cleared from customs upon entering Zimbabwe. In no event, however, should such goods remain in customs for a period in excess of 90 calendar days from the date of their arrival.

(2) Consumption or Sale of Commodities

Importers shall also ensure that goods imported under the CIP are consumed, used or sold not later than one year from the date they are removed from customs, unless a longer period can be justified to the satisfaction of the A.I.D. by reason of force majeure, or special market conditions or other circumstances.

(3) Re-Export of Items Financed

Items financed under the CIP may not be re-exported from Zimbabwe in the same or substantially the same form that they were imported, unless specifically authorized by A.I.D.

(4) Audit and Inspection

Under the terms of the CIP Agreement, the importer shall permit A.I.D., or any of its authorized representatives, at all reasonable times during the 3-year period following the date of payment by A.I.D. for the commodities, to inspect the commodities at any point, including the point of use and to inspect all records and documents pertaining to such commodities.

J. Applicable Dates for Implementation of Program

For each CIP there are specific governing dates with respect to implementation. Each Agreement requires that no transaction may be financed under the CIP which was the subject of an order placed or contract entered into prior to the date of the Agreement. There are also terminal dates for contracting for goods and services, as well as terminal dates for shipping and disbursement. *These dates are included in the addendum inserted at the back of this pamphlet.*

K. U.S. Department of Commerce Schedule "B" Numbers

When requesting quotations for goods to be financed under the CIP, importers should advise the suppliers to provide the appropriate Schedule "B" number for each item being quoted. These numbers *must* be included in each letter of credit opened under the CIP.

III. DEFINITION OF TERMS

A. A.I.D. Geographic Codes:

(1) **Code 000** - The States of the United States, the District of Columbia, and areas of U.S.-associated sovereignty (including trust territories).

(2) **Code 935** - Any area or country in the "Free World" including Zimbabwe. It excludes Albania, Bulgaria, Cambodia, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Laos, Mongolia, North Korea, People's Republic of China, Poland, Romania, Union of Soviet Socialist Republics and Vietnam.

(3) **Code 941** - Any independent country in the Free World, *except* the following countries and, in the case of this program, Zimbabwe:

Afghanistan	Iceland	Portugal
Algeria	Iran	Qatar
Andorra	Iraq	San Marino
Australia	Ireland	Saudia Arabia
Austria	Italy	South Africa, Rep. of
Belgium	Japan	South Yemen
West Berlin	Kuwait	Spain
Canada	Libya	Sweden
Cyprus	Liechtenstein	Switzerland
Denmark	Luxembourg	United Arab Emirates
Finland	Malta	United Kingdom
France	Monaco	Vatican City
Germany, Fed. Rep.	Netherlands	Yugoslavia
Greece	New Zealand	
Hong Kong	Norway	

B. A.I.D. means the U.S. Agency for International Development or any successor agency, including, when applicable, each U.S.A.I.D.

C. Approved Applicant means the Zimbabwe banks designated by the Government of Zimbabwe to establish credits with banks to make payments to suppliers, and includes any agent acting on behalf of such approved applicant.

D. Commodity means any material, article, supply, goods, or equipment.

E. Commodity Related Services means delivery services and/or incidental services.

F. Delivery Services means any service customarily performed in a commercial export transaction which is necessary to effect a physical transfer of commodities to Zimbabwe. Delivery services may also include work and materials necessary to meet the A.I.D. marking requirements.

G. Importer means any person or organization, governmental or otherwise, in Zimbabwe who is authorized by the Government of Zimbabwe to use funds under the CIP for the procurement of commodities.

H. Incidental Services means the installation or erection of A.I.D.-financed equipment, or the training of personnel in the maintenance, operation and use of such equipment.

I. Letter of Commitment means a document issued by A.I.D., at the request of the Government of Zimbabwe, to a designated U.S. bank. Approved applicants, who are designated by the Government of Zimbabwe, may establish letters of credit in favour of U.S. suppliers under the Letter of Commitment.

