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USAID/ZIMBABWE

ASSESSMENT OF PROGRAM IMPACT

NOVEMBER 15, 1993

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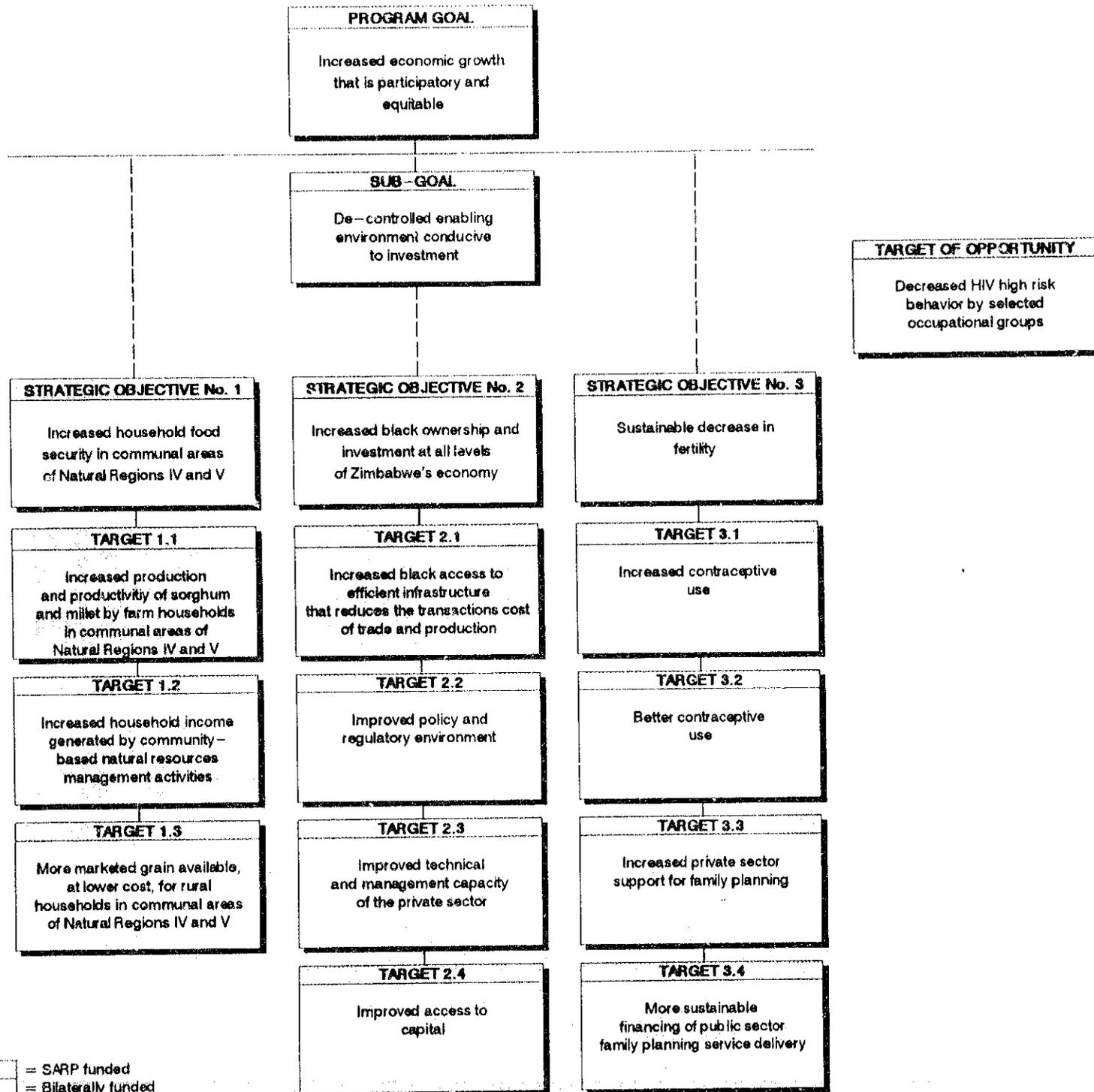
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ACRONYMS

ADB	African Development Bank
CAMPFIRE	Communal Areas Management Program for Indigenous Resources
CPR	Contraceptive Prevalence Rate
CYP	Couple Years of Protection
DHS	Demographic Health Survey
ERS	Export Retention Scheme
ESAP	Economic Structural Adjustment Program
FCDA	Foreign Currency Denominated Account
FEWS	Famine Early Warning System
GEMINI	Growth and Equity through Microenterprise Investments and Institutions
GMB	Grain Marketing Board
GOZ	Government of Zimbabwe
ICRISAT	Institute for Crop Research for the Semi-Arid Tropics
IESC	International Executive Service Corps
IPZ	Intensive Protection Zone
MCH	Maternal and Child Health
MOH	Ministry of Health
NGO	Non Governmental Organization
NRM	Natural Resources Management
NRZ	National Railways of Zimbabwe
OGIL	Open General Import License
PASA	Participating Agency Service Agreement
TFR	Total Fertility Rate
UNFPA	United Nations Fund for Population
ZIMMAN	Zimbabwe Manpower Development
ZNACP	Zimbabwe National AIDS Coordination Program
ZNFPC	Zimbabwe National Family Planning Council

USAID/ZIMBABWE PROGRAM OBJECTIVE TREE



USAID/Zimbabwe
Program Impact Indicators

Objective	Indicator Description	Unit	Baseline		Actual		Planned				Source		
			Year	Value	1993	1994	1995	1996	1997	1998			
Goal:													
Increased economic growth that is participatory and equitable.	GDP per capita (Z\$ in constant 1980 dollars)	Z\$	1980's 1992	450 400	397	409	418	428	436	445	IBRD World Dev. Indicators		
	GDP annual growth rate	%	1980's	4 avg.	2 (prelim)	6	5	5	5	5	CSO, IBRD, IMF		
	Value of merchandise exports/GDP	%	1990	26.2	28.2	34.8	37.4	37.8	38.5	38.9	CSO, Reserve Bank of Zimbabwe		
	More equitable distribution of income (Gini coefficient)	Gini	1992	0 [XX]						0.35	Income, Consumption and Expenditure Surveys, CSO		
Strategic Objective No. 1:													
Increased household food security in communal areas of Natural Regions IV and V. (Note: will measure communal areas falling predominantly within Natural Regions IV and V)	Average household foodgrain availability (kg/household/year)	kg	1993	884.03	884.03						[X] FEWS Survey; Grain Marketing Board (GMB)		
	Own production retained for household consumption (kg/hh/yr)	kg	1993	533.36 (60% of prodctn)	533.36 (60% of prodctn)						[X] Probe Rural Household Survey		
	Estimated actual foodgrain/meal purchases (kg/hh/yr)	kg	1993	319.14	319.14						[X] Probe Rural Household Survey		
Target No. 1.1													
Increased production and productivity of sorghum and millet by farm households in communal areas of Natural Regions IV and V.	Total hectares planted to sorghum and millet in communal areas of Natural Regions IV and V	ha	1988-90	137,100 sorghum; 159,600 pearl millet	121,050 sorgh; 144,000 pearl millet						168,000 sorgh; 195,000 pearl millet	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe	
	Total production of sorghum and millet in communal areas of Natural Regions IV and V	mts	1988-90	87,100 sorghum; 113,800 pearl millet	60,525 sorgh; 50,400 pearl millet						110,000 sorgh; 120,000 pearl millet	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe	
	Area planted to improved varieties of sorghum and pearl millet	ha	1988-90	Nil	6,000 sorgh; 7,000 pearl millet							38,000 sorgh; 43,000 pearl millet	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe
	Sorghum and pearl millet yields per hectare	kg/ha	1988-90	635 sorgh; 700 pearl millet	500 sorgh; 350 pearl millet							660 sorgh; 600 pearl millet	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe
	Production cost per unit output (productivity) of sorghum and pearl millet	Z\$/ton	1988-90	TBD								20% less	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe

USAID/Zimbabwe
Program Impact Indicators

Objective	Indicator Description	Unit	Year	Baseline		Actual		Planned				Source
				Year	Value	1993	1994	1995	1996	1997	1998	
Target No. 1.2												
Increased household income generated by community-based natural resources management activities.	Average household cash income from participation in community-based natural resource management activities (Z\$ per household)	Z\$	1989	200	95							[X] CAMPFIRE and CASS surveys
	Number of households actively participating in community-based natural resource management activities	No.	1989	8,683	50,965							[X] CAMPFIRE Association
Target No. 1.3:												
More marketed grain available, at lower cost, for rural households in communal areas of Natural Regions IV and V.	Retail market prices of foodgrains and processed foodgrains in selected markets of communal areas of Natural Regions IV and V (per 15 kg) - maize grain - roller meal	Z\$	1993	18.27 18.41	18.27 18.41							[X] National Early Warning System
	Volumes of foodgrain marketed through private channels as compared to GMB channels at the national level	tons	1993	[X]								[X] Probe Rural Household Survey
	Volumes of foodgrains processed by selected hammermill operators in communal areas of Natural Regions IV and V	tons	1993	[X]								[X] Probe Rural Household Survey
Sub-Goal:												
De-controlled enabling environment conducive to investment.	Private investment as a % of GDP	%	1990	15.8	18.8	17.8	18.5	19.5	21.5	25.0		Central Statistics Office; IMF; IBRD
	Private domestic investment in U.S. dollar terms	US\$ mil	1993	1,109	1,109	1,121	1,257	1,409	1,500	1,600		Central Statistics Office; IMF
	Net direct foreign investment	US\$ mil	1993	5	5	38	44	57	67	80		Central Statistics Office; IMF
	Black employment	No.	1994	[X]								[X] GEMINI follow-up survey

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USAID/Zimbabwe
Program Impact Indicators

