

PD-ABF 031  
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AID 1120-1 (8-66)  PAAD  DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT  PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO. 613-K-601
	2. COUNTRY Zimbabwe
	3. CATEGORY Program Grant (Cash)
	4. DATE June 26, 1980
5. TO: A/AID, Douglas J. Bennet, Jr.	6. OYB CHANGE NO.
7. FROM: AA/AFR, Goler T. Butcher	8. OYB INCREASE None TO BE TAKEN FROM:
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 13,000,000	10. APPROPRIATION - ALLOTMENT ESF 037-61-698-00-50-01
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT <input checked="" type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD 6-26-80 - 9-30-80
12. LOCAL CURRENCY ARRANGEMENT	14. TRANSACTION ELIGIBILITY DATE 6-26-80
15. COMMODITIES FINANCED  None	

16. PERMITTED SOURCE U.S. only: Limited F.W.: Free World: Cash: 13,000,000	17. ESTIMATED SOURCE U.S.: Industrialized Countries: Local: Other:
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18. SUMMARY DESCRIPTION

The Mugabe-led nation of Zimbabwe inherited a country rich in natural and human resources, but one with severe budgetary and balance of payments problems, heightened expectations of the majority of the population, 1 to 1.5 million refugees and displaced persons and damage to rural infrastructure.

The justification for this cash transfer is based on balance of payments and GOZ budget needs as the GOZ begins the process of reviving and developing the economy along more equitable lines.

Since the mid-1970s both per capita and gross domestic product and employment have fallen. As a result of the war, during the last five years per capita GDP fell about five percent per annum. Government revenues rely very heavily on sales and income taxes (over 70 percent of revenues for the period of 1 July 1979 to 30 June 1980) and these have followed the downward trend of the economy, now (1979/80) accounting for only 85 percent of 1976/77 revenues. Expenditures, driven by increased defense needs, grew 32 percent in real terms from 1976/77 to 1979/80, with defense's share increasing by 109 percent in real terms. As a result, the Central Government's current account deficit grew from \$90 million in 1976/77 to

19. CLEARANCES	DATE	20. ACTION
REG/DP EDonoghue <i>ED</i>	26 June 80	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED  <i>1st DGB, Jr. (G...)</i> 22/6/80 AUTHORIZED SIGNATURE DATE  Administrator TITLE
REG/GC EDragon <i>ED</i>	26 June 80	
AA/PC CPaolillo <i>CP</i>	26 June 80	
AKGONE FM/C ASmith <i>AS</i>	26 June 80	
AA/MR GC Nilolmes <i>GN</i>	26 June 80	
AA/REFE AFR/SA: HEarn <i>HE</i>	26 June 80	
AFR/DR: JWKoehring <i>JK</i>	26 June 80	

## 18. Summary Description (continued)

\$690 million in 1979/80.

The 1980/81 budget, not yet released, will continue the trend to increased deficit spending. No information is available but, since government revenues are tied closely to economic performance and many people are assuming a four percent real growth rate coupled with 12 percent inflation, we can project revenues of \$1.1 billion. The anticipated current account deficit for 1980/81 is \$1.0 billion based on a budget of \$2.1 billion, an increase of 30 percent over 1979/80. Much of the increase is apparently needed to pay for the three armies, which have not yet been demobilized, and to finance resettlement and development needs. While over time the demobilization and resettlement efforts will reduce the drain on budgetary resources, the scale of the budget deficit implies that there is not likely to be any great immediate "dividend" from the ending of the war.

With current estimates from balance of payments data indicating that the GOZ anticipates perhaps \$150 million from foreign grants and loans, \$860 million would need to be financed next year to meet budget requirements.

The risk of severe dislocation from continued heavy deficit financing is great. But in a country where expectation levels have been raised, a continued economic stagnation is clearly unacceptable. It will take great skill over the next few years to manage the economy in such a way as to rebuild the social infrastructure, resettle large numbers of people, and expand the productive sectors rapidly.

Zimbabwe needs massive assistance on the basis of both balance of payments and public sector budget needs. This \$13 million from the U.S. is needed quickly. Without greater inflows of foreign capital, Zimbabwe may find it impossible to finance the return to normalcy in the countryside and have the private economy pick up and absorb the large numbers of unemployed. A slower rate of resettlement and provision of public-financed infrastructure - in a period of heightened expectations - would be politically intolerable for the Government. As the GOZ attempts to accomplish both objectives, foreign exchange constraints will become tighter and tighter.

Because of the seven years of often violent and bloody warfare, many community services in the predominantly African-inhabited rural areas had fallen into disrepair, been closed or destroyed. As an example, of the some 300-odd Government rural health clinics, 159 were closed and in need of rebuilding or rehabilitation. More than one-third of the rural primary schools are closed and several hundred thousand primary school students are no longer attending class. Some rural roads are impassable and many cattle dip tanks have been destroyed. More than one million head of cattle - of the national herd of three million - have died, either short of food or from livestock diseases that could not be treated because of the war. Among other things, the cattle were used as draft animals and if they aren't replaced, farmers in the subsistence sector will have severe problems growing enough food to feed themselves.

In addition to rehabilitation of community services, the Government is faced with high costs of repatriating and resettling one to one and half million refugees and displaced persons. These people must be transported home and provided with some items in order for them to begin re-establishing themselves and become self-sufficient.

The U.S. \$13 million program grant to the GOZ will be disbursed in one tranche. The GOZ will provide equivalent in Zimbabwean dollars, paid into a special account. The GOZ has tentatively proposed these L/C resources be used by the Office of Development Agriculture (Devag), equivalent of \$5.5 million, and the Division for District Administration, equivalent of \$7.5 million, for general reconstruction/resettlement activities.

The funds allocated to Devag will provide winter vegetable packs, summer crop packs, and training for participating farmers.

- A total of 225,000 summer crop packs good for half a hectare each of maize, sorghum or millet will be distributed for planting in November.
- Seventy thousand farmers and their families will receive winter crop packs of seed/fertilizer designed to provide them with between 1.5 and 2 kgs of vegetables daily for the nine month period until the 1981 harvest comes in.
- Devag wants to insure that the people receiving the packs use them properly. To handle this, Devag proposes short field training courses with follow-up visits by extension staff. Devag hopes to reach over 350,000 farm families in the first year.

Other inputs to help resettlement proceed smoothly, such as food, are included in other proposed reconstruction/resettlement programs.

The Division of District Administration, like Devag, has been assessed by the PAAD team as having an effective and functioning system of rank ordering, adequate planning, procurement and implementation capabilities, and an impressive record of achievement during the war years. Their reconstruction program in the former Tribal Trust Land areas over the next five years is estimated to cost more than \$130 million. The GOZ has indicated funds allocated to District Administration will be used for activities such as rehabilitating or reconstructing boreholes/water supply, cattle dips, roads, bridges, and schools.

The GOZ will determine timing and amount of funding for various aspects of the Devag and District Administration programs.

It is conceivable that during the program shortfalls may arise in other critical parts of the GOZ reconstruction and resettlement effort outside of the Devag and District Administration programs. In order to meet such contingencies, the agreement will permit reallocations of special account funds on a case-by-case basis with AID-W/AFR concurrence.

The beneficiaries of the local currency funded programs will be numerous. Under Devag's program more than 250,000 families will be assisted. Under the District Administration programs the target group consists of refugees and displaced persons returning to and people who continued living in the Tribal Trust Lands during the conflict. Most estimates state there are about 195,000 refugee families (and 60,000 individuals), that as many as 750,000 people may have been displaced persons and that as many as several million more people stayed in the TTLs during the conflict. Most of them should benefit in some fashion from the activities carried out through the District Administration programs.

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INCOMING  
TELEGRAM

613-0202

PAGE 01 SALISB D1657 01 OF 07 140939Z 007915 A107526  
ACTION AID-35

SALISB D1657 01 OF 07 140939Z 007915 A107526  
THE NATURE OF THE PROGRAM ASSISTED AND THE COMPLEX INTERMIXING OF ASSISTANCE FROM A MULTITUDE OF EXTERNAL DONORS WITH VARYING CRITERIA AND CONDITIONS OF ASSISTANCE.

ACTION OFFICE AAAF-01  
INFO AFEA-03 AFSA-03 AFDR-06 CH6-01 PPCE-01 PPFM-01 PPPB-02  
GC-01 GCAF-01 PPEA-01 GCFL-01 PPIA-02 FM-02 AADG-01  
DSHE-01 CH8-01 ES-01 SER-01 RELO-01 HAST-01 DO-01 AFDA-01  
P DPR-01 /036 A2 7

3.B - GOZ PLANS TO MAKE L/C EQUIVALENT OF US DOLLAR DISBURSEMENTS AVAILABLE IMMEDIATELY AFTER DOLLAR DEPOSIT AND PLACED IN SPECIAL ACCOUNT MANAGED BY TREASURY.

INFO OCT-01 AF-10 SSO-00 INRE-00 INR-10 EB-08 10-15  
L-03 CIAE-00 /082 W  
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3.C - PAAD TEAM HAS REVIEWED GOZ PLANNING AND IMPLEMENTATION CAPABILITY AND FULLY SATISFIED L/C WILL BE EFFECTIVELY USED FOR HIGH PRIORITY RESETTLEMENT/RECONSTRUCTION NEEDS. MINISTERIAL CONFIRMATION AND WIDE PARTICIPATION BY OTHER DONORS INDICATE THEY CONCUR ON OUR APPRAISAL.

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FM AMEMBASSY SALISBURY  
TO SECSTATE WASHDC IMMEDIATE 922  
INFO AMEMBASSY NAIROBI  
AMEMBASSY HARARE

3.D - GOZ HAS ALREADY OUTLINED PROGRAMMING PRIORITIES FOR L/C USE AND PAAD TEAM FULLY CONCURS IN INDICATED PRIORITIES.

UNCLAS SECTION 01 OF 07 SALISBURY 1657

3.E - GOZ FIN FINANCE AND OPERATING MINISTRIES HAVE AGREED IN PRINCIPLE ON PUBLICITY TO ALLOW US ASSOCIATION WITH L/C USES.

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C O R R E C T E D C O P Y - (TEXT PARA 1.)

4. RE PARA 4 OF REF A, GOZ PLANNING ON SEED AND AGRO INDUSTRY FOR EX-COMBATANTS HAS NO PROGRESS SUFFICIENTLY TO WARRANT DEDICATION OF ANY THESE FUNDS AT THIS TIME.

FOR ADMINISTRATOR AND AA/AFR

IN CONCLUSION, PROGRAM AS DEVELOPED JOINTLY WITH GOZ FULLY COMPLIES WITH AID/W ADMINISTRATOR'S GUIDANCE AND PROVISIONS OF AID HANDBOOK 4. IT IS THEREFORE REQUESTED THAT AID/W COMBINE CONTENTS THIS TELEGRAM WITH ECONOMIC SECTION SENT SIMTEL (REF B) INTO PAAD FOR ADMINISTRATOR'S APPROVAL O/A JUNE 20. REQUEST AID/W PREPARE STATUTORY CHECKLIST FOR INCLUSION PAAD AND FACE-SHEET. SINCE PAAD IS AUTHORIZING DOCUMENT, REQUEST AID/W CABLE ANY SUBSTANTIVE CHANGES ASAP. WE HAVE TITLED THIS PROGRAM GRANT THE ZIMBABWE RECONSTRUCTION AND RESETTLEMENT PROGRAM AND ASSIGNED NUMBER 613-0202.

NAIROBI FOR REDSO

E. O. 12065: N/A  
TAGS: N/A  
SUBJ: ZIMBABWE PROGRAM ASSISTANCE APPROVAL DOCUMENT

REF: A. STATE 133500, B. SALISBURY 1612, C. SALISBURY 1212

1. SUMMARY AND RECOMMENDATIONS. AID TEAM HAS COMPLETED DISCUSSIONS WITH GOZ ON PROPOSED \$13.0 MIL PROGRAM GRANT AS OUTLINED IN STATE 133500. PURPOSE OF THIS MESSAGE IS TO PROVIDE AID/W WITH NECESSARY ANALYSIS AND RECOMMENDATION FOR FINALIZATION PAAD IN AID/W FOR AUTHORIZATION O/A JUNE 20. WHILE THIS PROVIDES ONLY ONE WEEK PROCESSING TIME IN AID/W, PROGRAM COMPLIES FULLY WITH GUIDANCE SET FORTH IN ADMINISTRATOR'S GUIDANCE MESSAGE, AND EXCEPT FOR QUESTION OF TRANCHING, WE FORESEE NO ISSUES. GOZ IS NOW MOBILIZED TO BEGIN MASSIVE TASK RESETTLEMENT AND ACCELERATE PACE RECONSTRUCTION WITH FAR LESS RESOURCES THAN PROGRAM NEEDS, AND ABSORPTIVE CAPACITY JUSTIFY, AND FAR FEWER RESOURCES THAN GOZ BELIEVES WERE PROMISED BY EXTERNAL DONORS. US \$13.0 MIL CONTRIBUTION IS CRITICAL COMPONENT IN LAUNCHING FIRST QUARTER OF PLANNED ONE-YEAR PROGRAM AND IS NEEDED BY GOZ NOW REPEAT HDW. DELAYS IN FINALIZING AGREEMENT, PARTICULARLY IF COUPLED WITH DELAYS ASSOCIATED WITH TRANCHING, WOULD CERTAINLY RISK REDUCTION IN POLITICAL GOODWILL OTHERWISE ACCRUING TO US AND MORE IMPORTANTLY DELAY ASSISTANCE TO NEEDY DISPLACED ZIMBABWEANS.