J. Schedule B means the "Schedule B Statistical Classification of Domestic and Foreign Commodities Exported from the United States" issued and amended from time to time by the U.S. Bureau of the Census, Department of Commerce.

K. U.S.A.I.D. means the A.I.D. mission to Zimbabwe.

SURVEY PARTICIPANTS

PARTICIPANT	TYPE OF FIRM/ACTIVITY	REPRESENTATIVE
Agricair (Pvt) Ltd.	Aerial crop dusting	Mr. Cruz
Bell Inn (Pvt) Ltd.	Cattle breeding	Mr. Belinsky
Berkshire International	Textiles	Mr. Collings
Blue Ribbon Foods	Food processing	Mr. Bowler
Caribonum (Pvt) Ltd.	Stationery	Mr. Campion
CPL (Pvt) Ltd.	Packaging	Mr. Weller
Dunlop Zimbabwe Ltd.	Tire manufacturing	Mr. Davidson
Duly & Co. Limited	Ford dealership	Mr. Jerry
Edward L. Bateman (Pvt) Ltd.	Trade agency	Mr. Cranswick
Industrial & Farming Development	Manufacturers and distributors of candles, petroleum jelly, oils, polish	Mr. Sibanda
Rice & Diethlem Ltd.	Welding and retail supplies	Mr. Greenwood
Saltrama Plastex (Pvt) Ltd.	Plastics	Mr. Palmer
Smith & Bennet	John Deere dealership	Mr. Fuller
Vitafoam (Pvt) Ltd.	Foam manufacturing	Mr. Little
ZEMCO	Caterpillar dealership	Mr. Thompson
Cotton Marketing Board	Parastatals	Mr. Dove
Merchant Bank of Central Africa	Merchant Bank	Mr. Read
Standard Chartered Bank	Commercial Bank	Mr. Silavecky
ZNCC	Commercial Import Controller	
CZI	Industrial Import Controller	
Ministry of Trade & Commerce		Mr. Chitanje

CIP FIRM QUESTIONNAIRE

NAME OF FIRM:_____ PERSON INTERVIEWED:_____

LOCATION:_____

_____ TITLE:_____

MAJOR PRODUCT OR SERVICE:_____

ESTIMATED DOLLAR VOLUME (TOTAL): US$_____

YEARS IN CIP:_____ TYPE OF CIP IMPORTS:_____ US$_____

_____ US$_____

1. Is firm an end-user_____ retailer_____ wholesaler_____?

2. If end-user:
   What is the end-use?_____
   Is item the major/critical element?
   Does item improve quality/reduce cost?

3. To what extent have CIP commodities affected firm's total sales or production?

Minimal	under 10%
Somewhat	10-35%
Average	36-65%
Above average	over 65%

4. Were there not a CIP employment would have
   No change (explain _____)
   increased (explain _____)
   decreased less than 25%
   decreased over 25%
   firm would have gone out of business

5. Were foreign exchange available to import from anywhere in the world would the firm now purchase from the U.S.?
   Yes/No
   (Rank 1,2,3, etc.)
   Quality _____
   Speed of delivery _____
   No other source of goods _____
   Spare parts availability _____
   Quality of local representative _____

6. Did CIP import substitute for imports from other countries?
   Yes _____ No _____. If yes, which countries? _____
   Why? _____

7. Give examples of how use of CIP-imported commodities contributed to economic or social development.

Is the firm aware of people who have had windfall profits from the CIP program? That is, they received an allocation and either sold the allocation before delivery at a substantial profit or sold the items imported at a profit in excess of what is considered normal.
type of firm that benefited
contraints to the achievement of windfalls

Does the firm export any of its output?
To where?_____

0. Attitude of Zimbabwe Government
Very Helpful ____, Unhelpful ____
if unhelpful explain:
Too much paper work _____
Too much official intervening _____
Policy unclear or changes rapidly _____
Favoritism _____
Public sector vs. private _____
Large firms vs. small _____
Biased towards new firms _____
Takes too long _____
Other _____