Objective	Indicator Description	Unit	Baseline Year	Baseline Value		Planned				Source		
				1993	1994	1995	1996	1997	1998			
Strategic Objective No. 2:												
Increased black ownership and investment at all levels of Zimbabwe's economy.	% of total homes owned by blacks	%	1992	[X]						[X]	Private Sector Housing Program, MPCNH; 1992 Census	
	% of total homes owned by black women	%	1992	[X]						[X]	1992 Census Data; Follow-up survey	
	% of total businesses owned by blacks	%	1994	[X]						[X]	GEMINI follow-up survey	
	% of total businesses owned by black women	%	1994	[X]						[X]	GEMINI follow-up survey	
Target No. 2.1												
Increased black access to efficient infrastructure that reduces the transactions cost of trade and production.	Average rail transport cost per ton/km (in constant 1989 Z\$)	Z\$	1991	.048	.048						[X]	NRZ Reports; Railway Restructuring Project
	Telephone density among blacks (telephones per hundred persons)	No.	1994	[X]							[X]	GEMINI follow-up survey
	Average telephone completion rate (domestic calls) in black communities	%	1993	30%	30%						[X]	PTC
	Number of black-owned businesses with telephones	No.	1994	[X]							[X]	GEMINI follow-up survey
Sub-Target No. 2.1.1:												
Privatization of public enterprises to blacks.	Privatization of non-core telecommunications services to black-owned firms	Y/N	1990	N	N						Y	PTC (Note: Non-core businesses include directories, billing, equipment sales, maintenance)
	Privatization of non-core railway services to black-owned firms	Y/N	1990	N	N						Y	NRZ; Railway Restructuring Proj. (Note: Non-core business include maintenance, catering, laundry, hotels, road haulage)
	Volume of telecommunications business sub-contracted to blacks or supplied by black-owned firms	Z\$	1993	0	0						[X]	PTC; special telecommunications survey
	Volume of railroad business sub-contracted to blacks or supplied by black-owned firms	Z\$	1990	0	0						[X]	Railway Restructuring Project

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USAID/Zimbabwe
Program Impact Indicators

Objective	Indicator Description	Unit	Baseline		Actual		Planned				Source	
			Year	Value	1993	1994	1995	1996	1997	1998		
Sub-Target No. 2.1.2:												
Introduction of methods to broaden black ownership.	Introduction of Employee Stock Ownership Plans (ESOP's) in target sectors	No	1993	0	0						Avail.	Black Equity Development Project documentation
	Introduction of alternative equity ownership methods (e.g., stocks, mutual funds) in target sectors to access small investors	No	1993	0	0						Avail.	Black Equity Development Project documentation
	Number of GOZ policy makers introduced to advantages of sub-contracting, privatization and alternative equity ownership methods in target sectors	No	1990	0	22						[X]	ZIMMAN II Project documentation; NRZ Project documentation
	Training in implementation to encourage Government promotion of equity ownership methods in target sectors	Y/N	1993	N	N						Y	Black Equity Development Project
Target No. 2.2:												
Improved policy and regulatory environment.	Policy(ies) in place to facilitate licensing of private grain marketers/traders	Y/N	1991	N	N						Y	Grain Marketing Research Project
	Policy(ies) in place to facilitate black private sector ownership/provision of railway services	Y/N	1991	N	Y						Y	National Railways of Zimbabwe
	Number of serviced plots for low income households (annually)	No	1992	5,500							[X]	MPCNH
	Average real cost of a minimum unit (Z\$) (newly constructed)	Z\$	1992	18,000							9,600	MPCNH
	Number of construction/building materials on free import list	No.	1992	5	5						[X]	Private Sector Housing Program
	Land registration coverage (portion of urban areas covered by land registration system)	%	1994	[X]							[X]	Private Sector Housing Program
Sub-Target No. 2.2.1:												
Increased competition in capital intermediation.	Regulations governing building society deposit, interest and surplus fund rates are lifted	Y/N	1993	N	N						Y	Private Sector Housing Program
	Real interest rates for housing finance for low-income shelter	Y/N	1992	N	N						Y	Association of Building Societies
	Number and type of institutions providing mortgage finance	No.	1992	3	4 bldg socty; 1 mg bnk						[X]	Association of Building Societies; Registrar of Banks
	Number of blacks owning unit trusts, mutual funds and other small equity investments	No.	1994	[X]							[X]	Financial Sector Survey

USAID/Zimbabwe
Program Impact Indicators

Objective	Indicator Description	Unit	Year	Baseline Value	Actual		Planned			Source	
					1993	1994	1995	1996	1997		1998
Sub-Target 2.2.2:											
Reduced monopolistic (restrictive business) practices.	Number of GOZ parastatals in target sectors (housing; transport; telecommunications; grain marketing; natural resources management; sorghum and millet) acquired in whole or part by blacks	No.	1994	[X]						[X]	Survey of GOZ parastatals
	Four-firm concentration in target sectors (CR4)	%	1990	CR4 = 100%*						50	Monopolies Commission Report follow-up studies
	Black business ownership in whole or part among largest 4 firms in target sectors	No.	1994	[X]						[X]	Monopolies Commission Report follow-up studies
	*In cement mfg; rail transport; telecom; grain marketing										
Sub-Target No. 2.2.4:											
Local and national government deregulation.	Minimum plot size (sq.m.)	sq.m.	1992	300	150					150	Private Sector Housing Program
	Minimum housing size (wet core & one room slab)	Y/N	1992	N	Y					Y	Private Sector Housing Program
	Off-site infrastructure costs are treated equally for public and private housing developments (public & private sector treated equally)	Y/N	1992	N	N					Y	Private Sector Housing Program
	Residential access road standards reduced from tarred surface to compacted gravel	Y/N	1992	N	Y					Y	Private Sector Housing Program
	Minimum size of school sites reduced by 15%	Y/N	1992	N	Y					Y	Private Sector Housing Program
	Standards for water and sewerage system reduced	Y/N	1992	N	N					Y	Private Sector Housing Program
	Reduced amount of time to register a business in target sectors	months	1994	[X]						[X]	Black Equity Development Project
Target No. 2.3:											
Improved technical and management capacity of the private sector.	Number of black company officers in target sectors	No.	1994	[X]						[X]	Manpower Survey
	Number of blacks introduced to new legal, strategic, managerial and operational skills relevant to their business remaining in business 2 years later	No.	1994	[X]						[X]	ZIMMAN II Project documentation

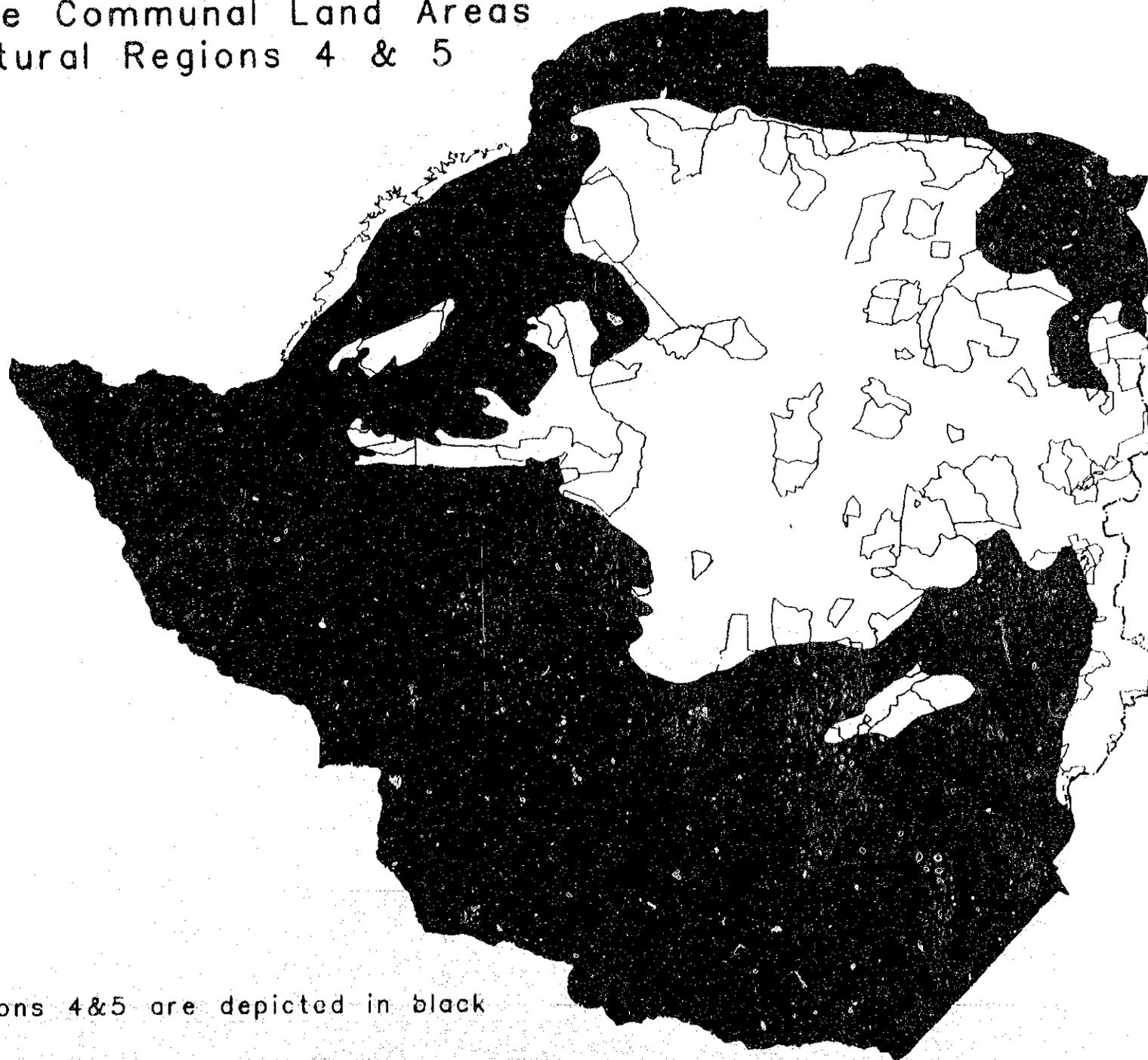
USAID/Zimbabwe
Program Impact Indicators