PROPOSAL IN SUMMARY PROVIDES FOR US \$13.0 MIL PROGRAM GRANT TO GOZ, DISBURSED IN ONE TRANCHE, WITH GOZ TO PROVIDE EQUIVALENT IN ZIMBABWEAN DOLLARS, PAID INTO SPECIAL ACCOUNT. GOZ HAS TENTATIVELY PROPOSED THESE L/C RESOURCES BE ALLOCATED ON BASIS US \$5.5 MIL FOR RESETTLEMENT PROGRAM, E.G. SUMMER AND WINTER CROP PACKS AND RELATED TRAINING, AND US \$7.5 MIL BALANCE TO BE ALLOCATED TO PHYSICAL RECONSTRUCTION PROGRAM, INCLUDING DIP TANKS, WATER SUPPLIES, ROADS AND BRIDGES AND SCHOOLS. PROGRAM WILL BE PART OF \$54.5 MIL MULTI-DONOR EFFORT WITH PARTICIPATION BY MAJOR BILATERALS AND UNHCR. L/C IS EXPECTED TO BE FULLY AND QUICKLY COMMITTED AGAINST PURCHASE ORDERS AND SUBSTANTIALLY DISBURSED WITHIN THREE MONTHS OF AGREEMENT.

FOLLOWING ARE ANSWERS TO KEY AID/W QUESTIONS IN ADMINISTRATOR'S CABLE PARA 3.

3.A - ECONOMIC ANALYSIS CABLED SEPTEL FULLY JUSTIFIES PROGRAM SUPPORT ON BASIS EMERGENCY BUDGETARY SUPPORT NEEDS AND ALSO BALANCE OF PAYMENTS SHORTFALL. PROJECT ASSISTANCE AND OTHER FORMS DESIRABLE IN THE CONTEXT OF THE EMERGENCY TIME FRAME OF ASSISTANCE,

*Hunter*

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Department of State

INCOMING  
TELEGRAM

PAGE 01 SALISB 01657 02 OF 07 132220Z 007902 AID7255  
ACTION AID-35

SALISB 01657 02 OF 07 132220Z 007902 AID7255

ANTICIPATED FOREIGN EXCHANGE SHORTAGE WHICH WILL BE PARTIALLY ALLEVIATED BY THE PROGRAM GRANT PROPOSED HEREIN.

ACTION OFFICE AAAF-01  
INFO AFEA-03 AFSA-01 AFRA-03 AFDP-02 AFDR-06 CH6-01 PPCE-01  
PPPB-02 PPEA-01 PPIA-02 IDCA-01 FM-02 AADS-01 CMGT-02  
CTR-02 DSAG-02 PVC-02 ES-01 SER-01 AGRI-01 RELO-01  
MAST-01 PDPR-01 AFDA-01 /D44 AJ 5

THE CLOSE WORKING RELATIONSHIP BETWEEN EMBASSY/AID PERSONNEL AND GOZ OFFICIALS (NEW MINISTERS AND CAREER CIVIL SERVICE) HAS PROVIDED AN OPPORTUNITY TO APPRAISE THE CAPABILITY OF THE GOZ AT BOTH PLANNING AND IMPLEMENTATION. IT IS THE PAAD TEAM'S CONCLUSION THAT A CONTINUED HIGH DEGREE OF CAPABILITY REMAINS IN ALL GOZ MINISTRIES INVOLVED TO PLAN AND IMPLEMENT THESE PROGRAMS. WHILE THE NEW MINISTERS AND THE CAREER CIVIL SERVICE ARE CLEARLY GOING THROUGH A SHAKEDOWN PERIOD IN ESTABLISHING WORKING RELATIONSHIPS AND PROGRAM PRIORITIES, THERE IS NO EVIDENCE THIS HAS OR WILL DIMINISH THE GOZ'S CAPACITY TO IMPLEMENT THESE PROGRAMS IN AN EFFICIENT AND EFFECTIVE MANNER.

INFO OCT-01 AF-10 SSO-00 INR-10 INRE-00 EB-06 10-15  
L-03 CIAE-00 /082 W

IN ANTICIPATION OF MULTI-DONOR COMMITMENTS TO THE GOZ'S EMERGENCY PROGRAMS, PRIME MINISTER MUGABE REQUESTED ESTABLISHMENT OF A SPECIAL FUND TO RECEIVE AND ADMINISTER DONOR CONTRIBUTIONS. THIS FUND WILL BE ADMINISTERED BY THE MIN FINANCE AND THE GOZ HAS AGREED TO DEPOSIT THE L/C EQUIVALENT OF AID'S PROGRAM GRANT IN THIS FUND WITH USES EARMARKED FOR THE RECONSTRUCTION/RESETTLEMENT PROGRAMS AS DISCUSSED LATER ON IN THIS PAAD.

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TO SECSTATE WASHDC IMMEDIATE 923  
INFO AMEMBASSY NAIROBI  
AMEMBASSY MBABANE

THE BUDGETARY DEFICIT, EMERGENCY NATURE OF ASSISTANCE, FOREIGN EXCHANGE DEFICIT, AND WELL-ESTABLISHED INSTITUTIONAL CAPACITY AND RECONSTRUCTION/REDEVELOPMENT PLANS ALL ARGUE PERSUASIVELY IN OPINION OF PAAD TEAM FOR PROGRAM ASSISTANCE GRANT. PROJECT ASSISTANCE WOULD BE DIFFICULT TO FINALIZE WITHIN THE EMERGENCY TIME FRAME AND FOR MOST ASPECTS OF THE PROGRAM WOULD BE INAPPROPRIATE CONSIDERING THE COMPLEXITY AND DIVERSITY OF SUB-COMPONENTS INVOLVED IN THE PROGRAM. A FURTHER COMPLICATION INVOLVES THE MULTI-DONOR ASPECT OF ASSISTANCE TO THE RECONSTRUCTION/RESETTLEMENT PROGRAM. A PROJECTIZED APPROACH BY DONORS WOULD REQUIRE THE GOZ TO ARTIFICIALLY SEGREGATE COMPONENTS OF A DIVERSE AND COMPLEX PROGRAM TO MEET INDIVIDUAL PREFERENCES, CONDITIONS AND TIMING OF AID AVAILABILITIES. WITH OVER TEN MULTI-LATERAL AND BILATERAL DONORS IN THE PICTURE--EXCESSIVE PROJECTIZING OF ASSISTANCE WOULD MAKE GOZ MANAGEMENT OF THE PROGRAM A NIGHTMARE AND INEVITABLY RETARD AND DELAY MEETING EMERGENCY NEEDS.

UNCLAS SECTION 02 OF 07 SALISBURY 1657

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FOR ADMINISTRATOR AND AA/AFR

NAIROBI FOR REDSO

PLEASE NOTE THAT PROGRAM GRANT AGREEMENT HAS BEEN DRAFTED AND WAS PROVIDED TO MIN FINANCE JUNE 11. WE EXPECT DISCUSSIONS TO BE COMPLETED BY THE TIME THIS CABLE REACHES AID/W. REQUEST ANY CHANGES THEREFORE TO BE HELD TO A MINIMUM. WE WILL BE READY SIGN AGREEMENT AS SOON AS AID/W ADVISES AUTHORIZATION. INASMUCH AS WE HOPE ENTIRE 113 MIL WILL BE TRANSFERRED AT ONE TIME TO GOZ WE RECOMMEND FUNDS BE ALLOTTED TO AWARD RATHER THAN FIELD, WITH STANDARD DELEGATION TO FIELD FOR OBLIGATION.  
END SUMMARY

II. PROGRAM RATIONALE

A. BACKGROUND AND CURRENT STATUS  
ZIMBABWE ACHIEVED INDEPENDENCE ON 18 APRIL AND INHERITED A MAJOR HUMAN PROBLEM OF RESETTLEMENT AND FEELING OF AN ESTIMATED ONE TO ONE AND ONE HALF MILLION DISPLACED PERSONS. THESE DISPLACED PERSONS CONSIST OF REFUGEES RETURNING FROM OVER BORDERS IN ZAMBIA, MOZAMBIQUE AND BOTSWANA AS WELL AS OCCUPANTS OF PROTECTED VILLAGES AND WAR-INDUCED MIGRANTS TO URBAN AREAS.

IN ADDITION, THE GOVERNMENT FACED MAJOR PROBLEM OF REBUILDING WAR-DAMAGED SCHOOLS, HEALTH CLINICS, ROADS, BRIDGES, CATTLE DIPS, RURAL WATER SUPPLIES, ETC., IN ORDER TO RESTORE SERVICES ESSENTIAL TO ATTRACT/HOLD THE RETURNING DISPLACED PERSONS. THESE TWO INTER-RELATED PROBLEMS, ALONG WITH INTEGRATION OF THE MILITARY AND DEMOBILIZATION OF SURPLUS MILITARY PERSONNEL, FORM THE MAJOR THRUSTS OF THE NEW GOVERNMENT'S SHORT-TERM REDEVELOPMENT PROGRAM.

US ASSISTANCE STRATEGY IS TO ASSIST THE NEW GOVERNMENT IN THOSE AREAS IT HAS DESIGNATED AS HIGHEST PRIORITY. THE US HAS THEREFORE ALREADY COMMITTED ITSELF PUBLICLY TO US \$20.0 MIL OF ASSISTANCE TO ZIMBABWE IN FY80 TO MEET THESE PRIORITIES, FOLLOWED BY A PROPOSED \$25-30 MIL PROGRAM IN FY81. \$5.0 MIL OF FY80 FUNDS HAVE BEEN CONTRIBUTED TO UNHCR FOR REPATRIATION OF REFUGEES, AND \$2.0 MIL HAS BEEN PROVIDED TO THE GOZ AS A BILATERAL PROJECT GRANT FOR RENAB OF RURAL HEALTH CLINICS. THE REMAINING \$13.0 MIL OF FY80 FUNDS IS BEING PROGRAMMED UNDER THIS PAAD TO MEET A PORTION OF THE SHORTFALL IN THE EMERGENCY BUDGET SUPPORT REQUIREMENTS ASSOCIATED WITH IMMEDIATE RESETTLEMENT AND RECONSTRUCTION PROGRAM NEEDS.

A REVIEW OF OTHER DONOR ASSISTANCE AVAILABLE OR ANTICIPATED INDICATES THAT GOZ, EVEN WITH FULL IMMEDIATE ACCESS TO THE US \$13 MIL ASSISTANCE, WILL BE HARD PRESSED TO MEET RENAB, RESETTLEMENT REQUIREMENTS OF THE NEXT THREE MONTHS FROM EXTERNAL SOURCES. IN ADDITION, AS INDICATED IN SECTION II.B OF THIS PAAD, THE PROJECTED GOZ BUDGET DEFICIT IS ALREADY EXCESSIVE, CAPACITY FOR ADDITIONAL INTERNAL BORROWING IS LIMITED, AND A SUBSTANTIAL INCREASE IN THE RATE OF INFLATION SEEMS UNAVOIDABLE. ON THE BALANCE OF PAYMENTS FRONT, THE ECONOMIC ANALYSIS ALSO INDICATES A SEVERE

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5

PAGE 01 SALISB 01612 01 OF 04 1008282 004690 AID2166  
ACTION AID-59

SALISB 01612 01 OF 04 1008282 004690 AID2166

INFO AAF-01 AFSA-01 AFDR-06 PDCI-01 PPPU-02 PFEA 01 LS-01  
SER-01 MAST-01 AFDA-01 PDPR-01 /019 A2

INFO OCT-01 SSO-00 AF-10 EB-08 AGRE-00 10-15 CIAE-00  
INR-10 INRE-00 /103 W

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FM AMEMBASSY SALISBURY  
TO SECSTATE WASHDC IMMEDIATE 894  
INFO AMEMBASSY NAIROBI  
AMEMBASSY MBABANE  
AMEMBASSY PRETORIA

UNCLAS SECTION 01 OF 04 SALISBURY 1012

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NAIROBI FOR REDSO

PRETORIA FOR AMB. KEELEY

L. O. 12065: N/A

TAGS: N/A

SUBJ: ZIMBABWE PROGRAM ASSISTANCE APPROVAL DOCUMENT

REF: STATE 133500  
SALISBURY 1212

1. AID STAFF FROM NAIROBI, MBABANE AND SALISBURY HAVE COMPLETED DRAFTING PAAD FOR REMAINING DOLS 13 MILLION FY80 AID TO ZIMBABWE. FOLLOWING IS PART I OF PAAD--ECONOMIC JUSTIFICATION. PART II OF PAAD WILL BE DISPATCHED 13 JUNE FOLLOWING AMB. KEELEY'S REVIEW. ACTION: REQUEST AF/SA IMMEDIATELY ARRANGE PAAD DISTRIBUTION AND SCHEDULE PAAD REVIEW TO ALLOW PAAD APPROVAL NLT 30 JUNE. PLEASE ADVISE PAAD REVIEW DATE AND ANY ADDITIONAL INFORMATION REQUIRED.

2. BELOW IS PART I OF PAAD: ECONOMIC JUSTIFICATION.

A. SUMMARY: FROM THE FOLLOWING DISCUSSION IT IS CLEAR THAT ZIMBABWE NEEDS MASSIVE ASSISTANCE ON BOTH BALANCE OF PAYMENTS AND DOMESTIC BUDGET SUPPORT GROUNDS. THE PROPOSED US DOLS 13 MILLION ASSISTANCE PACKAGE (WHICH HAS ALREADY BEEN ANTICIPATED IN THE DATA EXAMINED) IS CLEARLY NEEDED AND NEEDED QUICKLY.

SINCE 1974 THE OVERALL BALANCE OF PAYMENTS HAS BEEN IN DEFICIT EVEN THOUGH THE TRADE BALANCE HAS BEEN POSITIVE ALMOST EVERY YEAR SINCE UDI. IN 1980/81 THE GOZ IS AGAIN FORECASTING LARGE BALANCE OF PAYMENTS DEFICITS. THE TOTAL DEFICIT COMPARES VERY UNFAVORABLY WITH THE GOLD, FOREIGN EXCHANGE AND BANK HOLDINGS THAT WOULD BE REQUIRED TO FINANCE THE DEFICIT WITHOUT FURTHER INTERNATIONAL BORROWING. THE RESERVES AMOUNT TO FOUR MONTHS IMPORT COVERAGE AT 1979 RATES OF IMPORT BUT LESS THAN THREE MONTHS COVERAGE AT 1980 RATES. THIS LEVEL IS ALREADY PROBABLY UNACCEPTABLY LOW. FOR AT LEAST THE NEXT SEVERAL YEARS THERE WILL BE SEVERE PRESSURE ON THE ALREADY LOW FOREIGN EXCHANGE POSITION AND THIS WILL UNDOUBTEDLY BE A MAJOR RESTRAINT ON THE PACE AND RECOVERY OF DEVELOPMENT OF THE ZIMBABWE ECONOMY.