1. Thoughts on the allocation process?
fairness
speed
ability to adjust to changing situation

2. Attitude of U.S. Government and USAID
Very Helpful ____, Unhelpful ____
if unhelpful explain:
Delays in approval _____
Rules unclear _____
50/50 shipping too expensive _____
Not enough contact with USAID official _____
Not enough publicity about program_____
Other _____

3. Attitude of Local Banks?
Very Helpful ____, Unhelpful ____
if unhelpful explain:
Interest rates _____
Terms _____ explain _____
Too slow
Firm's creditworthiness questioned _____
Bank not interested _____
other _____

14. Attitude of U.S. suppliers
Very Helpful ____, Unhelpful ____
if unhelpful explain:
Not interested ____
Goods too expensive ____
Quality not good ____
Quality inconsistent ____
Spares not available ____
Spares too expensive ____
Performance guarantees not effective ____
Limited number of local representatives ____
Local representatives not helpful ____

15. Attitude of U.S. Banks?
Very Helpful ____, Unhelpful ____
if unhelpful explain:
Did not know rules ____
Too slow
Not interested ____
other ____

16. Were there to be another CIP what changed ought to be made to make it more effective?

17. Compare the U.S. CIP to similar programs of other donors?

18. What actions is firm taking now that there will not be additional CIP money?

CIP EVALUATION FORM
BANKS

Name of Bank _____ Person _____
Location _____ Title _____

1. Percentage of Bank's equity held by government or parastatals? _____%
2. How long has the bank participated in CIP program? ___years
3. What percentage of banks import transactions are CIP financed? _____%
4. Are the terms, rates and service the same/not the same for CIP and non-CIP customers?
   interest rates are higher/lower
   terms are shorter/longer
   service is faster/slower
   down payment is higher/lower
   other _____
5. Is the default rate of CIP borrowers higher/lower than non-CIP borrowers?
6. Does bank have sufficient contacts with USAID officials? Yes/No. Desire more/less contact.
7. What are the bank's complaints about the CIP transactions (give examples)
   Too costly to administer ____
   Too much interference from USAID/GOZ
   Too much paperwork ____
   Rules change too often ____
   Problems with U.S. banks ____ (example: _____)
   other _____
8. What does the bank view the impact of the CIP on the private sector to have been?
9. What does the bank view the impact of the CIP on specific sector to have been?
10. What does the bank view the impact of the CIP on the government to have been? (Did it effect the government's attitude towards the private sector?)
11. Did the bank use the CIP to attract new customers? Yes/No
    What did they do? _____
12. What changes would the bank like made in the program were it to be restarted?

. Is the bank aware of any biases in the allocation process?
by size of firm ____
by whether there is public sector firm that competes ____
by activity ____ (which are favored _____)
favoritism ____
old/new firms
old/new technology
party/tribal affiliation
other _____

. Is the bank aware of any purchasers of CIP items who sold them shortly after receipt? Yes/No
for profit? ____
they were not the "true" purchaser ____

. Other Comments

ANNEX E

COMMERCIAL PROJECTS COMMITTEE

NOTES FOR THE GUIDANCE OF APPLICATION

1. The Commercial projects is concerned with application for allocations of foreign exchange to be used to expand an existing wholesale/retail enterprises or commercial service to establish a new enterprise of this nature. The committee is not, however, concerned with industrial or mining projects.

2. In examining each case the Committee considers theinformation provided by the applicant in terms of certain criteria:-

   (a) whether the goods to be imported of the commercial service which is to be sustained, serve an essential need, ameliorate some deficiency in domestic supply of an essential item, and/or lead to a sustained net gain in foreign exchange.

   (b) whether the applicant can show that he would be able to import, on a continuing basis, at a substantially lower foreign exchange cost than any existing importers of the item concerned with comparable standards of quality and after sales service.