Objective	Indicator Description	Unit	Baseline		Actual		Planned				Source		
			Year	Value	1993	1994	1995	1996	1997	1998			
Target No. 2.4:													
Improved access to capital.	Number of loans made by formal financial sector to blacks	No.	1994	(X)							(X)	Financial sector survey	
	Number of mortgages granted to low-income households	No.	1992	(X)							(X)	Survey of banking institutions	
Strategic Objective No. 3:													
Sustainable decrease in fertility.	Total Fertility Rate (TFR) -- National	TFR	1984	6.5									
	-- National	TFR	1980	5.5		5.3					4.9	Demographic Health Surveys	
	-- Rural	TFR	1984	N/A									
	-- Rural	TFR	1988	6.2		6.0					5.8	Demographic Health Surveys	
Target 3.1:													
Increased contraceptive use.	Use of contraception (CPR) -- all methods	CPR	1984	38%									
			1988	43%							50%	Demographic Health Surveys	
	-- modern methods	CPR	1984	27%									
			1988	36%							48%	Demographic Health Surveys	
	Annual use of longer-acting methods	CYP	1992	89,184 (prelim unwd)							(X)	SEATS/FPLM Survey	
Annual use of other modern methods	CYP	1992	891,642 (prelim unwd)							(X)	SEATS/FPLM Survey		
Target 3.2:													
Better contraceptive use.	Use of longer-acting methods (% of total modern methods CPR)	%	1988	3.9								12	Demographic Health Surveys
	Use of longer-acting methods by those who wish no more children (% of limiters)	%	1988	17.6								25	Demographic Health Surveys
	Pill use by breastfeeding women (% of breastfeeding women using wrong OC formulation)	%	1988	16								10	Demographic Health Surveys
	Modern contraceptive practice by high risk women (% of high risk women)	%	1984	33.8									
	-- too young/too close	%	1988	44.9								50%	Demographic Health Surveys
	-- too young/too close	%	1984	23.8									
	-- too old/too many	%	1988	30.1								35%	Demographic Health Surveys

USAID/Zimbabwe
Program Impact Indicators

Objective	Indicator Description	Unit	Baseline		Actual		Planned				Source	
			Year	Value	1991	1994	1995	1996	1997	1998		
Target 3.3:												
Increased private sector support for family planning.	Service provision by the private sector (% of current users served by the p.s.)	%	1988	4							10	Demographic Health Surveys
	Private sector payments for family planning (expenditures by third party providers)	Z\$	1994	[X]							[X]	Survey of insurers and private sector
	Annual service provision by the private sector (% of CYP by the p.s.)	%	1993	[X]							[X]	SEATS/FPLM Survey
Target 3.4:												
More sustainable financing of public sector family planning service delivery.	GOZ financing of oral contraceptives (% financed by GOZ)	%	1992	0	21				100		100	GOZ budget data
	GOZ support for ZNFPC (% of GOZ budget)	%	1992	0.9	0.95						0.9+	GOZ budget data
	ZNFPC cost recovery (% of ZNFPC operating budget)	%	1994	[X]							[X]	Cost effectiveness study
	ZNFPC rural service delivery cost (Cost per CYP)	Z\$	1994	[X]							[X]	Cost effectiveness study
	ZNFPC urban service delivery cost (Cost per CYP)	Z\$	1994	[X]							[X]	Cost effectiveness study
Target of Opportunity:												
Decreased HIV high risk behavior by selected occupational groups.	Condom use in most recent sexual intercourse of risk (% of respondents)	%	1994	[X]							[X]	Knowledge, Attitude and Practice (KAP) Studies
	Sexual partners the previous month	No.	1994	[X]							[X]	Knowledge, Attitude and Practice (KAP) Studies

Zimbabwe Communal Land Areas With Natural Regions 4 & 5



Natural Regions 4&5 are depicted in black

0 Kilometers 100

SECTION I **SPECIAL FACTORS AFFECTING THE USAID/ZIMBABWE PROGRAM**

1993 brought with it the rains, although Zimbabwe was still reeling from the negative macro-economic effects of financing the importation of 1.2 million tons of maize to feed its population. As Zimbabwe began to recover economically and socially from the devastating impact of the worst drought in the past century, it can be credited with forging ahead in implementation of its structural adjustment program. Despite the staggering impact of the drought, significant progress was recorded in economic stabilization, as the country moved down the path toward structural reform of the economy. Areas recording less than acceptable progress including public enterprise reform, discussed below, will inevitably negatively impact the pace of implementation of our program, so closely linked to ESAP, most notably in the rail, grain marketing, housing and telecommunications sector. Despite the social, political and economic problems created by the drought, opportunities were created which positively impacted our program -- accelerated reforms in agricultural marketing and demand for drought resistant seed crops, notably sorghum and millet.

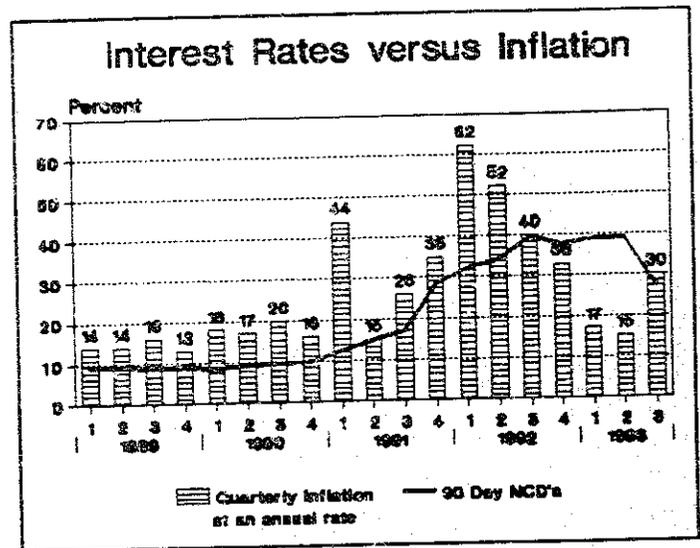
Perhaps most critical in the policy arena is the Government's posture on land reform, impelling ever more strongly the cry by the Government for "indigenization" of the economy and thereby elevating the urgency of our second strategic objective, increased black ownership and investment of Zimbabwe's economy. The land policy and structural adjustment program, will continue to be key determinants of the progress achieved in our intertwined strategy and are discussed below.

Economic Structural Adjustment Program: Despite the serious economic and social dislocations created by the drought, ESAP remained on course during 1992 and through the first half of 1993. Import liberalization proceeded in line with program targets, with a market for import licenses derived from Export Retention Scheme entitlements created, effectively developing a secondary market for foreign exchange. Decontrol and adjustment of prices proceeded more quickly than targeted, including the granting of price increases for many parastatals, and a dramatic rise in agricultural producer prices to provide significant incentives for recovery of the agricultural sector. Miller subsidies were removed and grain marketing policies governing distribution of crops were significantly liberalized, encouraging the entry of small black traders and black transporters into markets previously controlled by parastatal marketing boards.

With regard to budgetary policy, significant real cuts in non drought-related expenditures were effected with major cuts in the public wage bill, elimination of numerous subsidies and introduction of cost recovery measures in various sectors. Tough monetary policies were introduced to reduce inflation and create positive interest rates. (See graph on following page.) The tightness of the financial markets impacted our program, severely limiting the availability of mortgage finance and funds for new business start-up. During this past

quarter, liquidity has improved measurably, which should have a significant positive impact on achievement of our second strategic objective.

Despite this progress, areas deserving of greater attention include public enterprise reform, private investment stimulation and local government deregulation. These areas will be addressed through IBRD and IMF policy conditions and our program interventions. Further, inefficient administration of the Social Dimensions Fund, created to ameliorate the negative impact of ESAP on vulnerable groups, prevented the release of significant funds to finance such social programs.



Most critical is the need to generate a supply side investment response to take advantage of the significant progress made in implementing ESAP. This response has been impeded by: Government's continued suspicion of the private sector; fear of economic domination by non-"indigenous" (meaning black) investment interests; and the seeming lack of full commitment by the civil service to implement the reforms embraced by ESAP and relinquish mechanisms of control.

Recommended actions to help create the necessary investment response for economic growth include: liberalized remittability of dividends; reduced requirements for local equity participation; greater access to foreign exchange; continued reduction of the budget deficit to force down interest rates; improved black access to capital; and most importantly, consistent signals from the GOZ that it welcomes and will protect ALL private sector interests. (Recent implementation of the land policy has seriously eroded the credibility of the GOZ's stated support for the private sector.)

Land Policy: Perhaps foremost among United States' concerns with Zimbabwean policy relates to the access to and use of land in Zimbabwe. Access to land is a pivotal issue with Zimbabwe and was central to the struggle for the independence of Zimbabwe. Thirteen years later, it remains a major political and economic concern.

According to the Lancaster House Agreement negotiated at independence in 1980, for a ten year period, land could only be transferred from private hands for resettlement purposes according to the principle of "willing buyer/willing seller". By the end of the 1980's, the pattern of access to land remained much as it was in 1980 with fewer than 5,000 large-scale white commercial farmers owning 45% of agricultural land, compared with 800,000 black communal area farmers having access to 49%. Although land resettlement was a priority for the new Government at independence, with a target of resettling 162,000 families on 7

million hectares, through the end of 1990, only 52,000 families were resettled on 3.3 million hectares. In addition, much of the land acquired for resettlement remains vacant, and the entire resettlement program is almost universally regarded as a disaster. Not only does there continue to be vast disparity in the size of communal area farms vs. white owned large-scale commercial farms -- 23 hectares per farm vs. 2,300 hectares -- but in the quality of land to which the respective groups have access. Over 50% of large-scale farmers are in the prime agricultural regions whereas 70% of communal area farmers are located in the areas of marginal agricultural productivity. The commercial farming sector remains the heart of the vital agricultural export sector.

In 1992, a new law, the Land Acquisition Act, was passed to strengthen the Government's hand in reaching its goal of acquiring an additional 5 million hectares of land for resettling an additional 110,000 families. The major change in the resettlement policy was the removal of the guiding principle of "willing buyer/willing seller", with the Government able to designate land to be bought for resettlement. Although, originally, the amount of compensation paid for farms could be challenged in administrative courts, there is no access to the courts to appeal the government's decision to "designate"/acquire land. An amendment in March 1993 to the 1992 Land Acquisition Act revoked the right of appeal through the courts over the level of compensation. Publicly, President Mugabe has stated that he would not tolerate any decision reached by any court prohibiting the Government from acquiring any land. Critically, while the GOZ originally claimed that it intended to acquire only unproductive land, recent press statements by the President and actions indicate otherwise. In addition, the GOZ has applied a double standard with regard to land owned by white and black farmers.