DECLINING TAX REVENUES COUPLED WITH INCREASED EXPENDITURES HAVE RESULTED IN A BUDGET DEFICIT OF 2 DOLS 914 MILLION OVER THE PAST THREE YEARS. IT APPEARS THAT THIS TREND WILL CONTINUE IN 1980/81. PRESUMABLY MUCH OF THE INCREASED DEFICIT WILL ARISE FROM THE NEED TO PAY THREE ARMIES WHICH ARE SLOWLY BEING DEMOBILIZED, FROM RESETTLEMENT OF REFUGEES AND FROM RURAL RECONSTRUCTION EXPENDITURES. THE SCALE OF THE BUDGET DEFICIT IMPLIES THAT THERE IS NOT LIKELY TO BE ANY GREAT DIVIDEND FROM ENDING THE WAR WHICH WOULD ALLOW GOZ TO PUSH DEVELOPMENT ACTIVITIES.

WHILE IT APPEARS THAT GOZ COULD AFFORD SOME INCREASE IN FOREIGN BORROWING, THERE IS LITTLE ROOM FOR DOMESTIC FINANCING ON THE SCALE REQUIRED. GOVERNMENT WILL BE COMPETING FOR DOMESTIC

FUNDS WITH THE PRIVATE SECTOR AT A TIME WHEN THE LATTER WILL BE BORROWING TO REHABILITATE OR REPLACE RUN-DOWN EQUIPMENT THAT HAS DETERIORATED DURING SANCTIONS. THE EFFECT WILL BE TO DRIVE UP INTEREST RATES THAT COULD HINDER PRIVATE INVESTMENT AND SLOW ECONOMIC RECOVERY. THE INFLATIONARY AND DISLOCATION RISKS TO THE ECONOMY FROM CONTINUED HEAVY DEFICIT FINANCING ARE GREAT. PAST DISLOCATIONS HAVE BEEN GREAT AND EXPECTATIONS HAVE RISEN; CONTINUED STAGNATION WILL BE POLITICALLY UNACCEPTABLE.

A RESOURCE TRANSFER PROGRAM IS URGENTLY NEEDED TO ALLEVIATE BOTH BUDGET DEFICIT AND BALANCE OF PAYMENTS CONSTRAINTS TO IMMEDIATE REFUGEE RESETTLEMENT, RURAL RECONSTRUCTION AND ECONOMIC RECOVERY. FID SUMMARY.

B. MACRO-ECONOMIC SETTING:

THE ECONOMIC RATIONALE FOR PROGRAM ASSISTANCE IS BASED UPON WHAT IS EXPECTED TO BE SEVERE BALANCE OF PAYMENTS PROBLEMS AND EXTRAORDINARY GOVERNMENT BUDGET DEFICITS DURING THE NEXT SEVERAL YEARS. BEFORE ANALYZING THE SPECIFIC MACRO-ECONOMIC PROBLEMS TO BE ADDRESSED BY THIS ASSISTANCE, A VERY BRIEF SUMMARY OF THE MACRO ECONOMIC SETTING IS PROVIDED.

GROSS DOMESTIC PRODUCT (MARKET PRICES) (GDP) STOOD AT 7 DOLS 2.6 BILLION IN 1979 OR 2 DOLS 360 PER CAPITA (2 DOL 1 EQUALS US DOL 1.57). IN REAL TERMS GDP HAS GROWN BY ABOUT 2 PERCENT P.A. BETWEEN 1970 AND 1979 BUT HAS IN PER CAPITA TERMS STEADILY DECLINED FROM THE HIGH POINT (OF GDP) IN 1974. IN 1979 IN REAL TERMS PER CAPITA GDP STOOD AT 66 PERCENT OF THE 1974 LEVEL.

MANUFACTURING IS THE LARGEST CONTRIBUTOR, 25 PERCENT TO GDP (FACTOR COST). THIS IS FOLLOWED BY AGRICULTURE AND FORESTRY 12 PERCENT, DISTRIBUTION (INCLUDING HOTELS AND RESTAURANTS) 12 PERCENT, PUBLIC ADMINISTRATION 11 PERCENT, TRANSPORT AND COMMUNICATION 9 PERCENT, AND MINING 8 PERCENT. DURING THE PERIOD 1974/1979 MANUFACTURING'S SHARE OF GDP INCREASED BY 1 PERCENTAGE POINT, PUBLIC ADMINISTRATION BY 5 POINTS, AND TRANSPORT AND COMMUNICATIONS BY 1 POINT. AGRICULTURE AND DISTRIBUTION SHARES FELL BY 4 AND 5 POINTS RESPECTIVELY.

PAGE 01 SALISB 01612 02 OF 04 100840Z 004707 AID2177  
ACTION AID-59

SALISB 01612 02 OF 04 100840Z 004707 AID2177

INFO AAI-01 AFSA-01 AFDR-06 PPRC-01 PPPG-02 PFEA-01 ZS-01  
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INFO OCT-01 SSO-00 AF-10 EG-08 AGR-00 IO-15 CIAF-00  
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INFO AMEMBASSY NAIROBI  
AMEMBASSY MDABANE  
AMEMBASSY PRETORIA

UNCLAS SECTION 02 OF 04 SALISBURY 1612

AIDAC

NAIPOB: FOR REDSO

PRETORIA FOR AMB. KEELEY

IN 1979, 550,000 PEOPLE WERE FORMALLY EMPLOYED IN ZIMBABWE. OF THIS TOTAL 33 PERCENT HAD AGRICULTURAL JOBS, 15 PERCENT WERE EMPLOYED IN MANUFACTURING AND 11 PERCENT IN PRIVATE DOMESTIC SERVICE. IN ADDITION TO FORMAL SECTOR EMPLOYMENT PERHAPS AN ADDITIONAL TWO MILLION PEOPLE OF WORKING AGE WOULD HAVE HAD TO FIND OTHER MEANS OF LIVELIHOOD, PROVIDED OVERWHELMINGLY BY SUBSISTENCE FARMING IN TRIBAL TRUST LANDS.

FROM 1970 TO 1979 FORMAL SECTOR EMPLOYMENT GREW BY 1.6 PERCENT PER ANNUM OR MUCH LESS THAN THE RATE OF POPULATION GROWTH WHICH IS IN EXCESS OF THREE PERCENT. FORMAL SECTOR EMPLOYMENT PEAKED IN 1975 AT 1.05 MILLION AND HAS DECLINED EVERY YEAR SINCE.

THUS SINCE THE MID 1970'S, BOTH P/C AND GDP AND EMPLOYMENT HAVE FALLEN. IT IS AGAINST THIS BACKGROUND OF FIVE YEARS OF STAGNATION AND DECLINE IN WHICH PER CAPITA GDP FELL BY ABOUT 5 PERCENT P.A. THAT THE PRESENT PROGRAM ASSISTANCE IS PROPOSED. AS INDICATED BEFORE, THE SPECIFIC ECONOMIC JUSTIFICATION IS BASED ON BALANCE OF PAYMENTS AND BUDGET SUPPORT NEEDS AS THE GOVERNMENT OF ZIMBABWE BEGINS THE PROCESS OF REVITALIZING AND DEVELOPING THE ECONOMY ALONG MORE EQUITABLE LINES.

C. BALANCE OF PAYMENTS - RECENT PERFORMANCE

THE OVERALL BALANCE IN ZIMBABWE'S BALANCE OF PAYMENTS BETWEEN 1966 AND 1979 WAS A CREDIT OF 2 DOLS 36 MILLION, BUT SINCE 1974 THE OVERALL BALANCE HAS BEEN IN DEFICIT BY 2 DOLS 63 MILLION. THE BIGGEST DEFICIT, 2 DOLS 56 MILLION OCCURRED IN 1977 WHILE IN 1979 THE OVERALL BALANCE SHOWED A DEFICIT OF 2 DOLS 21 MILLION.

SINCE UDI ZIMBABWE'S TRADE BALANCE (INCLUDING INTERNAL FREIGHT BUT NOT EXTERNAL SHIPPING COSTS) HAS BEEN POSITIVE EACH YEAR WITH THE EXCEPTION OF 1968. THE HIGH POINT WAS REACHED IN 1978 WHEN THE NET TRADE BALANCE WAS 2 DOLS 178 MILLION. IN 1979 THE BALANCE FELL TO 2 DOLS 94 MILLION.

THE SERVICES, INVESTMENT INCOME AND TRANSFER ITEMS ARE VIRTUALLY ALWAYS IN A DEFICIT POSITION. SERVICES, PRIMARILY EXTERNAL FREIGHT AND INSURANCE AND FOREIGN TRAVEL, REACHED A NET DEBIT POSITION OF 2 DOLS 135 MILLION IN 1979 AFTER AVERAGING ABOUT 23100 MILLION THE PREVIOUS FOUR YEARS. INVESTMENT INCOME SHOWED THE GREATEST DEBIT BALANCE, 2352 MILLION, IN 1976 (2150 MILLION IN 1979). NET TRANSFER, PRIMARILY GRANT'S FUNDS, SHOWED THE BIGGEST DEBIT BALANCE 2326 MILLION IN 1975. IN 1979 THE NET DEFICIT WAS 2619 MILLION.

CUMULATIVELY THE NET DEBITS OF THESE THREE ITEMS HAVE TYPICALLY EXCEEDED THE POSITIVE TRADE BALANCE WITH THE RESULT THAT THE CURRENT ACCOUNT BALANCE HAS BEEN NEGATIVE SEVEN OF THE PAST NINE YEARS. IN 1975 THE NET CURRENT ACCOUNT BALANCE WAS IN DEFICIT BY 23121 MILLION WHILE IN 1979 IT WAS 23110 MILLION.

THE BALANCE ON CAPITAL ACCOUNT HAS TYPICALLY BEEN POSITIVE WITH THE CAPITAL INFLOW IN THE EARLY 1970'S SPURRED BY "OTHER CAPITAL TRANSACTION," AND IN 1978 AND 1979 BY NET INFLOWS BY

GOVERNMENT FROM SOUTH AFRICA. THE CAPITAL ACCOUNT BALANCE IN 1979 WAS IN SURPLUS BY 2183 MILLION.

AT THE END OF 1979 THE GOLD AND FOREIGN EXCHANGE HOLDINGS OF THE RESERVE BANK STOOD AT 21197 MILLION. THE BANKING SYSTEM HELD AN ADDITIONAL 2331 MILLION IN GOLD AND FOREIGN ASSETS.

D. BALANCE OF PAYMENTS - PROJECTIONS

IN 1980 AND 1981 THE GOZ FORECASTS A BASIC CONTINUATION OF THE BALANCE OF PAYMENTS TRENDS OF THE 1966-79 PERIOD. A RAPID EXPANSION OF EXPORTS LED BY MINERALS, PARTICULARLY GOLD, AND SIZEABLE INCREASES IN IMPORTS SPURRED BY A NEGLECT OF DEMAND FROM SANCTIONS FOR CAPITAL GOODS REPLACEMENT IS FORECAST LEAVING THE TRADE BALANCE NEAR ITS 1979 LEVEL. THE LIFTING OF SANCTIONS IS EXPECTED TO MAKE IMPORTS 5 PERCENT CHEAPER AND THE ABILITY TO SELL DIRECTLY RATHER THAN THROUGH THIRD COUNTRY MIDDLEMEN COULD LEAD TO AS MUCH AS A 15-20 PERCENT INCREASE IN RETURN FROM EXPORTS. GOOD EXPORTS ARE FORECAST TO INCREASE TO 75967 MILLION, A 40 PERCENT INCREASE OVER 1979; GOODS IMPORTS ARE EXPECTED TO BE 21644 MILLION, AN INCREASE OF 48 PERCENT. WHEN THOSE ITEMS ARE COMBINED WITH THE SMALLER RE-EXPORT AND INTERNAL FREIGHT ITEMS, THE BALANCE OF TRADE IS EXPECTED TO BE IN SURPLUS BY 2194 MILLION. FOR 1981, EXPORTS OF 241,100 MILLION AND IMPORTS OF 21897 MILLION WILL LEAVE A TRADE BALANCE SURPLUS OF 2373 MILLION WHEN ADJUSTED FOR THE SMALLER ITEMS.

THE "SERVICES" AND "INVESTMENT INCOME" ITEMS ARE EXPECTED TO BE SIMILAR TO THE LEVELS OF THE 1970'S. THE SERVICES DEFICIT WILL INCREASE, DUE TO THE EXPANDED TRADE-INDUCED INCREASE IN EXTERNAL FREIGHT AND INSURANCE OUTFLOWS, TO 23175 MILLION IN 1980 AND 21200 MILLION IN 1981. THE NET OUTFLOW FROM INVESTMENT INCOME IS FORECAST TO BE 7356 MILLION IN 1980 AND 2164 MILLION IN 1981.

NET TRANSFERS ARE EXPECTED TO BECOME A SURPLUS ITEM FOR THE FIRST TIME SINCE 1968, WHOLLY AS A RESULT OF EXPECTED FOREIGN AID INFLOW TO THE GOZ. THESE INFLOWS ARE ANTICIPATED TO BE 2356 MILLION IN 1980 AND 2159 MILLION IN 1981 LEADING TO A NET TRANSFER SURPLUS OF 7130 MILLION AND 7328 MILLION IN 1980 AND 1981, RESPECTIVELY.