   (c) whether, following a change of franchise resulting in the right to import an essential product being transferred from one firm to another the existing holder of the allocation is not able to import satisfactory substitute product.

   (d) whether a new continuing need has arisen for the importation of additional spare parts or other materials to service plant, machinery, vehicles or equipment for approved industrial or mining projects or, in certain circumstances, as a result of n.e.s. arrangements.

3. In considering applications, the Committee takes into account all the factors listed in the following paragraph. Applications should therefore include detailed information on all relevant aspects and give specific replies to each question. Owing to the widely varying circumstances of each application there is no special application form andapplicants are free to include additional information which they feel will assist the committee in making a decision.

4. The application should cover the following points:-

   (a) Tariff item and description of the goods to be imported.

   (b) The name and address of the registered office of the company and whether or not it is a resident for the purpose of exchange control.

   (c) The date of registration as a company or the date of the commencement of business in Zimbabwe.

(d) The names of all directors and/or partners.

(e) The designation, name address and telephone number of the company officer responsible for the application who must himself sign it.

(f) The gross annual turnover of the company of the past two years together with audited balance sheets and profit and loss accounts.

(g) Is the company linked with any other company in or outside Zimbabwe in any way? If so, give full details.

(h) What is the nature of the main business presently conducted by the company and what proportion of its present activities is concerned with the type of goods for which this application is being made. If the application is approved, to what extent will the nature of the business be changed.

(i) What is the size of the staff and labour employed and will this increase if the application is successful.

(j) Does the company receive allocations for any other tariff item? If so, give details.

(k) Has the company previously imported goods in the tariff item concerned on an ad hoc or for any industrial, mining or public sector project? If so give details including only transferes into this tariff from other tariff.

(l) Has the company imported goods on a "no currency involved" basis in the past? If so give details.

(m) State the market arrangements for the goods to be imported and give an indication by name and allocation of the end users and where appropriate the specialized after sales service that can be provided.

(n) Who will supply the goods and what assurances can be given of continuity of supply and the quality of the goods.

(o) What is the f.o.b. price per unit of the items to be imported, the landed price and the selling price?

(p) What amount of foreign currency is being requested :

(a) initially
(b) per six month quota period,
based on f.o.b./f.o.r. values

The application should be forwarded to the Secretary for Trade and Commerce, Private Bag 7708, Causeway, in duplicate.

MINISTRY OF TRADE AND COMMERCE
/PM..

the applications for foreign exchange to establish or expand an existing wholesale/retail operation or a commercial service are considered by the Commercial Projects Committee. This Committee is not, however, concerned with industrial or mining projects.

2. Before an application can be approved, the committee has to be satisfied that applicants meet the following conditions :-

(a) The applicants must either be a registered company or a registered co-operative.

(b) The applicants must already be trading or providing a service which is in line with the goods they wish to import for a period of at least twelve months.

(c) The applicants must be operating from premises suitable for the type of business they are conducting.

(d) The applicants must produce proof that they have made adequate arrangements to finance their imports.

(e) In cases where after-sales-service is required, the applicants must show that they have made adequate arrangements to provide this service.

3. No allocations of foreign exchange are granted for locally produced items and low priority items such as luxuries. When considering applications, the committee always takes into account the availability of foreign exchange at the time. In order to promote Government's decentralisation policy and to avoid overtrading in certain areas, the committee further gives higher priority to applications from firms based in centres other than Harare.

4. When considering applications, the committee thus takes into account all the factors required in the following paragraph. Applications should therefore include detailed information on all relevant aspects and give specific replies to each question. Owing to the widely varying circumstances of each application, there is no special application form and applicants are free to include additional information which they feel will assist the committee in making a decision.

5. The application should cover the following points :-

(a) Tariff item and description of the goods to be imported.

(b) The name in which the business is registered, physical and postal address and whether or not it is resident for exchange control purposes.