The tension between the Government's desire to maintain high levels of agricultural productivity and employment, and at the same time, to redistribute farmland to landless Zimbabweans as a matter of social and economic equity remain almost as strong as it was at independence.

While the United States recognizes the need for land reform, concerns with good governance, due process transparency and the rule of law are critical to its implementation. Recent designation of productive farmland for punitive purposes and for solely political rationale are already receiving negative press coverage in the United States, thereby undermining the reforms undertaken as part of the structural adjustment program to create an environment conducive to investment -- both foreign and domestic -- and to economic growth. We believe that the GOZ's aggressive, politically motivated land acquisition could well undermine its stated objective of encouraging job creating investment. The real domestic political issue in Zimbabwe for the future is "jobs", not "land" but this is not being reflected by Zimbabwe's political leaders until they get past the black ownership issue.

This pivotal issue impacts USAID program interventions to improve food security in communal areas in the marginal agricultural lands and increase black ownership and investment throughout the economy to create the potential for a de-controlled enabling

environment conducive to investment and economic growth. Furthermore, our family planning interventions aim to reduce the total fertility rate because current population levels in many of these marginal lands has exceeded the carrying capacity of the land and is not sustainable.

AIDS: The gravity of the impact of AIDS on the economic and social fabric of the nation is deserving of mention. Increasingly, it will be a factor in limiting the economic growth of the country, place upward pressure on government expenditures and strain the vitality of the workforce as business owners must assume the cost of retraining their workforce lost to the AIDS epidemic. Already, nearly 1 million people, or 10% of Zimbabwe's population is sero-positive. Fortunately, the Government of late has abandoned its policy of passivity or denial and has endorsed the importance of the crusade against AIDS. This presents USAID, working in coordination with the GOZ, its national campaign, other donors and NGO organizations, an opportunity to address this pandemic, targeting a change in behavior among those most at risk in their workplace.

Save the Rhino Campaign: Zimbabwe, once the home to the world's largest herds of rhinoceros, has been continually thwarted in its campaign to prevent the poaching of this prehistoric animal. Indeed, the virtual extinction of the species is likely within this decade. The black rhino population has been reduced from 2,000 in 1988 to fewer than 200 today, with remains of rhino carcasses reported almost weekly in the Zimbabwean press, bringing the species to the edge of extinction. The campaign to de-horn the rhino to deter poachers has met failure and a translocation exercise inevitably will confront budgetary resource limitations. The decimation of one of the "big five" animals will inevitably limit the potential household income to be derived from tourism as part of community-based natural resources management activities. On the positive side, the elephant herd continues to grow and attracts visitors.

SECTION II

PROGRESS TOWARD OVERALL PROGRAM GOALS

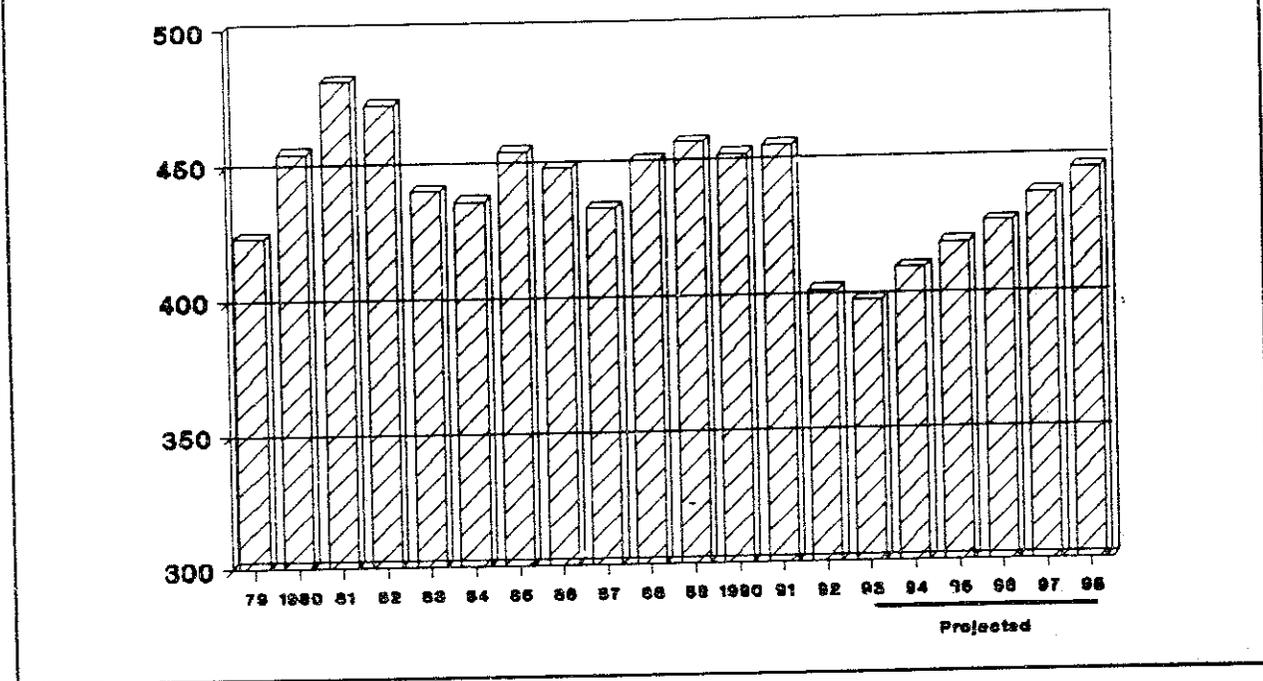
The strategic framework for the Mission's Country Program Strategic Plan for FY1994 - FY1998 is shown on page ii. The Mission's goal is "increased economic growth that is participatory and equitable".

The Mission has chosen to measure GDP growth per capita in constant Zimbabwean dollars. We felt that given the significant (61.1%) depreciation of the Zimbabwean dollars since 1991, measurement in U.S. dollars would distort the trend in true welfare of the local population.

As shown in the graph on the following page, GDP per capita declined between 1981 and 1987. By the end of the 1980's, GDP per capita was no different from its level at the beginning of the decade. After hovering around the Z\$ 450 level in constant 1980 dollars for much of the decade, GDP fell by more than 10% to Z\$ 400 in 1992, largely because of

GDP per capita

In constant (1980) Zimbabwe dollars



the dramatic impact of the drought, and to a lesser extent ESAP on personal incomes. We anticipate that given adherence to the structural adjustment agenda, GDP per capita will rise steadily from Z\$ 397 in 1993 to Z\$ 445 in 1998.

The GDP annual growth rate, which averaged 4% during the 1980's, experienced a negative 7.7% growth in 1992 (this decline may actually be larger), largely as a result of the drought, the draconian demand management program instituted by the GOZ to reign in spiraling inflation and worldwide depressed commodity prices. After a 24.4% decline in agricultural output in 1992 (based on volume of output)¹, this sector is expected to grow by approximately 15% this year. The recovery in agriculture has been less robust than expected, with only maize and tobacco output in 1993 expected to exceed 1991 production levels. (The value of the tobacco crop will be perhaps half of that in 1991 due to the worldwide decline in prices.) It is expected that full recovery of the agricultural sector will not occur until 1994. While the mining sector may grow by 3% this year, manufacturing sector output, which historically has provided approximately 24% of GDP, is projected to decline by 10%, attributed to the lag effects of the 1992 drought and the liquidity crisis through the first half of the year. As a result of the collapse in tobacco prices and large declines in the manufacturing sector, a maximum of a 2% GDP growth rate is projected for

¹ Although aggregate agricultural output fell by about 25% in volume terms, maize, cotton and sugar production fell by 70% to 75%.

1993. Hence, although the agriculturally led recovery from the drought has already started, it will be 1995 before pre-drought levels of output are regained.

Merchandise exports as a percentage of the GDP were 28.2% in 1993, up from 26.2% in 1990. Given the strong bias in the ESAP program toward trade liberalization reforms and the very significant progress made by the GOZ to date in improving the trade regime in Zimbabwe, the Mission is projecting that merchandise exports should approach 40% of GDP by the end of 1998.

Trade liberalization is a key ingredient to increasing the value of exports but also to facilitating foreign and domestic investment and economic growth. Important progress has been achieved in the implementation of trade liberalization. The introduction this year of the inward processing rebate system to replace the duty drawback scheme for exporters is consistent with trade liberalization. Goods under Open General Import License (OGIL) were increased to cover 20% of imports in December 1992. Subsequent trade reform has focused on the expansion of the Export Retention Scheme (ERS), which allows importation of all goods except those on a negative list. The retention rate under the ERS was increased to 35% in January 1993 and to 50% in April. The entitlements under the ERS have been made tradeable and can be used for invisibles. The next phase of the trade reform process will result in the transformation of the ERS into a system where foreign exchange will be directly retained and traded. Thus, entitlements to forex generated by export proceeds will be replaced by a system of direct retention of foreign exchange proceeds in foreign currency denominated accounts (FCDA's). (FCDA's can also be used by individuals with access to external funds.)

In the future, exporters will be able to directly deposit a proportion of their foreign earnings (50%) into a FCDA held with a local bank. The remaining forex must be surrendered to the Reserve Bank at the official exchange rate as currently occurs. (Residual balances of ERS entitlements will continue to be honored by the Reserve Bank.) Funds in corporate FCDA's will be utilized or sold at a market-determined rate of exchange, for the importation of goods and services and for capital payments. An interbank market will be established between authorized dealers to assist trade in the private market and to help determine the market rate of exchange. Importers will access their forex requirements from the FCDA market, with the Reserve Bank no longer selling forex at the official exchange rate. The goals of introducing FCDA's is to eventually merge the official and parallel market rate for foreign exchange (the GOZ will buy and sell foreign exchange into the market to do so) and achieve the ESAP objective of a convertible currency by the end of 1995.