THE RESULTING NET DEFICIT ON CURRENT ACCOUNT IN 1980 IS EXPECTED TO BE 7106 MILLION IN 1980 AND 23102 MILLION IN 1981. THE CAPITAL ACCOUNT BALANCE WHILE IN SURPLUS IS EXPECTED TO BE MUCH SMALLER THAN THE CURRENT ACCOUNT DEFICIT. THE 1980 CAPITAL BALANCE IS EXPECTED TO BE 7338 MILLION ARISING FROM INFLOWS TO GOVERNMENT OF 2145 MILLION. THIS AND THE 1981 FIGURE COUNT

PAGE 01 SALISB 01012 03 OF 04 1008512 004708 A102170  
ACTION AID-59

SALISB 01012 03 OF 04 1008512 004708 A102170

INFO AAAT-01 AFSA-03 AFDR-06 PPCI-01 PPPB-02 PPEA-01 IS-01  
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INFO AMEMBASSY NAIROBI  
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UNCLAS SECTION 03 OF 04 SALISBURY 1612

AIDAC

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ONLY BORROWING FROM CURRENTLY KNOWN SOURCES.) IN 1981 THE SURPLUS ON CAPITAL ACCOUNT IS EXPECTED TO SHRINK TO \$222 MILLION AS THE INFLOW FROM FOREIGN BORROWING BY PUBLIC AUTHORITIES (FROM POWER EXPANSION AND ELECTRIFICATION OF THE RAILWAYS) WILL BE MORE THAN OFFSET BY NET GOVERNMENT OUTFLOWS WHICH ARE CURRENTLY FORECAST TO BE \$146 MILLION. THE RESULTING TOTAL CAPITAL AND CURRENT TRANSACTIONS BALANCE IS A DEFICIT OF \$168 MILLION IN 1980 AND \$3141 MILLION IN 1981.

THE TOTAL DEFICIT OF \$4209 MILLION FOR 1980/81 COMPARES VERY UNFAVORABLY WITH THE 1979 LEVEL OF OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES OF \$4197 MILLION AND BANKING SYSTEM HOLDINGS OF \$331 MILLION THAT WOULD BE REQUIRED TO FINANCE THE DEFICIT WITHOUT FURTHER INTERNATIONAL BORROWING.

HOWEVER, THERE ARE A FEW POTENTIAL DEBIT ITEMS NOT INCLUDED IN THE 1980 AND 1981 ESTIMATES WHICH COULD PARTIALLY OFFSET INCREASED FOREIGN BORROWING. MOST IMPORTANT IS THE FACT THAT PAYMENTS ON GOVERNMENT-OVED DEBT TO THE U.K. (BOTH PUBLIC AND PRIVATE) HAVE BEEN EXCLUDED FROM THE ESTIMATES SINCE THE GOZ AND THE U.K. HAVE NOT YET WORKED OUT REPAYMENT ARRANGEMENTS. BY JUNE 1981, OVERDUE AND CURRENT PAYMENTS COULD EXCEED \$3110 MILLION. IN ADDITION, FOOD IMPORTS FOR 1980 AMOUNTING TO PERHAPS \$25 MILLION, HAVE NOT BEEN INCLUDED IN IMPORT ESTIMATES.

THE OFFICIAL RESERVES AMOUNT TO FOUR MONTHS IMPORT COVER AT 1979 RATES OF IMPORTS BUT LESS THAN THREE MONTHS COVER AT 1980 IMPORT RATES. THIS LEVEL IS PROBABLY ALREADY UNACCEPTABLY LOW AND ANY FURTHER REDUCTIONS IN RESERVES WOULD FURTHER EXACERBATE THIS UNHEALTHY STATE OF AFFAIRS.

INCREASED FOREIGN BORROWING BY GOVERNMENT WILL UNDOUBTEDLY INCREASE OVER THE CURRENT KNOWN LEVEL PARTICULARLY IN 1981, THUS REDUCING THE OVERALL DEFICIT TO BE FINANCED BY NET FOREIGN EXCHANGE FLOWS. AS WILL BE SEEN BELOW THE CURRENT EXTERNAL DEBT POSITION OF THE GOVERNMENT IS SUFFICIENTLY COMFORTABLE TO ALLOW MORE EXTENSIVE BORROWING. NEVERTHELESS FOR AT LEAST THE NEXT SEVERAL YEARS THERE WILL BE SEVERE PRESSURE ON THE ALREADY LOW FOREIGN EXCHANGE POSITION OF THE GOZ AND THIS PRESSURE WILL UNDOUBTEDLY BE A MAJOR RESTRAINT ON THE PACE OF RECOVERY AND DEVELOPMENT OF THE ZIMBABWE ECONOMY.

E. GOVERNMENT FINANCIAL POSITION

GOVERNMENT REVENUES RELY VERY HEAVILY ON INCOME AND SALES TAXES WHICH IN 1979/80 (JULY 1, 1979 - JUNE 30, 1980) WILL ACCOUNT FOR OVER 70 PERCENT OF REVENUES. THESE TAXES WILL TEND TO MOVE IN THE SAME DIRECTION AND AT THE SAME PACE AS THE ECONOMY. THUS WITH THE ACTUAL REDUCTION IN GDP OVER THE LAST SEVERAL YEARS TAX REVENUES HAVE FALLEN IN REAL TERMS, THE LEVEL OF \$3616 MILLION EXPECTED IN 1979/80 BEING ONLY 86 PERCENT OF 1976/77 REVENUES.

ON THE OTHER HAND, EXPENDITURES, FUELED BY DEFENSE NEEDS, HAVE GROWN IN REAL TERMS BY 32 PERCENT OVER THE 1976/77 - 1979/80

PERIOD TO A 1979/80 ANTICIPATED LEVEL OF \$31,055 MILLION. DURING THIS PERIOD DEFENSE EXPENDITURES INCREASED FROM \$198 MILLION IN 1976/77 TO AN ESTIMATED \$3276 MILLION IN 1979/80, A 109 PERCENT INCREASE IN REAL TERMS.

THESE TRENDS HAVE CAUSED THE GOVERNMENT BUDGET ACCOUNT DEFICIT TO GROW FROM \$160 MILLION IN 1976/77 TO AN ESTIMATED \$4439 MILLION IN 1979/80. THE TOTAL DEFICIT DURING THIS PERIOD WAS \$3914 MILLION OR 35 PERCENT OF 1979 GDP.

WHILE THE 1980/81 BUDGET IS STILL UNAVAILABLE, FROM THE FEW PIECES OF INFORMATION PROVIDED IT WOULD APPEAR THAT AT LEAST FOR THE COMING YEAR THIS TREND WILL ACCELERATE. CAPITAL EXPENDITURES, WHICH HAD BEEN EXTREMELY LOW DURING THE WAR YEARS, ARE EXPECTED TO INCREASE FROM \$164 MILLION IN 1979/80 TO \$150 MILLION IN 1980/81 AS THE REBUILDING OF THE ECONOMY BEGINS IN EARNEST. THE ANTICIPATED GOVERNMENT BUDGET ACCOUNT DEFICIT FOR 1980/81 IS \$1650 MILLION. NO INFORMATION IS AVAILABLE ON EXPECTED REVENUES AND RECURRENT EXPENDITURES AND TRANSFERS. HOWEVER, SINCE GOVERNMENT REVENUES ARE CLOSELY TIED TO ECONOMIC PERFORMANCE, ASSUMING A 4 PERCENT REAL GROWTH RATE, WHICH MANY EXPECT, AND A 12 PERCENT RATE OF INFLATION, GOZ REVENUES WOULD BE ABOUT \$1720 MILLION. THIS WOULD IMPLY A TOTAL BUDGET OF \$31,370 MILLION, AN INCREASE OF 30 PERCENT OVER 1979/80 AND A RECURRENT BUDGET AND TRANSFER OF \$31,720 MILLION (24 PERCENT INCREASE). PRESUMABLY MUCH OF THE INCREASE WILL ARISE FROM THE NEED TO PAY FOR THREE ARMS, WHICH WILL NOT YET HAVE BEEN DEMOBILIZED AND FOR THE RESETTLEMENT OF REFUGEES.

WHILE OVER TIME THE DEMOBILIZATION AND RESETTLEMENT EFFORTS WILL REDUCE THE DRAIN ON BUDGETARY RESOURCES, THE SCALE OF THE BUDGET DEFICIT IMPLIES THAT THERE IS NOT LIKELY TO BE ANY GREAT "DIVIDEND" FROM THE ENDING OF THE WAR WHICH WOULD ALLOW GOVERNMENT TO PUSH OTHER DEVELOPMENT ACTIVITIES. MUCH OF THE REDUCED WAR SPENDING WILL HAVE TO BE EQUATED WITH REDUCED BUDGET DEFICITS.

WITH CURRENT ESTIMATES FROM BALANCE OF PAYMENTS DATA INDICATING THAT THE GOZ ANTICIPATES PERHAPS \$1100 MILLION FROM FOREIGN GRANTS AND LOANS, \$3550 MILLION WOULD NEED TO BE FINANCED FROM DOMESTIC SOURCES.

WHILE PREVIOUSLY IT WAS INDICATED THAT THE GOZ COULD AFFORD TO INCREASE ITS FOREIGN BORROWING AS WILL BE DEMONSTRATED BELOW, THERE IS LITTLE ROOM FOR DOMESTIC FINANCE ON THE SCALE REQUIRED. F. CENTRAL GOVERNMENT PUBLIC DEBT

TOTAL GROSS PUBLIC DEBT OF THE CENTRAL GOVERNMENT STOOD AT \$21,550 MILLION AT THE END OF 1979. SINKING FUNDS AND DEBT REDEMPTION FUNDS FOR REDEEMING STOCKS AND BONDS AMOUNT TO ABOUT \$355 MILLION SO THAT UNCOVERED GROSS PUBLIC DEBT AMOUNTS TO \$21,195 MILLION.

PAGE 01 SALISB D1612 04 OF 04 101230Z  
ACTION AID-59

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SALISB D1612 04 OF 04 101230Z

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INFO AMEMBASSY NAIROBI  
AMEMBASSY HEABANE  
AMEMBASSY PRETORIA

UNCLAS SECTION 04 OF 04 SALISBURY 1612

AIDAC

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AS INDICATED ABOVE THIS DEBT POSITION HAS EXPANDED RAPIDLY, MORE THAN DOUBLING FROM 23696 MILLION IN 1975. WITH BORROWING OF ABOUT 25620 MILLION AND PERHAPS HALF OF THE 1979/80 DEFICIT STILL TO BE INCLUDED BY JULY 1981, THIS DEBT POSITION COULD STAND AT 212,300 MILLION. WHEN ADDED TO THE GROSS PUBLIC DEBT OF LOCAL AUTHORITIES (21282 MILLION AT THE END OF 1979), TOTAL GOVERNMENT DEBT WOULD APPROACH A LEVEL EQUAL TO TOTAL GDP.

EXTERNAL DEBT REPRESENTS ONLY A RELATIVELY SMALL PORTION (ABOUT 20 PERCENT) OF CENTRAL GOVERNMENT PUBLIC DEBT; AT THE END OF 1979 THE GOZ HAD EXTERNAL BORROWINGS OUTSTANDING OF 23355 MILLION OF WHICH APPROXIMATELY 23110 MILLION IS PAST DUE. THE REMAINING EXTERNAL DEBT IS VERY SHORT TERM WITH ONLY ABOUT 2323 MILLION HAVING A MATURITY DATE OF 1985 OR BEYOND. THESE FIGURES EXCLUDE INTEREST ACCRUALS WHICH COULD PERHAPS AMOUNT TO AN ADDITIONAL 23100 MILLION.

DATA ON DEBT SERVICING IS NOT AVAILABLE BUT A VERY ROUGH ESTIMATE OF THE DEBT SERVICING FOR 1981-83 WOULD PUT THE DEBT SERVICE RATIO AT ABOUT 10 PERCENT WHICH WOULD RAPIDLY FALL FROM 1502 ONWARDS BECAUSE OF THE VERY SHORT TERM NATURE OF GOZ DEBT. THIS WOULD LEAVE SOMEROOM FOR MEDIUM TERM INTERNATIONAL COMMERCIAL AND CONCESSIONAL DOWOR LOANS WITHOUT UNDULY DRAINING EXPORT EARNINGS FOR DEBT SERVICING. THE CURRENT EXTERNAL DEBT OUTSTANDING CARRIES VERY LOW INTEREST, THE AVERAGE RATE PROBABLY ON THE ORDER OF 4 PERCENT.

ON THE DOMESTIC BORROWING SIDE, THE PICTURE IS QUITE DIFFERENT. DOMESTIC CENTRAL GOVERNMENT DEBT AS OF THE END OF 1979 STOOD AT 231,192 MILLION. THIS INTERNAL DEBT IS SOMEWHAT LONGER TERM IN STRUCTURE WITH PERHAPS 25425 MILLION COMING DUE IN THE 1980-85 PERIOD. INTEREST PAYMENTS ON TOTAL CENTRAL GOVERNMENT DEBT AMOUNT TO ABOUT 7 PERCENT OF TOTAL GOVERNMENT EXPENDITURES.

THE ABILITY OF THE GOZ TO CONTINUE BORROWING DOMESTICALLY AT WHAT WOULD APPEAR TO BE AN ACCELERATING RATE WITHOUT HAVING A SERIOUS IMPACT ON THE ECONOMY IS DOUBTFUL. IN THE PAST HEAVY DOMESTIC BORROWING WAS ACCOMPLISHED WITH LITTLE IMPACT ON THE ECONOMY BECAUSE THE BANKING SYSTEM WAS EXTREMELY LIQUID, AND WITH THE ECONOMIC UNCERTAINTIES PREVAILING IN THE LAST SEVERAL YEARS, THERE WAS LITTLE PRIVATE COMPETITION WITH GOVERNMENT FOR THE USE OF FUNDS. DURING THE 1976-79 PERIOD INTEREST RATES REMAINED QUITE STABLE AND ALTHOUGH THE MONEY SUPPLY GREW AT DOUBLE DIGIT RATES (10 PERCENT P.A. FOR M1 AND 12 PERCENT P.A. FOR M2) RETAIL PRICES GREW BY ONLY 8 PERCENT P.A. AS INDICATED BEFORE REAL GDP FELL DURING THE PERIOD. EVEN WITH AN INCREASE IN MINIMUM LIQUID ASSET RATIOS REQUIRED OF THE BANKING SYSTEM IN MID-1979 IN ANTICIPATION OF AN ECONOMIC UPSURGE, BY THE END OF 1979 EXCESS LIQUID ASSET HOLDINGS OF BANKING INSTITUTIONS STILL STOOD AT 23178 MILLION.