(c) The date of registration and registration number of the company including the date of commencement of business in Zimbabwe. A copy of the certificate of incorporation has to be attached.

(d) The names of all directors and/or partners. Each director and/or partner should further declare and state the names of other companies in receipt of commercial and/or industrial foreign currency allocations of which he/she

the company officer responsible for the application who must himself/herself sign it.

(f) The gross annual turnover of the company for the past two years together with audited balance sheets and profit and loss accounts. If the company has been trading for a period of less than two years, then a provisional balance sheet together with profit and loss accounts has to be provided for the period during which the company has been trading.

(g) Is the company linked with any other company in or outside Zimbabwe in any way? If so, give full details.

(h) What is the nature of the main business presently conducted by the company and what proportion of its present activities is concerned with the type of goods for which this application is being made. If the application is approved, to what extent will the nature of the business be changed?

(i) What is the size of the staff and labour employed and will this increase if the application is successful?

(j) Does the company receive allocations for any other tariff item? If so, give details.

(k) Has the company previously imported goods in the tariff item concerned on an ad hoc or for any industrial, mining or public sector project? If so give details including any transfers into this tariff from other tariffs.

(l) Has the company imported goods on a "no currency involved" basis or through the Preferential Trade Area in the past? If so, give details.

(m) State the market arrangements for the goods to be imported and give an indication by name and allocation of the end users and, where appropriate, the specialized after sales service that can be provided.

(n) Who will supply the goods and what assurances can be given of landed price and the selling price?

(o) What amount of foreign currency is being requested,

(i) initially

(ii) per six month quota period, based on fob/for values?

(p) Has the company, ever had any allocations withdrawn. If so, please explain the circumstance.

The application should be forwarded to the Secretary for Trade and Commerce, Private Bag 7706, Causeway, in duplicate.

MINISTRY OF TRADE AND COMMERCE

DESCRIPTION OF OTHER DONORS' COMMODITY IMPORT PROGRAMS

Australia

Since independence, A$12 million has been given to the GOZ for the purchase of goods of Austalian origin. Roughly 60 percent of the funds have been designated for the private sector while the remaining 40 percent has gone to the public sector.

Belguim

In 1981-82, Belguim made available Z$2 million for the purchase of raw materials and capital equipment from Belguim for Zimbabwe's private sector.

Canada

In 1985, C$14.7 million was made available to the private sector for imports with at least 67 percent Canadian content. The minimum allocation was C$10 thousand. Raw materials received preference under the Canadian program, while foodstuffs, consumer goods, and military equipment were excluded.

Finland

FMK55 million plus Z$10 million have been allocated primarily for the purchase of fertilizers, forestry equipment, wood pulp, mining equipment, power transformers, and consultancy services. Eighty percent of the funds are tied to the importation of Finnish commodities while the rest is untied aid. The funds under this program are available to both the public and private sectors.

France

France has provided FFR152 million and Z$14 million under its CIP. Initially, 80 percent of the funds were designated for the private sector with the remainder for the public sector. However, new regulations stipulate that the French CIP funds must go entirely to the private sector for the importation of goods with at least 90 percent French content and a minimum allocation of Z$650 thousand. The minimum allocation is relatively high, so companies are allowed to share an allocation.

Italy

Italy is currently providing US$10 million to the private sector for Italian imports.

Netherlands

HFL61 million has been made available to the private sector to purchase Dutch goods.

Norway

A total of NKR96 million has been provided to the private sector for the importation of Norwegian commodities.

Sweden

SEK190 million has been made available for the puchase of Swedish commodities. Half of the funds is allocated to the private sector, and the other half is made available to the public sector. The latest Swedish CIP allocated 5/8 of its funds to the public sector primarily for the importation of spare parts and machinery.

Switzerland

SFR60 million has been provided for the importation of captial goods and eqiupment with 100 percent Swiss content. The minimum transaction is SFR50 thousand, and no distinction is made between the public and private sector.