While the Mission plans to track the Gini coefficient as a measure of income distribution, final tabulations of the 1992 Household Income and Expenditure Survey for both urban and rural areas have yet to be released. Once available, this data will be used to track the equity of income distribution throughout the population.

The Mission's sub-goal, a de-controlled enabling environment conducive to investment, was

identified as the critical linkage between the second strategic objective, increased black ownership and investment at all levels of Zimbabwe's economy and our goal of equitable economic growth. By broadening access to economic assets, opportunities for increased competition and improved efficiency are created. Importantly, by demonstrating that blacks are in the mainstream of the economy, the potential creation of a de-controlled enabling environment conducive to investment, and ultimately to economic growth is created, which in turn can increase employment and ownership opportunities for all in the Zimbabwean economy.

One reason for the marginal economic growth experienced since independence is the inadequate level of investment during this period, which has effectively perpetuated the existing skewed industrial and corporate structure inherited at independence. Despite the solid infrastructure, educated and low-cost workforce, Government "culture" and policies have created an unattractive climate for both domestic and international investment. Among the measures required to enhance the investment environment are the removal of legislated monopolies and the dilution of Government equity in commercial enterprises. Unfortunately, the political landscape dictates that this will not occur until it has been clearly demonstrated that blacks are in the mainstream of the economy, as owners and as producers. The Government will not begin to unravel its control -- now exercised through legislated monopolies, agricultural marketing boards, equity ownership, and directed subsidies -- until it is evident that indigenous blacks have the opportunity to participate in the economy and compete for a stake as owners.

Black ownership and investment at all levels of Zimbabwe's economy are necessary for overall increased non-racial investment and economic growth. The various targets to achieve black ownership and investment -- increased black access to efficient infrastructure that reduces the transactions cost of trade and production; an improved policy and regulatory environment; improved technical and management capacity of the private sector; and improved black access to capital -- are important not only in their own right but for their demonstration effect throughout the economy. While black ownership does not by itself imply growth, without it, the potential of a de-controlled enabling environment conducive to investment, employment and economic growth is untenable.

We plan to measure the impact of the creation of a de-controlled enabling environment conducive to investment by examining private investment as a percentage of GDP, private domestic investment in U.S. dollar terms, net direct foreign investment and numbers of blacks employed. Investment data will be obtained through the Central Statistics Office and the IMF, while data relating to black employment will be made available through the GEMINI Survey, which should provide us with baseline data by the end of calendar year 1993.

Despite the important structural reforms introduced during 1991 and 1992, investment remains low, in part due to the drought-induced recession but also because of the high relatively high structure of interest rates prevailing from 1991 through the middle of 1993.

Despite the easing in the availability of credit and lowering of interest rates in the second half of 1993, in order to restore growth in the economy and elicit a strong supply side response, adjustment must continue in the following areas:

- accelerated deregulation of the economy to reduce the cost of conducting business in Zimbabwe and to facilitate foreign and local investment; these includes further relaxation of investment licensing requirements and liberalization for remittance of profits and dividends;

- export enhancements including establishing FCDA's for corporations and a reduction of the fiscal burden on exporters;

- demonstrated progress on improving the operational efficiency of parastatals or privatizing them to reduce their demands on the Government fiscus and signal private sector openings in the economy. (Although price increases enabled parastatals to contain their financial losses, actual improvement in operational efficiency was not widely demonstrated.)

SECTION III

PROGRESS TOWARD STRATEGIC OBJECTIVES AND RELATED PROGRESS INDICATORS

STRATEGIC OBJECTIVE I: Increased Household Food Security in Communal Areas of Natural Regions IV and V

Despite the historic levels of food production of Zimbabwe in non-drought years, there are a significant number of Zimbabweans who experience chronic food insecurity. The 716,000 households, comprising 3.9 million people in the communal areas of Natural Regions IV and V comprise the vast majority of this most vulnerable, food-insecure group. The relative poor quality of agricultural resources available to them limits their food grain production and productivity, while few alternative sources of income constrain their purchasing power to buy grain.

USAID/Zimbabwe's strategy focuses on the most at-risk households in Zimbabwe by addressing the three causes of food insecurity: (1) inadequate production capacity; (2) inadequate income; and (3) inadequate market access to food.

The Mission plans to measure increased household food security in these regions by monitoring: average household foodgrain availability; own production retained for household production; and estimated actual foodgrain/meal purchases. In order to access the desired information for the targeted agro-ecological regions, the Mission will utilize a PASA with the U.S. Geological Survey to continue the work conducted during the drought period under the FEWS mandate. The Mission believes that the sophisticated database developed to date using geographic information systems in Zimbabwe is invaluable for the purposes of

monitoring food security in these semi-arid lands.

In gathering our baseline data for 1993, data was collected for all communal areas, in both the more agro-ecologically favorable Natural Regions I-III and the disadvantaged Regions IV and V. The following table below confirms the significantly different yields experienced by communal farmers in these two respective areas:

**1992/1993 (Drought Recovery) Growing Season
Kg/Household**

Communal Areas in Natural Regions:	Total Production of All Grains	Total Production Retained of All Grains	Total Estimated Purchases of All Grains
I-III	1890.04	783.45	22.55
IV-V	884.03	533.36	319.14

It is obvious from the previous table that members of our Natural Region IV and V target population are net purchasers of foodgrains.

Market price data comparing these two areas was developed from a survey of approximately 50 rural markets for the July to September period, after price de-control occurred. Not surprisingly, in Natural Regions I to III, more than a Z\$ 3 differential existed between the price of a 15 kg. bag of maize grain compared with its milled product, roller meal. (See table on next page.) On the other hand, virtually no such differential existed in the pricing structure of maize grain vs. roller meal in Natural Regions IV and V. This can be explained by the fact that consumers in these regions are net purchasers of grain and must incur the transport cost associated with procuring both unmilled grain and its milled by products. In Natural Regions I, II and III, on the other hand, maize grain can be obtained locally from farms, avoiding the cost of transporting the bagged maize grain.

**Market Price Data (Z\$)
July - September 1993**

Communal Areas in Natural Regions:	Maize Grain Per 15 Kg Bag	Roller Meal per 15 Kg Bag
I-III	14.92	17.81
IV-V	18.27	18.41

The issue of inadequate production capacity is being addressed through increased **smallholder production and productivity of sorghum and millet**, crops most suited to the semi-arid conditions characteristic of Zimbabwe's agro-ecological regions IV and V.

Agricultural research on sorghum and millet has been working toward the introduction of shorter-season and more disease-resistant varieties appropriate to farm households in Natural Regions IV and V. Continued support of this research, and importantly, a new emphasis on dissemination of improved sorghum and millet seed varieties to rural farmers in the target areas is being pursued by the Mission. The potential contribution of the on-farm adaptation of this research was demonstrated during this past drought period, when a U.S. funded \$1.16 million seed multiplication effort by the Institute for Crop Research for the Semi-Arid Tropics (ICRISAT) in the Zambezi Valley, provided 50,000 drought-ravaged farm families in Zimbabwe with access to seeds for drought-resistant strains of sorghum and millet. It is expected that total hectareage planted by communal farmers in Natural Regions IV and V to improved varieties of sorghum and millet will increase over 20% from 137,100 to 168,000 hectares of sorghum and from 159,600 to 195,000 hectares of pearl millet. Similarly, production of sorghum and millet in these areas will increase from 87,100 to 110,900 mt of sorghum and from 113,800 to 120,000 mt of pearl millet by 1998. It is expected that sorghum and pearl millet yields per hectare will increase from 500 kg/ha in 1993 to 660 kg/ha for sorghum and from 350 kg/ha to 600 kg/ha for pearl millet. This will be achieved through increasing the number of improved varieties available from 2 in 1991 to 12 by 1998 and increasing the hectareage planted of these improved varieties. Importantly, productivity, as measured by decreased production cost per unit of output, should decline by 20%. It is not anticipated that the impact of this effort will transform grain-purchasing households into grain-selling households; rather, the impact will be to increase the contribution of these grains to overall foodgrain production and food security in the communal areas of Natural Regions IV and V.

The decline in the total hectares planted to sorghum and pearl millet and total production of these crops from 1988/1990 to 1993 can be attributed to the lingering impact of the drought, the limited availability of seedpacks, the high producer price offered by the Grain Marketing Board prior to 1991 for red sorghum and the strong incentive provided by the high producer price of maize since 1991. We believe that this decline in hectareage and production is temporary and conditions will begin to improve, especially given the new mandate of ICRISAT for emphasizing dissemination of new seed technologies for on-farm adoption, making more drought-resistant seed varieties available and disseminating information on how best to incorporate these crops into normal household diets.

The problem of inadequate income will be responded to, in part, by improved agricultural productivity, and also by providing opportunities in these areas for **generating additional income through community-based natural resources management activities**. This strategic target recognizes that agricultural subsistence activities in Natural Regions IV and V are marginal at best, and that the exploitation of wildlife resources, concentrated in Natural Regions IV and V, provides an opportunity to significantly impact the level of household cash income available to inhabitants of these areas. USAID's experience with the CAMPFIRE (Communal Areas Management Program for Indigenous Resources) program in four communities has shown that community management of resources can be consistent with both wildlife conservation and incremental generation of household income. By extending

support for expansion of community-based natural resources management activities throughout the 24 districts with appropriate authority over wildlife resources, we anticipate a significant increase in community earnings from the sustainable exploitation of natural resources, with the sharing of these earnings among households to elevate their level of household food security. In the future, the definition of natural resources will be broadened to encompass all renewable wildlife, including plant and animal species. (Community-based management schemes now center on wild animal resources alone.)

Since the Program's implementation in 1989, an explosive growth in the number of households actively participating in community-based natural resources management activities has been evidenced, growing from 8,683 households to 50,965 households. Although the average household income from these activities has declined from Z\$ 200 to Z\$ 95, this has more than been compensated for by the six-fold increase in the number of families benefitting from the program.