ACCELERATED GOVERNMENT BORROWING IN 1980 WILL NO DOUBT BEGIN

TO FIND MORE COMPETITION FOR FUNDS FROM THE PRIVATE SECTOR. THE ECONOMY IS EXPECTED TO EXPERIENCE REAL GROWTH OF ABOUT 4 PERCENT P.A. IN 1980 AND HEAVY PRIVATE BORROWING FOR THE REHABILITATION OR REPLACEMENT OF RUN-DOWN EQUIPMENT AND INFRASTRUCTURE WILL BE ESSENTIAL IF ECONOMIC PERFORMANCE IS TO IMPROVE.

THE EFFECT OF THIS NEW COMPETITION FOR FUNDS WILL BEGIN TO DRIVE UP INTEREST RATES. WHILE CURRENT INTEREST RATES ARE LOW BY WORLD STANDARDS, THE DEMAND FOR FUNDS WILL LIKELY BE SUCH THAT INTEREST RATES COULD BE DRIVEN TO LEVELS THAT BEGIN TO HAMPER PRIVATE INVESTMENT AND COULD THEN SLOW THE BADLY NEEDED ECONOMIC RECOVERY.

THE INFLATIONARY RISKS OF MASSIVE DEFICITS IS OBVIOUS. WHILE THE PREVIOUSLY MENTIONED REDUCTION IN IMPORT COSTS AS A RESULT OF THE LIFTING OF SANCTIONS WILL ALLEVIATE INFLATIONARY PRESSURES TO SOME EXTENT, THIS WILL BE A TEMPORARY, ONE-TIME EFFECT WHICH WILL SOON BE SWAMPED BY OTHER PRESSURES. AS PRICES RISE, THERE WILL BE FURTHER PRESSURE FOR INCREASED GOVERNMENT SPENDING ON SUBSIDIES WHICH CURRENTLY ACCOUNT FOR ABOUT 10 PERCENT OF TOTAL EXPENDITURES.

THUS THE RISK OF SEVERE DISLOCATION IN THE ECONOMY FROM CONTINUED HEAVY DEFICIT FINANCE IS GREAT. BUT IN A SETTING WHERE PAST ECONOMIC DISLOCATION HAS BEEN GREAT AND WHERE EXPECTATION LEVELS HAVE BEEN RAISED, CONTINUED ECONOMIC STAGNATION WILL BE INTOLERABLE. IT WILL TAKE GREAT SKILL OVER THE NEXT SEVERAL YEARS FOR THE ECONOMY TO BE MANAGED IN A WAY THAT ALLOWS THE REBUILDING OF SOCIAL INFRASTRUCTURE, THE RAPID RESETTLEMENT OF LARGE NUMBERS OF PEOPLE, AND THE RAPID EXPANSION OF THE ECONOMY'S DIRECTLY PRODUCTIVE SECTORS.

FROM THE ABOVE DISCUSSION, IT IS CLEAR THAT ZIMBABWE NEEDS MASSIVE ASSISTANCE ON BOTH BALANCE OF PAYMENTS AND DOMESTIC BUDGET SUPPORT GROUNDS. THE PROPOSED US \$13 MILLION ASSISTANCE PACKAGE, WHICH HAS ALREADY BEEN ANTICIPATED IN THE DATA USED IN THE FOREGOING DISCUSSION, IS CLEARLY NEEDED AND NEEDED QUICKLY. IT IS, HOWEVER, EQUALLY CLEAR THAT IT IS AN INADEQUATE AMOUNT RELATIVE TO THE SHORT TERM NEEDS OF ZIMBABWE.

WITHOUT GREATER INFLOWS OF FOREIGN CAPITAL IN THE SHORT RUN, ZIMBABWE MAY WELL FIND IT IMPOSSIBLE TO FINANCE THE RETURN TO NORMALITY IN THE COUNTRYSIDE AND AT THE SAME TIME HAVE THE PRIVATE ECONOMY PICK UP RAPIDLY TO BEGIN TO ABSORB THE LARGE NUMBERS OF UNEMPLOYED. STARVING THE PRIVATE SECTOR COULD LEAD TO AN INCREASED OUTFLOW OF WHITES AND A SLOWER RATE OF RESETTLEMENT AND PROVISION OF PUBLIC SECTOR-FINANCED INFRASTRUCTURE, IN A PERIOD OF HEIGHTENED EXPECTATIONS, WOULD BE POLITICALLY INTOLERABLE FOR THE NEW GOVERNMENT. AS THE GOZ ATTEMPTS TO ACCOMPLISH BOTH OBJECTIVES, FOREIGN EXCHANGE CONSTRAINTS WILL BECOME INCREASINGLY BINDING.

DAVIDSON

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INCOMING  
TELEGRAM

PAGE 01 SALISB 01657 03 OF 07 132229Z 007894 AID/258  
ACTION AID-35

SALISB 01657 03 OF 07 132229Z 007894 AID/258

ACTION OFFICE AAAT-01  
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PPPB-02 PPEA-01 PPIA-02 IDCA-01 FM-02 AADS-01 CMGT-02  
CTR-02 DSAG-02 PVC-02 ES-01 SER-01 AGRI-01 RLOG-01  
MAST-01 AFDA-01 PDPR-01 /044 A3 5

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INFO AMEMBASSY NAIROBI  
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UNCLAS SECTION 03 OF 07 SALISBURY 1657

AIDAC

FOR ADMINISTRATOR AND AA/AFR

NAIROBI FOR REDSO

B. ECONOMIC RATIONALE AND JUSTIFICATION

THIS SECTION SENT DEPTTEL SALISBURY 1212 JUNE 9. PLEASE  
INSERT VERBATIM IN PAAD TEXT.

III. A. GENERAL SCOPE OF GOZ PROGRAM

MOST SIGNIFICANT STRUCTURAL RESULT OF WAR WAS DISLOCATION  
SUBSTANTIAL NUMBERS (1.0-1.5 MIL) OF RURAL POPULATION. WITH  
CESSATION OF FIGHTING, RURAL POPULATION BEGAN RETURNING HOME TO  
TRIDAL TRUST LANDS (TTLs) AND OUTSIDE REPATRIATION IS NEARING  
COMPLETION. MOST RETURNING HAVE HAD FARMING ACTIVITIES DISRUPTED  
AND RESOURCES DEPLETED OR DESTROYED. INFRASTRUCTURE WAS DESTROYED,  
LANDS FOUND IDLE, CATTLE LOSSES HIGH (AN ESTIMATED 1.0 MIL OUT OF  
3.6 MIL), HOMES AND CATTLE DIPS DESTROYED, AND SEED AND IMPLEMENTS  
STOLEN. THESE SLTBACKS FOLLOWS ON HEELS OF TWO YEAR DROUGHT THAT  
HIT MANY SECTORS OF COUNTRY IN 1970/79. RETURNING POPULATION THUS  
FACES VERY DIFFICULT CONDITIONS. THESE ARE MADE MORE DIFFICULT BY  
FACT THAT FIGHTING DID NOT CEASE UNTIL EARLY THIS YEAR, AFTER  
PLANTING SEASON PASSED.

NEW GOZ HAS ASSIGNED HIGHEST PRIORITY TO RESETTLEMENT  
RECONSTRUCTION. A 5-YEAR US \$290 MIL PHYSICAL RECONSTRUCTION  
PROGRAM AND ONE-YEAR US \$110 MIL EMERGENCY RESETTLEMENT  
PROGRAM WERE DEVELOPED BY THE GOZ. BOTH PROGRAMS WERE ANALYZED  
BY TECHNICAL, IMPLEMENTING MINISTRIES, DONORS AND TREASURY.  
PROGRAM PLANS HAVE BEEN PARED DOWN TO WHAT REALISTICALLY CAN BE  
IMPLEMENTED IN ONE YEAR WITH AVAILABLE FUNDS (US \$52.5 MIL RECON-  
STRUCTION AND US \$42.0 MIL RESETTLEMENT). AN IMMEDIATE THREE-  
MONTH ACTION PROGRAM HAS BEEN FUNDED BY TREASURY, USING GOZ  
AND EXPECTED DONOR RESOURCES (US \$37.5 MIL RECONSTRUCTION;  
US \$25.0 MIL RESETTLEMENT) TO START HIGH PRIORITY ACTIONS IN FIRST  
QUARTER. IN CLOSE COORDINATION WITH THE UNHCR, THE RESETTLEMENT  
PROGRAM HAS BEEN DRAFTED BY THE SOCIAL SERVICES AND DEVELOPMENT  
AGRICULTURE OFFICES IN GOZ AND CLEARLY BY A CABINET-LEVEL INTER-  
MINISTERIAL COORDINATING COMMITTEE CHAIRED BY MINISTER OF LAND,  
RESETTLEMENT AND RURAL DEVELOPMENT. IT IS A PROGRAM TO: TRANSPORT  
DISPLACED PERSONS BACK TO THEIR HOMES; PROVIDE SIMPLE SHELTER  
MATERIALS FOR THOSE IN AREAS WHERE SUCH MATERIALS DO NOT EXIST;  
PROVIDE DOMESTIC KITS TO THOSE MOST IN NEED OF HELP IN REESTABLISH-  
ING HOMES; VEGETABLE SEED PACKAGES FOR INTERIM FOOD DURING THE  
DRY WINTER; SUMMER CROP PACKAGES AND RELATED TRAINING TO HELP OUT  
DISPLACED PERSONS BACK TO FOOD SELF-SUFFICIENCY AND INTO CASH CROP  
PRODUCTION. THE PHYSICAL RECONSTRUCTION PROGRAM HAS BEEN  
DEVELOPED BY DISTRICT DEVELOPMENT COMMITTEES AND COORDINATED AT  
THE CENTRAL LEVEL BY THE DISTRICT ADMINISTRATION OFFICE IN THE  
LOCAL GOVERNMENT AND HOUSING MINISTRY. IT INCLUDES: REPAIR OF  
ACCESS ROADS AND BRIDGES AND RURAL WATER SUPPLIES; REOPENING  
OF CLINICS AND SCHOOLS; REBUILDING DIP TANKS, DIPPING SERVICES,

STOCK MARKETING FACILITIES, SMALL IRRIGATION SCHEMELS AND RELATED  
BUILDINGS; EXTENSIVE EQUIPMENT, TOOLS AND VEHICLES ARE NEEDED  
TO CARRY OUT THESE PROGRAMS.

IN RESPONSE TO THESE REQUIREMENTS, THE INTERNATIONAL DONOR  
COMMUNITY HAS THUS FAR INDICATED A WILLINGNESS TO COMMIT APPROX  
US \$140 MIL OF ASSISTANCE TO SUPPORT GOVERNMENT'S FULL (1980 MIL)  
RESETTLEMENT AND RECONSTRUCTION EFFORTS. IN LINE WITH THE DIVISION  
OF EFFORT PROPOSED BY THE GOZ, DONORS ARE BEING REQUESTED TO  
CONCENTRATE THEIR RESOURCES IN THE ABOVE AREAS. FOR ITS PART,  
GOVERNMENT WILL USE AVAILABLE RESOURCES TO SUPPLEMENT THESE  
EFFORTS AS WELL AS CONCENTRATE ON PROVIDING A RANGE OF SOCIAL,  
EDUCATIONAL AND HEALTH SERVICES TO THOSE PERSONS AND COMMUNITIES  
AFFECTED BY THE WAR. ALONG WITH THE US, THE MAJOR BILATERAL DONORS  
INCLUDE THE W. GERMANS, BRITISH, FC, NORWEGIANS AND DUTCH.  
OTHER DONORS ARE THE AUSTRALIANS, SAUDIS, SWEDES AND DANES. IN  
ADDITION, THE UNHCR IS CHANNELLING RESOURCES FROM A NUMBER OF  
DONOR NATIONS TOWARDS THE EMERGENCY DISPLACED PERSONS RESETTLE-  
MENT EFFORTS. THE ASSISTANCE TERMS RANGE WIDELY FROM GRANTS AND  
LOANS TO IN KIND HELP; PLEDGES RANGE FROM IMMEDIATE TO THREE-YEAR  
SUPPORT. THIS PROGRAM GRANT WILL FORM THE INITIAL US CONTRIBUTION  
TO THE ABOVE MULTI-DONOR EFFORT.

III. B. ALLOCATION OF LOCAL CURRENCY (L/C) - AREAS OF EMPHASIS  
1. NATURE OF L/C PROGRAM.

IN REVIEWING OPTIONS FOR ALLOCATION OF LOCAL CURRENCIES,  
PAAD DESIGN TEAM HAS MADE ASSESSMENT OF GOZ EMERGENCY  
RESETTLEMENT AND RECONSTRUCTION PROGRAM; IN PARTICULAR, TWO  
CRITICAL ELEMENTS OF PROGRAM DESIGNATED AS HIGHEST PRIORITY BY  
THE GOZ, E.G. (1) AGRICULTURAL INPUTS ASSISTANCE TO REFUGEES AND  
DISPLACED PERSONS, AND (2) SUPPORT FOR PHYSICAL RECONSTRUCTION  
EFFORT IN RURAL AREAS. TEAM HAS ALSO EXAMINED PLANS OF GOZ  
INSTITUTIONS PRINCIPALLY RESPONSIBLE FOR IMPLEMENTING PROGRAM--  
DEPARTMENT OF AGRICULTURAL DEVELOPMENT (DEVAG) AND DISTRICT  
ADMINISTRATION.