United Kingdom

UKL33 million has been provided to import items with 90 percent UK content. Initially, the UK CIP funded commodities needed for the production of Zimbabwean exports, but the program 's restrictions were subsequently loosened to include all foreign exchange applicants. The most recent UK CIP allocated 2/3 of its funds to the private sector, primarily for rural development projects, and the remaining 1/3 to the public sector, mainly for the importation of UK vehicles.

THE BUDGET 1986/87 SUMMARY

	85/86 FORECAST	85/86 ACTUAL	% DIFFERENCE	86/87 FORECAST	% CHANGE FROM 85/86 ACTUAL
CURRENT EXPENDITURE	2 804	2 913	+3,9	3 486	+20,0
CAPITAL EXPENDITURE	344	224	-35	343	+53
NET LONG-TERM LOANS	180	189	+5	173	-8,5
GOVERNMENT INVESTMENTS	12	13	8,3	18	+39
SHORT-TERM LOANS	9	-30	n.a.	25	n.a.
TOTAL EXPENDITURE	3 348	3 309	-1,2	4 045	+22,2
TAXES, FEES & RECOVERIES	2 410	2 516	+4,4	2 835	+12,7
FOREIGN AID GRANTS	130	100	-30	162	+62
TOTAL REVENUE	2 540	2 616	+3,0	2 997	+14,6
BASIC DEFICIT	808	693	-14,2	1 048	+51,2
REPAYMENT OF BORROWINGS	251	96	-62	247	+157
GROSS BORROWING REQUIREMENT	1 059	789	-25,5	1 295	+64
FOREIGN AID LOANS (NET)	141	211	+50	83	-61

SPENDING PATTERNS

	84/95		85/86		86/87		% change
NISTRY/DEBT SERVICE	Z$ m	% of Budget	Z$ m	% of Budget	Z$ m	% of Budget	86/87 from 85/
EDUCATION	512	18,0	640,0	19,3	704,5	17,4	10,1
DEFENCE	393	13,8	507,2	15,3	639,5	15,8	26,1
DEBT SERVICE	368	12,9	449,9	13,6	541,6	13,4	20,4
B TOTAL	1 273	44,7	1 597,1	48,3	1 885,6	46,5	18,1
AGRICULTURE	275	9,7	319,7	9,7	313,8	7,8	-1,9
TRANSPORT	161	5,7	249,3	7,5	281,7	7,0	13,0
HEALTH	157	5,5	196,2	5,9	229,4	5,7	16,9
CONSTRUCTION	146	5,1	205,8	6,2	179,6	4,4	-12,7
HOME AFFAIRS	141	5,0	143,1	4,3	170,2	4,2	18,9
TAL			2 678,7	81,0	3 060,3	75,7	14,3

REVENUE

	Z$ mill		Z$m. increase	%
	85/86	86/87		
INCOME TAX				
Individuals	665	800	135,0	20,3
Companies	366	420	54,0	14,8
NON-RESIDENTS				
NRST	20	22	2,0	10,0
NRTI	3,1	3,0	-0,1	-
RESIDENTS				
RST	7,4	10,0	2,6	35,1
BPT	1,0	2,0	1,0	100,0
CGT	3,9	8,0	4,1	105,1
SALES TAX				
ST	463	488	25,0	5,4
C. DUTY	400	432	32,0	8,0
EXCISE	268	287	19,0	7,1
OTHER	6,8	7,2	0,4	5,9
MISCELLANEOUS				
	42,0	47,0	5,0	11,9
OTHER	270,0	309,0	39,0	14,4
TOTALS	2 516,0	2 835,0	319,0	12,7

PSIP

MINISTRY	Z$ MILL	% of PSIP
Parastatals & Public Institutions	194,0	27,0
Transport	112,0	15,5
Agriculture & Land Development	86,0	12,0
Local Government, Rural and Urban Development	71	10,0
Ministry of Public Construction and National Housing	58,0	8,0
Energy	39,5	5,5
Government Participation in Productive Enterprise and Loans to Mining and Manufacturing	26	3,6
Other	132,5	18,4
TOTAL	719,0	100