Several notable developments have occurred warranting mention. These demonstrate both the current impact of the program on household welfare and the viability and potential for the expansion of the program in the future. Last year, as a result of this program, 7,000 families in Binga District habitually living at below the subsistence level generated Z\$ 600,000 which supported a Supplementary Feeding Program at 11 primary schools, averting famine for the children of the district.

With regard to policy, a decision has been made to transform the Department of National Parks and Wild Life Management from a Government Department of the Ministry of Environment and Tourism into a semi-autonomous authority to report to the Minister of Environment and Tourism. This very promising move will allow some partial funding of the Department from the Ministry, yet provides the Parks Department with the opportunity to retain revenues generated from park fees, with donors dealing directly with the new authority. This has been proposed and endorsed at the Cabinet level and now needs Parliamentary approval. This measure will help alleviate the budgetary constraint the Parks Department has experienced in the past in pursuing wildlife conservation activities and will help preserve the wildlife resources currently available that are critical to the survival of community-based natural resources management schemes.

Another significant development is the changing attitude toward wildlife among communal peoples. For example, in Tsholotsho, where one of the USAID-funded community-based wildlife management project is located, the local community decided to move the southern most fence of the contiguous national park into its communal area allowing that area to serve as a conservation zone where wildlife preservation activities co-exist with thatching grass collection, with cattle grazing prohibited. Hence, the villagers' perception of wildlife has been transformed from that of a livestock raiding liability into an asset.

Finally, to combat the decline of the rhino population, a new strategy has been adopted by the Department of Parks. Instead of the de-horning exercise which proved unsuccessful, the

Department will establish Intensive Protection Zones (IPZ) within the national parks where endangered species will be translocated to. The wildlife inhabiting these IPZ's will be protected by a concentrated force of anti-poaching units with interdiction of poachers also involving the police in the contiguous communal lands and army at the national borders. Conserving these wildlife resources is critical to the success of community-based natural resources management schemes and the potential income to be generated from photographic safaris and tourism, in general.

Neither increased production or increased cash incomes will necessarily increase household food security in communal areas in Natural Regions IV and V unless foodgrain from outside the region is available for these net purchasers of grain at reasonable prices. Hence, Mission interventions will target **more marketed grain available, at lower cost, for rural households in communal areas of Natural Regions IV and V.** Until recently, processed foodgrain supply has been the monopoly responsibility of the Grain Marketing Board (GMB). First steps in the reform of the foodgrain marketing system have already occurred: GMB no longer has an official monopoly on foodgrain purchases and sales and subsidies for industrial milling of GMB maize stocks were eliminated in June of this year. With additional reforms, opportunities for commercial trade in foodgrain should be opened to private firms. Analyses indicate that inter-regional trade will grow, costs of transport and processing will decline, average processing rates will rise and greater volumes of foodgrains will be available for consumption at lower prices in deficit areas.

The Mission will continue to address the challenge of inadequate market access to food resources by focusing on liberalization of grain marketing policies and encouraging greater indigenous participation in grain marketing activities, as both a source of income and a means to encourage development of more competitive grain markets. It is in this latter area that very significant impact has already been documented. The Program goal of the Grain Marketing Reform Support Program is the improvement of rural consumer welfare through support of a GOZ initiative to move grain marketing towards a competitive, efficient system by reducing market controls and allowing more broad-based participation in the grain marketing system.

As a result of USAID-funded research during the 1989-1991 marketing years, the extent to which rural deficit households are dependent upon expensive commercially milled maize meal due to the unavailability of maize grain was documented. The USAID program has made notable progress in promoting the development of a lower-cost competitive private grain trade. Analyses indicate that such developments, will, in turn make grain more available and affordable to deficit rural consumers and low-income urban consumers through increased marketing efficiency, thereby achieving improvement in household food security. Also, the reform of the Grain Marketing Board's single-channel marketing system is expected to increase rural incomes as rural-based entrepreneurs are legally permitted to engage in grain marketing activities and the demand for locally milled maize meal expands.

Building on the relationship with the Ministry of Agriculture and the GMB developed

through earlier agriculture projects and intensive policy dialogue in coordination with other donors, significant policy reforms have been taken by the GMB regarding grain marketing liberalization. These included the establishment of an autonomous Board of Directors at the GMB, permitting the sale of grain from GMB depots to any buyer at whatever quantity is demanded greater than one bag, and allowing the resale of grain through any channel in Natural Regions IV and V, without paying any portion of the revenues back to the GMB. Moreover, Government formally allowed grain to be sold at selected GMB collection points and/or other non-depot distribution point to any buyer. All this was achieved in the 1991/92 season, despite or possibly because of the need to import and distribute 2.4 million tons of grain.

A further step toward the deregulation of all crop marketing was taken on June 1 when the subsidy on roller meal of Z\$ 562/ton was removed, causing an initial rise of 50% in the retail price of commercially milled maize. Building on the past success in liberalization of maize movement, especially in Natural Regions IV and V, the Cabinet approved the redefinition of buyers from the Grain Marketing Board. This redefinition was announced in the July 1993 Agricultural Policy Statement by the Minister of Lands, Agriculture and Water Development. This effectively deregulated maize prices and trade throughout most areas of the country while maintaining floor (Z\$ 900/ton for white maize) and ceiling prices through the GMB's continuing role as residual buyer of grain. GMB was to remain the sole seller of maize to Zone A firms, comprised of the four large commercial millers. These actions, combined with the removal of the subsidy to the large commercial millers on June 1, 1993 removed the artificial incentive to purchase commercially milled roller meal and help induce consumers to purchase the more nutritious and less refined straight run meal which now enjoys a cost advantage over the more refined roller meal. Importantly, less than six months later, significant impact is being demonstrated in the development of a vibrant black small hammermill industry. Hence, GOZ marketing reforms have increased competition in the marketing system and provided a lower cost whole meal option to economically strapped consumers, thereby averting political unrest from removal of a large (Z\$ 562/ton) subsidy.

USAID has helped in the development by the GOZ of an overall maize marketing liberalization plan. The medium-term strategy, which is currently under review for Cabinet approval lays out a three phase plan for a comprehensive GOZ reform program which will move the GMB to operate as a commercial entity in competition with other marketing channels.

GOZ maize marketing policy reforms to date indicate a strong GOZ commitment. In order to further the reform process, fill a critical analytical capacity constraint with the GOZ and private sector and inform the politically sensitive reform process, the Grain Marketing Reform Research Project will be utilized.

The impact we anticipate from these reforms is more marketed grain available, at lower cost for households in communal areas of Natural Regions IV and V. In order to measure this impact, the Mission has developed a series of monitoring and assessment instruments to

measure people level impact of grain policy reforms.

At the target level, more marketed grain at lower cost for rural households will be measured through: monitoring retail market prices of foodgrain and processed foodgrains; volumes of foodgrain marketed through private channels; and volumes of foodgrain processed by selected hammermill operators in Natural Regions IV and V. The assessment of grain milling, trading and household grain consumption in communal areas of Natural Regions IV and V is to be conducted from September 1993 through April 1994 by rural household surveys. While the first phase of the research, from September through December 1993, will focus on grain trade and market prices, the second phase, from January through April 1994 will analyze household food grain consumption patterns. Supporting this future research and informing the policy dialogue have been two important analyses -- first, an analysis of consumer preference and the impact of grain market reforms on the maize milling industry. Second, is an assessment of the effects of the liberalization of maize and the maize marketing system and follow-up policy initiatives. This analysis includes examination of the role of small-scale millers in maize meal processing and marketing and identification of legislative measures to be instituted to facilitate and formalize the maize and maize meal marketing system. One area deserving of future attention is the tracking of the food security of the recipients of supplemental feeding under GOZ schemes and tracking the progress of this most vulnerable group of 700,000 in the hopes of removing them from the food rolls.

STRATEGIC OBJECTIVE II: Increased Black Ownership and Investment at All Levels of Zimbabwe's Economy

The economy of Zimbabwe is characterized by high levels of concentration, an uncompetitive and insular private sector dominated by whites and an unacceptably large role of the Government in the productive sector. Government ownership of productive assets, combined with regulatory control over the economy have stifled private sector investment and growth and perpetuated the inequitable access to economic assets inherited at independence. Increasing black ownership and investment have become both economic and political imperatives, and are critical not only in their impact on the indigenous population, but will be decisive in the creation of a more hospitable Government environment for non-racial private investment necessary for growth. The proposed strategy will target the economically disempowered majority using project interventions that will address the need for investment at all levels of the economy, not just among the black elite. The ingredients for increased black Zimbabwean ownership and investment include: access to efficient infrastructure (transport, telecommunications, energy, water) to facilitate business transactions; a conducive policy and regulatory environment, human and technological resources; and access to capital.

The Mission plans to measure impact for this strategic objective by the growth in home ownership among blacks as well as business ownership by blacks. This data will be disaggregated by gender. Baseline data is being developed as part of the Private Sector Housing Program and a GEMINI survey of small and medium-scale enterprises, whose results should be available by early 1994.

Blacks need to be afforded **increased access to efficient infrastructure that will reduce the transactions cost of trade and production** and enables them to compete domestically and internationally. Initially, the Mission will target restructuring efforts toward existing parastatals in the rail transport and telecommunications sectors, where there are opportunities for effecting both increased efficiencies and broadened ownership. Rail transport cost per ton/kilometer, telephone density among blacks, average telephone completion rates in black communities and number of black-owned businesses with telephones will be used to measure improved black access to efficient transport and telecommunications services. Utilizing the Regional Telecommunications Restructuring Project, the National Railways of Zimbabwe Project and Regional Railways Restructuring Project, the Mission will highlight potential privatization of non-core services (including telephone directories, billing, equipment sales and service for telecommunications; and maintenance, catering, laundry, hotel and road haulage for rail transport) to black-owned firms, and increasingly rely on black-owned firms to supply and sub-contract to these industries. We will use the Zimbabwe Manpower Development II Project (ZIMMAN II), the International Executive Service Corps and a new Black Equity Development Project to help introduce employee stock ownership plans in these industries and to introduce alternative equity ownership methods (including stocks and mutual funds) in target sectors to access small investors. Concurrently, we will introduce GOZ policy makers to the advantages and techniques to advance sub-contracting, privatization and alternative equity ownership methods. This year alone, 22 people from both the National Railways and other Government policy makers were introduced to the advantages and technical aspects of privatization.