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UNCLASSIFIED

PAGE 01 SALISB 01657 04 OF 07 132240Z 007893 AID7257  
ACTION AID-35

SALISB 01657 04 OF 07 132240Z 007893 AID7257

ACTION OFFICE ARAF-01  
INFO AFEA-03 ALSA-03 AFRA-03 AFDP-02 AFDR-06 CHG-01 PPCE-01  
PPPB-02 GC-01 GCAF-01 PPEA-01 GCFL-01 PPIA-02 IDCA-01  
FH-02 AADS-01 CHGT-02 CTR-02 DQAG-02 PVC-02 ES-01 CER-01  
AGRI-01 RELO-01 MAST-01 AFDA-01 PUPR-01 /217 AJ 5

THEIR FARMS. THE PROGRAM ("PROPOSALS FOR RELIEF OF DISTRESS AND  
REHABILITATION IN THE PEASANT FARMING AREAS THROUGH AGRICULTURE"  
--REVISED MAY 1980) HAS FOUR PRINCIPAL COMPONENTS: (1) PROVIDE  
VEGETABLE AND SUMMER CROP PACKAGES AND IMPLEMENTS TO STIMULATE  
PRODUCTION; (2) IMPROVE TILLAGE CAPABILITIES; (3) EXPAND TRAINING  
FACILITIES AND OPPORTUNITIES; AND (4) REHABILITATE IRRIGATION SCHEMES

INFO OCT-01 AF-10 SSO-08 INR-10 INRE-00 EB-08 10-15  
L-03 CIAE-00 /082 W

TARGET GROUP EXPECTED TO RECEIVE THIS ASSISTANCE WILL BE COMPRISED  
OF UP TO 260,000 FARM FAMILIES, PRINCIPALLY EXTERNAL REFUGEES AND  
OTHERWISE DISPLACED PERSONS, BUT ALSO SOME ECONOMICALLY DISTRESSED  
FAMILIES WHO REMAINED ON THEIR FARMS. ASSISTANCE WILL BE FOCUSED  
PRINCIPALLY ON TTLS.

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FM AMEMBASSY SALISBURY  
TO SLCSTATE WASHDC IMMEDIATE 925  
INFO AMEMBASSY NAIROBI  
AMEMBASSY HDADANE

BRIEF DISCUSSION OF EACH COMPONENT IS AS FOLLOWS:

UNCLAS SECTION 04 OF 07 SALISBURY 1657

(1) CROP PACKS AND FARM IMPLEMENTS INCLUDE THREE SEPARATE  
ELEMENTS TO THIS PRODUCTION-ORIENTED ACTIVITY, I.E. PROVISION OF  
"WINTER" VEGETABLE PACKS, SUMMER CROP PACKS (LARGELY FOR FOOD  
CROPS BUT INCLUDING SOME FOR CASH CROPS) AND PROVISION OF AGRICULTURAL  
IMPLEMENTS. "WINTER" PACKS WILL REACH APPROX 70,000  
FARMERS IN AREAS WITH ADEQUATE WATER SUPPLIES. POOR NUTRITION  
DUE TO FOOD SHORTAGES WIDESPREAD AND VEGETABLE PACKS WILL BE ABLE  
SUPPLY FAMILY WITH BETWEEN 1.5 AND 2.0 KG OF VEGETABLES DAILY.  
THIS WILL SUPPLEMENT EXISTING FOOD SUPPLIES FOR ABOUT FIVE MONTHS  
UNTIL 1981 HARVEST. PACKS WILL CONTAIN UP TO TEN VARIETIES OF SEED,  
FERTILIZER AND GARDEN TOOLS.

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NAIROBI FOR REDSO

SUMMER CROP PACKS WILL RESPOND TO PROBLEM OF FOOD SHORTAGES  
FACED BY LARGER NUMBER OF FARM FAMILIES. LIMITED PLANTING OF FOOD  
CROPS LAST NOVEMBER RESULTED FROM DEPLETED POPULATION IN TTLS  
AND INTIMIDATION DURING WAR. IN ADDITION, FOOD STOCKS WERE VERY  
HEAVILY DRAWN DOWN DURING TWO YEARS OF DROUGHT. MANY REFUGEES  
AND DISPLACED PERSONS RESIDING IN TOWNS AND CITIES OR IN SQUATTER  
CAMPS ARE AWARE OF FOOD SHORTAGES AND UNWILLING RETURN HOME. TO  
MEET THIS PROBLEM AND TO PROVIDE STRONG INCENTIVE TO RETURN HOME,  
AN ESTIMATED 240,000 FOOD CROP PACKS (MAIZE, SORGHUM AND MILLET)  
AND 15,000 CASH CROP PACKS (COTTON AND GROUNDNUTS) WILL BE DISTRIBUTED  
FOR PLANTING IN NOVEMBER. EACH PACK WILL CONTAIN SUFFICIENT  
INPUTS FOR 0.5 HA. OF EACH CROP. PARTICIPATING FAMILIES WILL  
RECEIVE FOOD SUPPLIES UNDER UNHCR PROGRAM UNTIL THEIR CROPS ARE  
HARVESTED AND THEY AGAIN BECOME BASICALLY SELF-SUFFICIENT. ALONG  
WITH CROP PACKS THERE IS RELATED PROGRAM TO PROVIDE RECIPIENTS  
WITH A HOE AND, TO A MORE LIMITED EXTENT, OX-DRAWN PLOUGHS,  
RELATED CULTIVATION EQUIPMENT, AND SPRAYERS. THESE WILL BE  
DISTRIBUTED BY DEVAG FIELD STAFF AT THEIR DISCRETION TO MORE ABLE  
AND QUALIFIED FARMERS.

TEAM'S REVIEW OF OVERALL THRUST OF GOVERNMENT'S PROGRAM  
CONCLUDES THAT GOZ HAS CORRECTLY IDENTIFIED PRINCIPAL HUMAN AND  
PHYSICAL OBSTACLES TO REPAIRING SOCIAL AND ECONOMIC FABRIC OF THE  
COUNTRY DISRUPTED BY WAR. BEYOND THAT, TEAM SATISFIED THAT GOZ,  
WITH FINANCIAL SUPPORT OF DONOR COMMUNITY, IS TAKING SOUND AND  
TIMELY STEPS TO DEAL WITH INTER-RELATED PROBLEM AREAS NOW FACED.  
FURTHERMORE, PLANNING AND ADMINISTRATIVE CAPACITY OF DEVAG AND  
DISTRICT ADMINISTRATION APPEAR FULLY CAPABLE MANAGING PROPOSED  
PROGRAMS. MISSING INGREDIENT IS FINANCIAL RESOURCES TO IMPLEMENT  
PROGRAMS ON MEANINGFUL SCALE. GOZ HAS MADE LIMITED RESOURCES  
AVAILABLE TO START IMPLEMENTATION, HOWEVER SEVERE BUDGET SHORTFALL  
REQUIRES RELIANCE ON DONORS TO PROVIDE BULK OF REQUIRED FINANCING.  
THE PAID TEAM IS FIRMLY CONVINCED THAT AID ASSISTANCE IN FORM OF  
A PROGRAM GRANT, WILL CONTRIBUTE SUBSTANTIALLY TO ALLEVIATION OF  
SEVERE BUDGET DEFICITS IN THESE PROGRAMS.

MECHANICS OF PROPOSED GRANT ARE DETAILED IN SECTION IV. L/C  
SUPPORT FUND (US \$13.0 MIL EQUIVALENT) TO BE CREATED BY THE GOVERNMENT  
WILL CONTRIBUTE RESOURCES TO FINANCE THE GENERAL RESETTLEMENT/  
RECONSTRUCTION ACTIVITIES OF DEVAG AND DISTRICT ADMINISTRATION.  
SPECIFIC SUPPORT LEVELS FOR EACH INSTITUTION WILL BE LEFT FLEXIBLE  
IN THE GRANT AGREEMENT IN ORDER TO PROVIDE GOVERNMENT WITH FLEXIBILITY  
NECESSARY TO RESPOND TO SHIFTS IN PRIORITIES THAT MAY OCCUR  
FROM ADDITIONAL INFORMATION OR CHANGING REQUIREMENTS. THIS IS  
PARTICULARLY CRITICAL IN VIEW OF NEED OF MIN FINANCE TO HESH  
ASSISTANCE FROM WIDE RANGE OF DONORS WITH VARYING RESTRICTIONS ON  
USE OF FUNDS. HOWEVER, TEAM ADVISED THAT MIN FINANCE PRESENTLY  
PLANS TO ALLOCATE TO DEVAG APPROX \$5.5 MIL AND TO DISTRICT ADMINISTRATION  
\$7.5 MIL EQUIVALENT OF L/C FUNDS. \$5.5 MIL IN DEVAG  
ALLOCATIONS ARE FOR VEGETABLE PACKS, SUMMER CROP PACKS AND  
RELATED TRAINING. \$7.5 MIL TO RECONSTRUCTION ALLOCATED FOR CATTLE  
DIPS, WATER SUPPLIES, KEY ROADS AND BRIDGES AND SCHOOLS.

2. DESCRIPTION OF OVERALL <sup>of</sup> DEVAG AND DISTRICT ADMINISTRATION PROGRAMS.

(A) AGRICULTURAL SUPPORT ACTIVITIES.

AS A RESULT OF WAR AND TWO YEAR DROUGHT, GOVERNMENT,  
FOR FIRST TIME IN MANY YEARS, IS NOW FACED WITH NEED TO IMPORT  
FOOD--AN ESTIMATED 145,000 TONS OF FOOD TO FEED NEEDY SEGMENTS OF  
POPULATION. FOOD SHORTAGE IS VIEWED WITH GENERAL ALARM BY GOVERNMENT  
OFFICIALS. GOZ IS THEREFORE ATTACHING VERY HIGH PRIORITY TO  
GETTING FARMERS BACK ON THE LAND AND RETURNING THEM TO POSITION OF  
FOOD SELF-SUFFICIENCY. AGENCY CHARGED WITH RESPONSIBILITY FOR THIS  
TASK IS DEVAG, ACTIVE SINCE 1976 AS THE EXTENSION AGENCY FOR  
PEASANT FARMERS. DEVAG HAS DEVELOPED ONE-YEAR INTEGRATED  
PROGRAM DESIGNED ASSIST DISLOCATED FARM FAMILIES AFTER RETURN TO

UNCLASSIFIED  
Department of State

INCOMING  
TELEGRAM

PAGE 01 SALISB 01657 05 OF 07 132250Z 007895 AID7276

SALISB 01657 05 OF 07 132250Z 007895 AID7276

ACTION AID-35

PROVIDING RETURNNEES WITH AGRICULTURAL INPUTS AND TRAINING TO RESUME PRODUCTION IS NECESSARY, BUT INSUFFICIENT; IT MUST BE ACCOMPANIED BY PHYSICAL RECONSTRUCTION EFFORT AND RESTORATION OF BASIC SOCIAL SERVICES, TO ATTRACT AND, MORE IMPORTANTLY, RETAIN THE RETURNING REFUGEES AND DISPLACED PERSONS.

ACTION OFFICE AAAF-01  
INFO AFEA-03 AFSA-03 AFRA-03 AFDP-02 AFDR-06 CHG-01 PPCE-01  
PPPB-02 PPEA-01 PPIA-02 IDCA-01 FM-02 AADS-01 CHGT-02  
CTR-02 DSAG-02 PVC-02 ES-01 SER-01 AGRI-01 NLO-01  
MAST-01 PDPR-01 AFDA-01 /044 W3 5

THE PROGRAM TO INITIATE RECONSTRUCTION OF WAR-DAMAGED INFRA-STRUCTURE HAS ALREADY BEGUN. IN ADDITION TO AID 5 12 MIL CONTRIBUTION TO THE HEALTH CLINIC RECONSTRUCTION, GOZ HAS ALLOCATED OWN FUNDS FOR BROADER PROGRAM AND IS NEGOTIATING WITH DONORS FOR ADDITIONAL FINANCIAL SUPPORT. HOWEVER COST OF ENTIRE PROGRAM EXCEEDS AVAILABILITIES. THE DISTRICT ADMINISTRATION DIVISION, RESPONSIBLE FOR PUBLIC WORKS CONSTRUCTION IN THE TTLS, HAS PREPARED A 5 YEAR RECONSTRUCTION PACKAGE TOTALING IN EXCESS OF 1300 MIL. FIRST YEAR REQUIREMENTS WERE ESTIMATED AT APPROX 455 MIL.

INFO OCT-01 AF-10 SSO-00 INR-10 INRE-00 EG-08 10-15  
L-03 CIAE-00 /082 W

DISTRICT ADMINISTRATION WILL SUPPORT RECONSTRUCTION THROUGH THREE SUB-PROGRAMS: THE AFRICAN DEVELOPMENT FUND (THE PUBLIC WORKS AGENCY FOR THE TTLS, ESTABLISHED IN 1949), THE COUNCILS (LOCAL GOVERNMENT BODIES, SOON TO BE RECOGNIZED, RESPONSIBLE FOR COMMUNITY SERVICES AND FACILITIES); AND, GOVERNMENT (RESPONSIBLE FOR SERVICES AND PROGRAMS IN RURAL AREAS CUTTING ACROSS DISTRICT/PROVINCIAL LINES). OF THESE SUB-PROGRAMS, THE AFRICAN DEVELOPMENT FUND (ADF) WILL RECEIVE LION'S SHARE OF RESOURCES, PRINCIPALLY FOR RECONSTRUCTING ROADS AND BRIDGES, WATER AND BOREHOLES, CATTLE DIPS, TRANSPORT, IRRIGATION, FENCING, ETC. PRINCIPAL ACTIVITY OF THE COUNCILS WILL BE RECONSTRUCTION OF SCHOOLS, WITH SOME REBUILDING OF STAFF HOUSING, OFFICES AND COMMUNITY HALLS. GOVERNMENT SUB-PROGRAM WILL BE CONCENTRATED ON GOVERNMENT HOUSING, FENCING, LANDS/FORESTRY, LOCAL STORES AND COMMERCE, HEALTH, TRAINING, ETC.