DIRECT GOVERNMENT INVESTMENTS IN PRODUCTIVE SECTORS

	30/6/85	30/6/86
	$ mill	
BANK OF CREDIT AND COMMERCE ZIMBABWE	2,82	2,82
CAPS HOLDINGS LIMITED	4,60	4,60
CENTRAL FILM LABORATORIES	0,38	0,38
WANKIE COLLIERY COMPANY LIMITED	14,77	14,77
INDUSTRIAL DEVELOPMENT CORPORATION	10,00	10,00
OLIVINE HOLDINGS (PRIVATE) LIMITED	9,80	11,03
HOLIDAY INN	-	3,09
ZIMBABWE DEVELOPMENT BANK	3,06	5,06
ZIMBABWE BANKING CORPORATION LIMITED	26,60	26,6
ZIMBABWE TRADE FAIR	-	1,00
ZISCO LIMITED	40,00	237,38
	112,03	316,73

SUBSIDIES (ZWD MILLIONS)

	1985/86	1986/87	% change
PRODUCER SUBSIDIES	140,0	166,0	18,6
NRZ	60,0	80,0	33,3
ZISCO	60,0	60,0	-
AIR ZIMBABWE	12,0	45,0	275,0
EXPORT INCENTIVE	20,9	21,8	4,3
ARDA	10,6	18,3	72,6
RESERVE BANK	28,6	18,0	-37,1
AFC LOSSES	17,9	16,0	-10,6
AFRETTAIR	16,0	15,0	-6,3
ASSISTANCE TO INDUSTRY	9,0	11,0	22,2
SUB TOTAL	375,0	451,1	20,3
ZIMBABWE MINING DEV. CORP.	3,7	4,6	24,3
HOTEL/CONFERENCE CENTRE	12,4	3,9	-68,6
ZBC	3,3	3,4	3,0
CONSUMER SUBSIDIES	15,0	2,5	-83,3
ZIMBABWE TOURIST DEV. CORP.	1,3	2,2	69,2
SEDCO	3,5	2,1	-40,0
WATER DEVELOPMENT	1,6	1,5	-6,3
ZIANA	1,0	1,0	-
ZIMBABWE MASS MEDIA TRUST	-	1,0	-
IDC	-	1,0	-
TRADE PROMOTION	1,5	0,8	-46,7
ZIMBABWE DEVELOPMENT CORP.	0,4	0,6	50,0
STATE TRADE CORPORATION	0,3	0,3	-
TOTAL	419,0	476,0	13,6

FUNDING THE DEFICIT

	84/85	85/86
DEFICIT	633,0	691,6
FOREIGN LOANS	81,2	210,9 *
ADB 4% BONDS		8,0
POSB		180,0
INS CO'S & P/FUNDS		238,0
DOMESTIC LOANS	303,0	
B/SOC		6,2
M/BANKS		20,3
C/BANKS		59,8
OVERDRAFT	248,3	-30,6

* Mainly 4% Bonds (12 and 20 year)

ECONOMIC RATIOS (Z$ mill)

	81/82	82/83	83/84	84/85	85/86	86/87*
OVERNMENT SPENDING	1625	2247	2628	2845	3309	4045
DP (est.)	4325	4845	5500	6400	7500	9000
OVT. SPENDING as % of GDP	39%	46%	48%	44%	44,0%	45,0%
UDGET DEFICIT	317	458	630	633	693	1050,0
EFICIT as % of GDP	7,3%	9,5%	11,5%	9,9%	9,2%	11,7%

* Forecast

GROWTH RATES (1981/87)

OVERNMENT SPENDING	24,8	p.a.
DP (nominal)	18,0	p.a.
EFICIT	38,5	p.a.
NFLATION	15,8	p.a. (est.)