Specifically with regard to railway services, significant progress is being recorded in moving the industry toward commercialization/privatization, and broadened ownership in order to effect operational efficiencies. In part, this is because the Ministry of Transport endorses this as its flagship restructuring. Road motor services, previously controlled by the National Railways of Zimbabwe (NRZ), are being operated autonomously as the first step toward privatization, guard services for the Railways have been contracted out to private organizations, most catering outlets throughout the system have been leased out to private operators and maintenance of NRZ properties has been sub-contracted to local firms. Very significantly, new legislation has been gazetted permitting the railways to sub-contract out for services.

During the next year, USAID efforts will support the continued rationalization of NRZ's staff and equipment and commercialization of its operations. Union leadership, previously the bottleneck in the proposed process of retrenchment of redundant employees, will be sent to the United States for exposure to efficient railway operations.

In addition to the need for access to efficient infrastructure, an **improved policy and regulatory environment must be created** that facilitates blacks' participation in the economy. The Mission has decided to focus its efforts on the sectors where we have cross-cutting, reinforcing program relations -- transportation, telecommunications, housing, grain marketing, sorghum and millet production, and natural resources management. Using the

Grain Marketing Program and its ancillary Grain Marketing Research Project, we will work toward facilitating the licensing of more black private grain marketers and traders. Although, as noted under the first strategic objective and target related to grain marketing, significant liberalization has occurred in grain marketing, the establishment of policies to actively promote blacks' entry into this sector has not yet occurred. We will also measure impact at the household level by monitoring the number of serviced plots made available for low income households each year, looking toward the decline in the average real cost of a minimum newly constructed unit by nearly 50% from Z\$ 18,000 in 1992 to Z\$ 9,600 in 1998, while increasing the availability of construction and building materials by liberalizing importation of these commodities. In addition, we will measure land registration coverage, the portion of urban areas covered by land registration systems, which relates to the critical policy issue of land tenure and the availability of surveyors in country.

The particular areas targeted in the policy/regulatory reform arena are increased competition in capital intermediation, reduced monopolistic practices and local and national government deregulation. We will be focusing on deregulation of interest rates impacting housing finance (most other interest rates have already been liberalized), achieving real interest rates for low-income housing finance (for other than low-income shelter, positive interest rates have now been evidenced) and increasing the number and type of institution providing mortgage finance. Since 1992, the number of institutions extending this long-term finance has increased from 3 to 5 institutions. The Mission will measure the growth in the number of blacks owning unit trusts, mutual funds and other small equity investments. Through the Zimbabwe Black Equity Development Project, the Mission plans to reduce the incidence of restrictive business practices (e.g., price fixing, collusion, interlocking directorates), targeting the six sectors mentioned above. Impact will be measured by the reduction in the number of GOZ parastatals in these sectors acquired in whole or in part by blacks, the reduction in the four-firm concentration ratios in these sectors and black business ownership in whole or part among the largest four firms in the target sectors.

During 1993, very consequential changes were recorded in local regulations governing housing and building standards. As a result of two years of intense policy dialogue, subsequently incorporated into the conditionality for the Private Sector Housing Program, the GOZ reduced the minimum plot size for low-income housing from 300 sq. meters to 150 sq. meters, reduced the standard of a minimum house from a four-room core to a wet core and one room slab, reduced the residential access road standards from tarred surface to compacted gravel and reduced the minimum size of school sites by 15%. The impact of these changes is the reduction in the real cost of a low-income unit, which will be monitored over the life of the project. These regulatory changes to facilitate greater home ownership by blacks are important not only in their contribution to provision of the basic human need for shelter, but because of the role of housing equity to collateralize debt for business start-up and expansion. In addition, the home is often the first site for nascent enterprises. In addition to regulations relating to home ownership, the Mission will monitor the removal of regulatory and licensing impediments to new business creation through monitoring the amount of time required to register a business.

Although the human resource base for business is sufficiently educated in Zimbabwe, deficiencies exist among the public and private sector in being able to maximize opportunities for increased ownership of the economy by blacks. Most importantly, the **private sector must be equipped with the technical and management skills** to support a greater role in the economy. Utilizing the ZIMMAN II project, the Mission will focus on supporting the expansion of small and medium-scale enterprises, improving the managerial expertise of key decision-makers in existing large enterprises, strengthening the private sector's training capacity and enhancing the Government's understanding of the private sector. Business planning, managerial and technical expertise will be promoted among blacks, utilizing both training under the ZIMMAN II Project and technical assistance provided by the International Executive Service Corps (IESC). The extension of a grant to the IESC which cross-subsidizes the cost of technical assistance provided to small businesses will complement the training provide under the ZIMMAN II Project. In addition, the Government and the private sector will be introduced to the advantages and technical aspects of techniques to broaden ownership of productive assets, including the use of employee stock ownership plans, mutual funds, and sub-contracting. We will measure the number of black company officers in target sectors and the number of blacks introduced to new legal, strategic, managerial and operational skills relevant to their businesses that remain in business for a minimum 2 years.

Another major impediment to entry by blacks into the ownership class is their **limited access to capital** to finance business start-up and expansion. As a result of an overly restrictive regulatory environment, the financial sector in Zimbabwe remains segmented, contributing to the high costs of financial intermediation, a slow responsiveness of the financial system to service demand and the rationing of credit through the GOZ's exercise of interest rate controls. The present credit allocation system is skewed toward servicing existing clients with both a credit history and access to collateral, thereby discriminating against emergent black businesses. In addition, GOZ determination of interest rates has biased depositors toward Government controlled institutions, prompting a significant withdrawal of funds from commercial credit institutions, notably building societies which provide mortgage finance. With the general liberalization of the economy under ESAP, and national and local government deregulation, financial sector reforms are required to complement productive sector reforms and ensure that as barriers to entry are removed, emergent black businesses are not constrained by lack of access to credit. The impact of the Mission program, as facilitated by the implementation of the Private Sector Housing Program and the Black Equity Development Project, will be measured by the number of loans made by the formal sector to blacks and the number of mortgages granted to low-income households. Using the ZIMMAN II project, improved access to capital can be promoted through the introduction of cash flow evaluation techniques to banking managers to assess new credits, thereby reducing the importance of collateral in obtaining financing. Under the Private Sector Housing Program, we are currently evaluating the inclusion of housing cooperatives as loan recipients. Extension of the experience gained in working with cooperatives in the housing sector could be extended into other areas of the financial sector.

STRATEGIC OBJECTIVE III: Sustainable Decrease in Fertility

Zimbabwe's population grew by 3.1% annually between 1982 and 1992. At this rate, the population will double in 22 years, diminishing the prospect of substantive increases in per capita incomes, food, jobs and growth. A sustainable reduction in the fertility rate would help achieve a lower population growth rate, and concurrently, contribute to improved health among women and children. Fortunately, Zimbabwe has achieved many of the enabling factors associated with fertility rate reduction -- school enrollment is relatively high, infant and child mortality rates relatively low, with urbanization rates and the proportion of workers in non-agricultural sectors increasing. Despite these factors and the country's high and increasing contraceptive prevalence -- 38% and 43% in 1984 and 1988, respectively -- the fertility rate remains a high 5.5 children per woman, largely due to the overwhelming reliance on less effective recurrent methods of contraception, principally oral contraceptives.

In order to assure that the high contraceptive prevalence in Zimbabwe leads to fertility reduction and the long-term viability of the family planning program is not undermined by high recurrent costs, the Mission is pursuing a four-prong strategy aimed at: (1) increased contraceptive use; (2) better contraceptive use; (3) increased private sector support for family planning; and (4) more sustainable financing of public sector family planning service delivery.

We will measure the impact of these interventions by using Demographic Health Survey data to monitor the total fertility rate (TFR) both nationally and for the rural population, which traditionally has recorded higher birth rates. We plan to build on past success in reducing the national TFR from 6.5 in 1984 to 5.5 in 1988 to 4.9 by 1998. For the rural population, a reduction from 6.2 in 1988 to 5.8 by 1998 is anticipated. We believe that with the proposed targeted interventions, this is possible, given that Zimbabwe has already earned the reputation of having the most successful family planning program in Africa. Contraceptive knowledge is nearly universal with 96% of all women in 1988 reporting that they had heard of a minimum of one method of contraception. A follow-up DHS will be conducted in 1994 and again in 1998, providing us data not only on contraceptive prevalence and fertility rates, but utilization rates of varying methods of contraception.

Increased contraceptive use will be promoted through increased availability of a more diversified method mix, with USAID funding utilized for technical assistance, training, commodities and strengthening of the Zimbabwe National Family Planning Council (ZNFPC) in its ability to counsel in and provide longer-acting methods and to train Ministry of Health (MOH) nurses working in integrated family planning/maternal child health facilities. Zimbabwe has showed continued progress in increasing its contraceptive prevalence rate (CPR), from 38% to 43% between 1984 and 1988. Similarly, use of modern contraceptive methods have increased from 27% to 36% among Zimbabwean women of reproductive age

in union². Zimbabwe's modern method contraceptive prevalence rate is three times the average for East Africa and comparable to that of Morocco and Turkey. Planned program interventions will help to contribute to the increase in the all methods CPR to 50% and modern methods CPR to 48% by 1998. While modern method prevalence is much higher in urban areas (48.8%) than in rural areas, almost one third (30.8%) of rural women are using modern methods. This high utilization of modern contraceptive methods in rural areas can be credited to Zimbabwe's success in building a strong rural outreach program through community-based distributors.

One significant occurrence this past year is the expansion of the "male motivation" campaign to increase the acceptance of family planning responsibilities by males. Started in 1987, this year's much expanded program included a high profile campaign spearheaded by Zimbabwe's much adored soccer team, its "dream team", and publicly supported by GOZ leaders, the U.S. Ambassador, USAID Director and Deputy Director (all males!).