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TO SECSTATE WASHDC IMMEDIATE 926  
INFO AMEMBASSY NAIROBI  
AMEMBASSY MBABANE

THE PAAD TEAM HAS REVIEWED PLANNED ACTIVITIES OF DISTRICT ADMINISTRATION AND CONCLUDED THAT THERE IS EFFECTIVE, FUNCTIONING SYSTEM FOR RANK ORDERING PROJECTS RESPONSIVE TO LOCAL DEMAND (INITIALLY DONE AT LOCAL/DISTRICT LEVEL AND SUBSEQUENTLY VETTED AT HEADQUARTERS) PLANNING CAPABILITIES ARE ADEQUATE, SYSTEM FOR PURCHASING COMMODITIES AND MAINTAINING EQUIPMENT IS SOUND, AND HUMAN RESOURCES NECESSARY TO EFFECTIVELY ADMINISTER THE PROGRAM ARE AVAILABLE. DEVELOPMENT ADMINISTRATION HAS IMPRESSIVE RECORD OF RURAL CONSTRUCTION AND MAINTENANCE, ALTHOUGH OBVIOUSLY AFFECTED BY THE WAR.

UNCLAS SECTION 05 OF 07 SALISBURY 1657

AIDAC

FOR ADMINISTRATOR AND AA/AFR

NAIROBI FOR REDSO

(2) IMPROVED TILLAGE. CATTLE LOSSES, ESTIMATED AT ONE MILLION HEAD, HAVE RESULTED IN CONSIDERABLE REDUCTION IN AVAILABLE DRAUGHT ANIMAL POWER IN THE TTLS. DAMAGE AND DESTRUCTION OF DIP TANKS HAD LEAD TO AN INCREASE OF TSETSE FLY AND TICK-BORNE DISEASES. SINCE MOST AFRICAN FARMERS RELY ON OXEN FOR PLANTING, PROBLEM OF TILLAGE IN UPCOMING PLANTING SEASON IS MAJOR. TO INSURE FARMERS IN HARDEST HIT AREAS CAN PLANT A CROP, DEVAG PLANS TO PROVIDE 50 TRACTORS AND RELATED IMPLEMENTS AND MAINTENANCE UNITS.

(3) TRAINING FACILITIES. SERIOUS CONCERN OF THE DEVAG STAFF IS THAT FARMERS RECEIVING VEGETABLE AND CROP PACKS SHOULD ALSO BE TRAINED IN USE OF PACK INPUTS TO INSURE MAXIMUM EFFECTIVENESS. THE PROGRAM PROPOSES TO MAKE BRIEF FIELD TRAINING COURSES AND FOLLOW-UP VISITS BY DEVAG EXTENSION STAFF A REQUIREMENT FOR RECEIVING THE CROP PACKS. BY EXPANDING EXISTING FACILITIES AND BUILDING NEW ONES IT IS EXPECTED THAT DEVAG TRAINING WILL REACH OVER 350,000 FARM FAMILIES IN FIRST YEAR.

(4) IRRIGATION IMPROVEMENTS. SMALL IRRIGATION SCHEMES IN 20 DISTRICTS HAVE SUFFERED PHYSICAL DAMAGED AND SERIOUS NEGLECT DUE TO WAR. REPAIR OF THESE SCHEMES WILL ALLOW SETTLEMENT OF UP TO 10,000 DISPLACED-PERSONS USING INTENSIVE AGRICULTURE PRODUCTION PRACTICES AND WILL ENABLE GROUP TO ACHIEVE SELF-SUFFICIENCY IN FOOD WITHIN A VERY SHORT TIME.

THE PAAD DESIGN TEAM HAS REVIEWED DEVAG'S ADMINISTRATIVE ARRANGEMENTS FOR SELECTION OF PARTICIPANTS (A 2-TIER SCREENING PROCESS), FOR PROCUREMENT OF INPUTS (BIDS ARE IN HAND), FOR DISTRIBUTION OF INPUTS (CONTRACTING WITH THE AFRICAN COOPERATIVE UNION FOR TRANSPORT AND USE OF DEVAG'S 1950 FIELD FARM WORKERS) AND FOR PROJECT MONITORING (DEVAG FIELD STAFF AND EXTENSION SUPERVISORS AND ASSISTANTS), AND CAN BE EFFECTIVELY MANAGED. FURTHER EVIDENCE OF THIS CAPABILITY WAS THE SUCCESSFUL IMPLEMENTATION OF A DROUGHT RELIEF PROGRAM TO PROVIDE AGRICULTURE INPUTS TO 30,000 FARMERS IN TTLS IN 1979.

COST FOR THIS ESSENTIALLY ONE-YEAR PROGRAM HAS BEEN ESTIMATED BY DEVAG AT 2842 MIL. ESTIMATES WERE CAREFULLY REVIEWED BY TREASURY AND REDUCED TO AN INITIAL 7122 MIL, WITH ADDITIONAL FUNDS TO FOLLOW IF THESE BECOME AVAILABLE.

FIN FINANCE HAS INDICATED TO AID ITS INTENTION TO ALLOCATE US \$5.5 MIL, OS USG'S \$13 MIL, IN L76 TO THREE CRITICAL ELEMENTS OF THE PROGRAM--THE WINTER VEGETABLE PACK, THE SUMMER CROP PACKS AND THE TRAINING FOR PARTICIPATING FARMERS. PAAD TEAM BELIEVES THESE ELEMENTS ARE RESPONSIVE TO IMMEDIATE NEEDS OF COUNTRY, WILL BE SUPPLEMENTED BY OTHER DONOR AND GOZ INITIATIVES, AND ARE FULLY IN LINE WITH GOVERNMENT'S PHILOSOPHY OF ASSISTING FARMERS IN ACHIEVING SELF-RELIANCE.

(B) PHYSICAL RECONSTRUCTION ACTIVITIES.

UNCLASSIFIED

12

PAGE 01 SALISB 01657 06 OF 07 132300Z 007898 A107277

SALISB 01657 06 OF 07 132300Z 007898 A107277

ACTION AID-35

ABOVE WOULD SERVE NO USEFUL PURPOSE AND, IN FACT, COULD HAVE ADVERSE CONSEQUENCES AS DISCUSSED IN "ISSUES" SECTION.

ACTION OFFICE ARAF-01  
INFO AFLA-03 AFSA-03 AFRA-03 AFDP-02 AFDR-06 CHG-01 PPCE-01  
PPPB-02 PPEA-01 PPIA-02 IDCA-01 FM-02 AADS-01 CHGT-02  
CTR-02 DSAG-02 PVC-02 ES-01 SER-01 AGRI-01 RELO-01  
MAST-01 AFDA-01 PDPR-01 /044 AJ S

PROGRAM REQUIRES ESTABLISHMENT BY GOZ OF SPECIAL ACCOUNT WHICH WILL CONTAIN L/C EQUIVALENT OF US DOLLAR GRANT. FUNDS FROM THIS ACCOUNT WILL BE USED TO SUPPORT GOZ RECONSTRUCTION AND RESETTLEMENT PROGRAM, PRINCIPALLY IN THE AREAS DESCRIBED IN THE PRECEDING SECTION. TREASURY WILL ADMINISTER SPECIAL ACCOUNT IN ACCORDANCE WITH ITS OWN FINANCIAL AND ADMINISTRATIVE PROCEDURES, WHICH PAAD TEAM CONSIDERS SATISFACTORY. IN ADDITION, GOZ WILL ITSELF DETERMINE TIMING AND AMOUNT OF FUNDING FOR VARIOUS ASPECTS OF THE DEVAG AND DISTRICT ADMINISTRATION PROGRAMS. THIS DEGREE OF FLEXIBILITY IS CONSIDERED WARRANTED BECAUSE OF: (A) MAGNITUDE AND COMPLEXITY OF GOVERNMENT'S RECONSTRUCTION AND RESETTLEMENT PROGRAM; (B) IMPORTANCE OF TIMING OF FINANCIAL AND OTHER INPUTS UNDER GOZ CONTROL; AND, (C) FACT THAT OTHER DONORS' FUNDS MAY NOT BE AVAILABLE IN A TIMELY MANNER, THEREBY CREATING UNFORESEEN "GAPS" IN PROGRAM WHICH WILL BE DIFFICULT TO ELIMINATE IN ABSENCE OF SUFFICIENT GOZ FLEXIBILITY.

INFO OCT-01 AF-10 SSO-00 INR-10 INRE-00 EB-08 10-15  
L-03 CIAL-00 /032 W

GIVEN THE FACTORS JUST CITED, IT IS CONCEIVABLE THAT DURING PROGRAM, SHORTFALLS MAY ARISE IN OTHER CRITICAL PARTS OF THE GOZ RECONSTRUCTION AND RESETTLEMENT EFFORT OUTSIDE OF THE DEVAG AND DISTRICT ADMINISTRATION PROGRAMS. IN ORDER TO MEET SUCH CONTINGENCIES, THE AGREEMENT WILL PERMIT REALLOCATION OF SPECIAL ACCOUNT FUNDS ON A CASE-BY-CASE BASIS WITH AID CONCURRENCE.

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FM AMEMBASSY SALISBURY  
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INFO AMEMBASSY NAIROBI  
AMEMBASSY MBABANE

UNCLAS SECTION 06 OF 07 SALISBURY 1657

AIDAC

FOR ADMINISTRATOR AND AA/AFR

NAIROBI FOR REDSO

TREASURY HAS REVIEWED THE FIRST YEAR'S ACTIVITIES PROPOSED BY DISTRICT ADMINISTRATION AND REDUCED THE \$55 MIL REQUEST TO APPROX \$34.5 MIL, IN LINE WITH THE EXPECTED AVAILABILITY OF FUNDING FOR THAT PROGRAM. SHOULD ADDITIONAL FUNDS BECOME AVAILABLE, HOWEVER, DISTRICT ADMINISTRATION IS PREPARED TO EXPAND ITS ACTIVITIES.

FIN FINANCE HAS INDICATED AID L/C FUNDS WOULD BE ASSOCIATED WITH KEY ELEMENTS OF THE PROGRAM SUCH AS BOREHOLES/WATER SUPPLY, CATTLE DIPS, AND ROADS AND BRIDGES ACTIVITIES TO BE UNDERTAKEN BY THE AGP AS WELL AS THE COUNCILS' SCHOOL RECONSTRUCTION PROGRAM. THE ESTIMATED 5-YEAR COST OF THESE ACTIVITIES BY THEMSELVES IS OVER \$100 MIL. THESE AID ELEMENTS ARE ALSO CLOSELY INTERRELATED TO THE AGRICULTURE AND LIVESTOCK REHAB EFFORT OF DEVAG AND WILL BE A CRITICAL SUPPORT COMPONENT TO THAT DEVELOPMENT PACKAGE. SIMILARLY, THE SCHOOLS WILL PROVIDE A SOCIAL SERVICE NECESSARY TO ATTRACT AND RETAIN THE RETURNING RURAL POPULATION.

B. MONITORING.

AID WILL MONITOR THE PROGRESS OF THE GOZ RECONSTRUCTION AND RESETTLEMENT PROGRAM THROUGH QUARTERLY FINANCIAL REPORTS CONTAINING FOLLOWING INFORMATION:

(A) CUMULATIVE DEPOSITS TO THE DISBURSEMENTS FROM THE SPECIAL ACCOUNT;

(B) FOR EACH PROGRAM OR ACTIVITY FUNDED FROM THE ACCOUNT, THE BUDGET AMOUNT, DISBURSEMENTS MADE DURING THE QUARTER AND CUMULATIVE DISBURSEMENTS; AND

(C) GENERAL DESCRIPTION OF ACTIVITIES, GOODS, SERVICES, STRUCTURES AND/OR FACILITIES FINANCED DURING QUARTER. AID WILL HAVE RIGHT TO AUDIT AND INSPECT PROGRAMS FINANCED UNDER SPECIAL ACCOUNT.

3. BENEFICIARIES.

ACCORDING TO GOZ AND UNHCR, TOTAL NUMBER OF PEOPLE CONSIDERED REFUGEES IS APPROX 195,000 FAMILIES AND 60,000 INDIVIDUALS. THESE FIGURES ARE CURRENTLY BEING REFINED. ANOTHER CATEGORY INCLUDES DISPLACED PERSONS AFFECTED BY THE WAR, INCLUDING THOSE IN PROTECTED VILLAGES, MIGRANTS TO URBAN AREAS AND THOSE WHO MOVED TO MORE SECURE AREAS WITHIN THE TTLS. NUMBER PERSONS HERE UNCERTAIN AS WELL AS THIRD GROUP, FARM FAMILIES WHO CHOSE TO REMAIN ON THEIR LAND BUT WHOSE RESOURCES WERE DAMAGED OR LOOTED DURING FIGHTING. IN PRACTICE GOVERNMENT IS NOT DISAGGREGATING AMONG AFFECTED PERSONS TO ANY SIGNIFICANT DEGREE AND INSTEAD IS DEALING WITH THEM GENERALLY AS RETURNEES. TOTAL NUMBER OF RETURNEES TO BE BENEFITTED UNDER GOZ'S RECONSTRUCTION/RESETTLEMENT PROGRAMS IS DIFFICULT TO DETERMINE. HOWEVER, THE BENEFICIARIES UNDER THE DEVAG PROGRAM ARE EXPECTED TO NUMBER 250-300,000 FAMILIES.

IV. PROGRAM IMPLEMENTATION

A. FINANCIAL ARRANGEMENTS

THIS PROGRAM IS DESIGNED TO FACILITATE FLOW OF FINANCIAL RESOURCES TO GOZ TO ENABLE IT TO MEET IMMEDIATE BUDGETARY AND FOREIGN EXCHANGE SHORTFALLS, AS DESCRIBED IN SEPTEL. ACCORDINGLY, GRANT WILL BE DISBURSED TO A GOZ ACCOUNT IN A US BANK SPECIFIED BY GOZ IN A FINANCING REQUEST. FINANCING REQUEST MUST BE SUBMITTED TO AID WITHIN SIXTY (60) DAYS FROM DATE OF EXECUTION OF PROGRAM GRANT AGREEMENT. (WE EXPECT IT SIMULTANEOUSLY).