In addition to monitoring CPR -- both all methods and modern methods -- the Mission will measure the use of longer-acting methods (sterilization, IUD's, Norplant and injectables) and other modern methods (oral contraceptives, condoms and vaginal methods). A survey just completed by SEATS/FPLM based on 8 sentinel sites provides the Mission with its 1992 baseline data. Broadening the method mix available and increasing knowledge of and access to longer-acting methods responds to the recognition that no single method meets the needs of all contracepting couples. The promotion of longer-acting methods recognizes the cost implications of serving a growing population of acceptors to even maintain contraceptive prevalence rates.

The Mission will promote better contraceptive use to help respond to the "population paradox" in Zimbabwe wherein high contraceptive prevalence rates have not resulted in the anticipated decline in fertility rates. Given the problems associated with non-compliance with the use of oral contraceptives (oral contraceptives account for 86% of modern method use) and condoms and the unmet need to promote longer-acting methods among contraceptors, especially among those who wish no more children, the Mission will target use of longer-acting methods. Another problem relates to the high prevalence of progestin-only pill -- currently comprising 50% of oral contraceptives used in country. While the progestin-only pill should be used by breastfeeding women, it provides less protection from pregnancy than the combined pill should one or two pills be missed. The Mission will monitor use of longer-acting methods as a percentage of total modern methods CPR from a recorded 3.9% in 1988 to a projected 12% in 1998. Use of longer-acting methods among limiters should increase from 17.6% in 1988 to 25% in 1998, while the percentage of breastfeeding women using the wrong oral contraceptive formulation should decline from 16% to 10%.

² Preliminary results from the first sentinel survey of the family planning program indicated that the modern method CPR had increased to 42.1% by the end of 1992.

Program interventions should particularly impact "high risk" women, those women "too young / (children) too close / too old / or with too many" children. Progress has already been recorded in increasing modern contraceptive practice among these high risk women. From 1984 to 1988, modern contraceptive use among those too young or with children too closely spaced increased from 33.8% to 44.9% and hopefully by 1998 will increase to 50%. Among women too old or with too many children, contraceptive use increased from 23.8% (1984) to 30.1% (1988); planned interventions should increase this rate to 35% by 1998. During this last year, significant progress was made in expanding the method mix available in Zimbabwe. The first group of community-based distributors was re-trained to better counsel and refer clients for long-term methods, while training in sterilization methods and counselling continued. Year-end statistics reflect a 30% increase in laparotomies since the USAID project began. USAID-funded Norplant trials were met by an overwhelming pool of volunteer participants and the Mission is funding the training of private sector physicians in Norplant insertion techniques. Further, the ban on Depo-Provera, previously proscribed in Zimbabwe because it was perceived by the post-independence Government as a means used by the previous colonial regime to control the black population, has been removed. This contraceptive technique holds great promise given the longer-acting nature of the treatment, a relative low cost of the technique. UNFPA has committed to bring in a supply of these injectables to Zimbabwe. The Mission will continue to promote those long-term and permanent methods that are both culturally acceptable and financially sustainable.

In addition to the challenge of providing a growing population of users with more and better contraceptive choices, and improving service quality, the family planning program must become more efficient, less donor dependent and more financially sustainable. Hence, the third prong of the strategy is the involvement of the private sector, whose role in the future delivery of family planning services in Zimbabwe is critical to the sustainability of the program and the reproductive health of the nation. In order to **increase the participation of the private sector in family planning service delivery** and reverse the experience of the past decade where the costs of the family planning program were borne completely by the public sector and the donor community, USAID will encourage an expanded role by private physicians and nurses, private clinics, hospitals and pharmacies to reduce the burden on the public sector.

The actual dimensions of the commercial market for contraceptive services and supplies remain unclear. We do know that 4% of the users of contraceptive users in 1988 were serviced by the private sector. This will again be measured in 1994 and 1998 as part of the Demographic Health Survey. The Mission's interventions are intended to increase this rate from 4% to 10%. In order to assess the potential of this market, a survey of insurers and the private sector will be conducted in 1994 as a baseline measure of private sector payments for family planning. Although social marketing in Zimbabwe has met limited success to date, this in large part can be attributed to the availability of free or heavily subsidized contraceptives in country. However, during this past year, the removal of tariffs on imported contraceptives, as well as placing contraceptives on the OGIL (eliminating the need for an import license to import contraceptives) has evidenced an increased availability of

contraceptive supplies and a decline in their retail price in private retail outlets. (The price of one brand of oral contraceptives declined more than 60% from Z\$ 39 per cycle to Z\$ 15 per cycle.) Another significant outcome of continuing policy dialogue in this sector is the removal of the requirement by pharmacies for a prescription for oral contraceptives; instead, disbursement is at the pharmacist's discretion. In addition to the direct involvement of the private sector in the provision of family planning services, the Mission plans to promote financial support for family planning through insurance plans or cost reimbursement by employers.

Finally, **more sustainable financing of public sector family planning service delivery** hinges on the increased ability of the Zimbabwe National Family Planning Council to recover program costs, make decisions based on sound cost analyses and efficiently program and distribute contraceptives. The GOZ commitment to family planning is a matter of record. Government revenues covered 75% of the public sector program and over 50% of the ZNFPC program costs between 1984 and 1992. Last year, the GOZ began to assume part of the costs of purchasing oral contraceptives, increasing from 0% in 1992 to 21% in 1993. (Its contract was with the U.S. firm, Wyeth-Ayerth, to procure 1.8 million cycles.) Under the planned program interventions, the GOZ will assume the total cost for orals by 1996.

One development impacting the financing the public sector family planning service delivery is the GOZ's revised guideline on payment for health services to mandate free services for all rural residents and urban residents with monthly incomes below Z\$ 400. This has the effect of limiting to 20% the number of households from whom costs can be recovered. The Mission will continue to monitor progress on ensuring the sustainability of the public sector family planning program by measuring GOZ support for the ZNFPC (this is to remain at a minimum of .9% of the GOZ budget -- it was .95% in 1993), examining ZNFPC cost recovery, its rural service delivery cost per CYP and urban service delivery cost. Baseline data for these last three indicators will be provided in 1994 as part of a cost effectiveness study now being designed.

TARGET OF OPPORTUNITY: Decreased HIV High Risk Behavior by Selected Occupational Groups

AIDS in Zimbabwe is already of epidemic proportions, and will increasingly have measurable effects on population growth rates, employment, the structure of the labor force and the welfare of individual households nationwide. Given the size of the pandemic approaching 1 million HIV sero-positive people, and the compelling human and economic consequences, the Mission has designated AIDS as a target of opportunity. Based on sentinel surveillance data among STD patients and antenatal women, it appears that HIV prevalence is highest in small towns along major transport routes, in the main urban areas, in rural areas near transport arteries, in mining areas or on military bases. In fact, AIDS is the greatest cause of death among infants in urban areas. Based on these data, and the interventions of other donors and NGO's, the Mission is focusing on decreased HIV high risk behavior by selected occupational groups and will work to strengthen service delivery for reducing the

spread of HIV and other STD's among target groups. Anticipated initiatives under a newly authorized AIDS Prevention and Control Project will include workplace interventions for those at high risk and those in the productive sector including the military and armed forces, prostitutes, the transport sector, agricultural worker, and teachers and students at tertiary institutions. The workplace was chosen as an effective forum to reach large number of people and to demonstrate impact easily. Complementing specific workplace interventions, the Mission will utilize such facilitation mechanisms as policy dialogue on employment policies for those with AIDS and media training.

Indicators of progress toward the target of opportunity are condom use in most recent sexual intercourse of risk (outside of a stable relationship) and number of sexual partners the previous month. This data will be collected using Knowledge, Attitude and Practice Studies. Although the Mission is just initiating a new bilateral AIDS project, since 1987, USAID/Zimbabwe has funded \$8.4 million for AIDS initiatives through multiple centrally-funded interventions.

Prompted by these interventions and the policy dialogue relating to HIV/AIDS, the GOZ began screening blood for HIV in 1985, followed by the establishment of an AIDS Advisory Committee of health personnel in 1986, the drafting of medium-term plan for AIDS for the 1988-1993 period and the establishment of the National AIDS Control Program in 1988. Since that time, provincial AIDS committees have been established, various care organizations and service organizations for AIDS patients have been established and a senior intersectoral policy body has been formed. Finally, later this year, the Second Medium Term Plan for the Prevention and Control of AIDS will be prepared.

In one example of an AID-funded intervention, community-based peer educators in selected urban areas were trained to educate commercial sex workers (prostitutes) and their clients in bars and hotels to reduce the sexual transmission of HIV by behavioral change and safe sex practices. Significant impact has been achieved in increasing the knowledge of HIV among these groups and in effecting behavioral change -- one survey confirmed an increase from 18% to 80% in condom use among clients of prostitutes over a 3 year period. In addition to strengthening the capacity of various drama and theater groups to be effective in presenting HIV/AIDS/STD information to a variety of local target groups around the country, USAID has funded the physical expansion of the Harare and Bulawayo Blood Transfusion Services to expand their capacity to conduct HIV/AIDS testing and has provided equipment and reagent supplies for HIV testing. Two thirds of the 5 million condoms shipped to Zimbabwe in 1989 by USAID have been used for AIDS and STD prevention.

In addition to funding the training of laboratory technicians in HIV testing and health care providers in AIDS prevention techniques, using baseline sociological surveys, HIV/AIDS messages were developed for booklets, stickers etc. facilitating a continuing AIDS awareness campaign by the National AIDS Coordination Program. Finally, an USAID-funded education program among commercial farm workers accompanied by condom distribution has helped to increase awareness among this high risk group and help decrease transmission of

HIV/AIDS among farm workers.

A very significant attitudinal change has been demonstrated on the part of the GOZ. While public discussion of HIV/AIDS was all but banned in 1988, recognition of the illness and the negative impact of this disease have been publicly pronounced; in fact, the Vice President is a very outspoken spokesperson for the prevention of HIV/AIDS among Zimbabweans. As a result of continued openness about this pandemic, STD and HIV counselling are being integrated into family planning counselling.

We will continue to monitor the impact of the specific interventions included as part of our new bilateral program and will share the lessons learned about appropriate interventions among specific high risk groups.

SECTION IV **OTHER PROGRESS IN PRIORITY AREAS**

Discussion of progress in priority areas has been discussed in Sections I-III.