BECAUSE GOZ'S NORMAL QUARTERLY FOREIGN EXCHANGE (7.12% MIL) AND BUDGETARY REQUIREMENTS EXCEED FULL AMOUNT OF GRANT AND BECAUSE OF URGENT REQUIREMENT FOR FOREIGN EXCHANGE FOR REDEVELOPMENT PROGRAM, INITIAL DISBURSEMENT WILL COVER FULL AMOUNT OF GRANT. TRANCING OF DISBURSEMENTS UNDER CIRCUMSTANCES DESCRIBED

UNCLASSIFIED  
Department of State

INCOMING  
TELEGRAM

PAGE 01 SALISB 01657 07 OF 07 1323077 007899 AID7278  
ACTION AID-35

SALISB 01657 07 OF 07 1323072 007899 AID7278

FURTHER TO DELAY IN THESE CRITICAL PROGRAMS AND RESULT IN DIMINISHMENT OF POLITICAL RETURNS TO US FROM ASSISTANCE PROVIDED. IN CASE OF DEVAG PROGRAM AND SUMMER CROP PACKS, SITUATION IS EVEN MORE CRITICAL. INABILITY GOZ TO COMMIT RESOURCES TO THIS PROGRAM IS RESULTING IN RISK SUPPLIERS WILL NOT BE ABLE TO MOBILIZE INPUTS IN TIME NEXT PLANTING SEASON. ORDERS MUST BE PLACED IN NEXT TWO (2) WEEKS. THEREFORE IT IS URGENT THAT A FIRM RECOMMENDATION AND INTENTION PROGRAM FULL \$13 MIL IN ONE TRANCHE. AGREEMENT HAS BEEN PREPARED, DRAFTED AND SHOWN TO MIN FINANCE IN DRAFT FORM FOR COMMENT OR ASSUMPTION AID/W WILL AGREE.  
KEELEY

ACTION OFFICE AAAF-01  
INFO AFEA-03 AFSA-03 AFRA-03 AFDP-02 AFDR-06 CHG-01 PCPE-01  
PPPB-02 PPEA-01 PPIA-02 IDCA-01 FM-02 AADS-01 CMGT-02  
CTR-07 DSAG-02 PVC-02 LS-01 DIR-01 AGRI-01 RELO-01  
MAST-01 MOPR-01 AFDA-01 /044 NJ 5

INFO OCT-01 AF-10 SSO-00 INR-10 ITRF-00 EB-08 10-15  
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TO SECSTATE WASHDC IMMEDIATE 928  
INFO AMEMBASSY NAIROBI  
AMEMBASSY HUADANE

UNCLAS SECTION 07 OF 07 SALISBURY 1657

AIDAC

FOR ADMINISTRATOR AND AA/AFR

NAIROBI FOR REDSO

C. PUBLICITY.

GOZ HAS MADE CLEAR ITS WILLINGNESS TO PROVIDE SUITABLE PUBLICITY FOR FACILITY OR ACTIVITY BENEFITTED. EXAMPLE FORMS OF PUBLICITY MAY INCLUDE SIGNS OR PLAQUES ATTACHED TO PHYSICAL FACILITIES SUCH AS CATTLE DIP TANKS (CONCRETE STRUCTURES), BORE-HOLES OR SCHOLLS; SIGNS AND ADVERTISEMENTS ASSOCIATED WITH CROP PACK DISTRIBUTION AND TRAINING CENTERS, AND, MORE GENERALLY, PRESS RELEASES AND OPENING CEREMONIES WITH JOINT US-GOZ PARTICIPATION. SPECIFIC ARRANGEMENTS FOR SUITABLE PUBLICITY WILL BE MADE ON AN AD HOC BASIS AS THE PROGRAM DEVELOPS.

D. NEGOTIATING STATUS AND COVENANTS.

THERE ARE NO SIGNIFICANT OUTSTANDING ISSUES OR PROBLEMS WITH GOZ. MIN FINANCE HAS EXPRESSED ITS APPRECIATION FOR PROGRAM GRANT APPROACH. DRAFT GRANT AGREEMENT REQUIRING ESTABLISHMENT OF L/C FUND AND OUTLIER GENERAL FUNDING AHEAD HAS BEEN PREPARED BY REDSO AND DISTRIBUTED TO GOZ FOR COMMENT. COVENANTS IN AGREEMENT WILL PROVIDE THAT NO FOREIGN EXCHANGE FUNDS FURNISHED THEREUNDER SHALL BE USED FOR MILITARY PURPOSES OR FOR LUXURY GOODS. THE AGREEMENT WILL REQUIRE SPECIMEN SIGNATURES, BUT NOT AS A CONDITION PRECEDENT. NO LEGAL OPINION IS DEEMED NECESSARY GIVEN PRIOR LEGAL OPINION RECEIVED IN CONNECTION WITH ZIMBABWE RURAL HEALTH SERVICE PROJECT.

V. ISSUES.

THE ONLY MAJOR ISSUE REMAINING IN OUR OPINION IS QUESTION OF TRANCHING. LACKING AID/W CLARIFICATION OF WHY TRANCHING WAS PROPOSED WE HAVE HAD TO ASSUME IT WAS CONCERN OVER UTILIZATION RATE OF \$13 MIL BOTH FOREIGN EXCHANGE DRAWDOWN AND DISBURSEMENT OF \$13 MIL EQUIVALENT IN L/C FROM SPECIAL ACCOUNT.

BASED ON ECONOMIC ANALYSIS SET FORTH IN PART I OF PAAD-- AND DISCUSSIONS WITH GOZ TREASURY OFFICIALS, WE ARE CONFIDENT THAT ALL OF \$13 MIL IN FX WILL BE DRAWN DOWN WELL WITHIN THREE-MONTH DISBURSEMENT PERIOD RECOMMENDED HANDBOOK IV, CHAPTER 8. WE SEE NO REASON THEREFORE TO TRANCHE ASSISTANCE IN CONTEXT FX NEEDS ESPECIALLY.

IN CONTEXT L/C UTILIZATION, MIN FINANCE ADVISED THEY WISHED AID ALLOCATE FULL \$13 MIL THIS WEEK AND AS FUNDS ARE NEEDED NOW TO: (A) COMMIT ORDERS FOR FERTILIZER, SEED, TOOLS AND OTHER INPUTS INTO DEVAG PROGRAM AND, (B) CONTINUE ACTUAL CASH OUTLAYS FOR ADF PROGRAMS IN DIP TANKS, BOREHOLLS, WATER SUPPLY, ROADS AND BRIDGES, ETC., PLUS SOCIAL SERVICES, SCHOOL REHAB PROGRAM. WITHOUT FIRM AVAILABILITY OF FULL AMOUNT AID'S FY RESOURCES GOZ NOT ABLE TO PUT UP FULL LOCAL CURRENCY EQUIVALENT, WE ARE ALREADY CONTRIBUTING TO A FURTHER DELAY IN THESE ESSENTIAL PROGRAMS. TO ATTEMPT TO TRANCHE THE LIMITED ASSISTANCE PROPOSED ON TOP OF OUR EXISTING INABILITY TO MEET GOZ'S OWN TIMETABLE WOULD CONTRIBUTE

*7/2* *Dint*  
*5 1/2* *Deacy*

UNCLASSIFIED  
Department of State

INCOMING  
TELEGRAM

11/15

PAGE 01 SALISB 01738 201238Z 011493 AID6969

ACTION AID-35

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ACTION OFFICE AFSA-03  
INFO AFEA-03 AFDP-02 AFDR-06 CH6-01 FM-02 RELO-01 MAST-01  
AFDA-01 /020 AI  
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INFO OCT-01 AF-10 EB-08 HA-05 RP-10 SR-04 L-03 INR-10  
INRE-00 CIAE-00 /086 W  
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-----090683 201250Z /42

O 201226Z JUN 80  
FM AMEMBASSY SALISBURY  
TO SECSTATE WASHDC IMMEDIATE 959  
INFO AMEMBASSY NAIROBI IMMEDIATE

UNCLAS SALISBURY 1738

AIDAC

E. O. 12065: N/A  
TAGS: EAID, ZI  
SUBJ: ZIMBABWE PAAD, GOZ REQUEST

REF: STATE 162232

REFTEL STATED NEED FOR FORMAL REQUEST FOR USG ASSISTANCE  
BEFORE PAAD CAN BE SUBMITTED TO ADMINISTRATOR FOR APPROVAL.  
FOLLOWING IS TEXT OF REQUEST DATED JUNE 20 AND ADDRESSED TO  
AMBASSADOR:

BEGIN TEXT.

I REFER TO DISCUSSIONS BETWEEN THE EMBASSY AND AID OFFICIALS  
AND OFFICIALS OF THE GOVERNMENT OF ZIMBABWE REGARDING THE  
PROGRAM OF REHABILITATION AND RECONSTRUCTION IN ZIMBABWE.  
BY MEANS OF THIS LETTER I FORMALLY REQUEST IMMEDIATE UNITED  
STATES GOVERNMENT FINANCIAL ASSISTANCE TO BE USED IN THE  
GOVERNMENT OF ZIMBABWE'S PROGRAM OF US\$43 MILLION FOR THE  
REHABILITATION OF REFUGEES AND US\$290 MILLION FOR  
RECONSTRUCTION IN RURAL AREAS. SIGNED DAVID YOUNG,  
SECRETARY TO THE TREASURY AND LEONARD THOMPSON,  
ACTING SECRETARY FOR FOREIGN AFFAIRS. END TEXT.  
KEELEY

UNCLASSIFIED

15

Initial Environmental Examination

Program Location: Zimbabwe

Program Title: Zimbabwe Program Grant

Funding: FY 80 \$13,000,000

Period of Program: Terminal Date for Disbursement Will be  
September 30, 1980

I.E.E. Prepared by: Hunter <sup>HW</sup>Farnham, AFR/SA

Environmental Action Recommended: Negative Determination

Concurrence

AFR/DR/SDP: BBoyd S. J. H.

Assistant Administrator Decision:

Approved: \_\_\_\_\_

Disapproved: \_\_\_\_\_

Date: \_\_\_\_\_

I. Examination of Nature, Scope and Magnitude of Environmental Impacts

A. Description of the Project

The project proposes to provide a program grant of \$13 to the Government of Zimbabwe from Economic Support Funds. The purpose of the grant is to provide Zimbabwe with the resources requested as emergency budgetary support. This will provide foreign exchange to help the GOZ address its serious budgetary problem.

B. Identification and Evaluation of Environmental Impact

Guidelines for preparing IEEs stipulate that some A.I.D. projects due to their very general nature will have little or no impact on the environment and therefore usually do not require the preparation of an environmental assessment or an Environmental Impact Statement. Program grants and other grants where third party actions are unknown, non-specific or lacking significance in terms of environmental impact would fall within this category.

II. Recommendation for Environmental Action

Therefore, for the reasons stated above, a negative determination is recommended.

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Department of State

INCOMING  
TELEGRAM

PAGE 01  
ACTION AID-35

NAIROB 19012 021442Z

073150 AID6036

INFO RED-01 /001 A1 4

ACTION OFFICE AFDR-06

INFO AAAP-01 AFEM-03 AFEA-03 AFSA-03 AADS-01 DSAG-02 DSRD-02  
CH8-01 RELO-01 MAST-01 AFDA-01 /025 A1 4

INFO OCT-01 /036 W

-----062407 021513Z /34

R 020744Z OCT 80  
FM AMEMBASSY NAIROBI  
TO SECSTATE WASHDC 2460  
INFO AMEMBASSY SALISBURY

UNCLAS NAIROBI 19012

AIDAC

FROM REDSO/EA

E. O. 12065 N/A  
SUBJ: LANE HOLDCROFT - TDY

1. AID/SALIBURY AND REDSO WISH TO PROPOSE THAT LANE HOLDCROFT, AF/DR/ARD VISIT ZIMBABWE FOR SEVERAL DAY IMMEDIATELY FOLLOWING THE AGRICULTURAL OFFICER'S CONFERENCE NOW SCHEDULED FOR NAIROBI IN EARLY DECEMBER. CONSULTATION WILL BE TO ASSESS ON-GOING AGRICULTURAL COMPONENTS OF THE REHABILITATION AND RECONSTRUCTION PROGRAM; REVIEW FY 81 PROPOSED AGRICULTURAL AND RURAL DEVELOPMENT ACTIVITIES AND ASSIST IN IDENTIFYING SUITABLE AGRICULTURAL ACTIVITIES FOR THE LONG-TERM. WE WILL ALSO WISH TO REVIEW THE AVAILABILITY OF SENIOR LEVEL PROFESSIONAL RESOURCES TO ASSIST USAID IN MEETING PROGRAMMING REQUIREMENTS IN THE SHORT AND LONG TERM.

2. REDSO WILL ASSIGN CALVIN MARTIN TO JOIN HOLDCROFT ON THE VISIT.

3. PLEASE ADVISE AVAILABILITY HOLDCROFT ASAP.  
HARROP

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18

Initial Environmental Examination

Program Location: Zimbabwe

Program Title: Zimbabwe Program Grant

Funding: FY 80 \$13,000,000

Period of Program: Terminal Date for Disbursement Will be  
September 30, 1980

I.E.E. Prepared by: Hunter <sup>HW</sup>Farnham, AFR/SA

Environmental Action Recommended: Negative Determination

Concurrence

AFR/DR/SDP: BBoyd S. Boyd

Assistant Administrator Decision:

Approved: \_\_\_\_\_

Disapproved: \_\_\_\_\_

Date: \_\_\_\_\_

I. Examination of Nature, Scope and Magnitude of Environmental Impacts

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