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**USAID/ZIMBABWE**  
**BRIEFING PAPER**

October 5, 1994

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## I. Overview

### A. USAID Assistance Overview, 1980-94

The United States program of economic assistance to Zimbabwe began with the country's independence in April 1980. As shown in the table presented on page 4, a total of nearly \$659 million<sup>1</sup> had been committed through FY 1994, including:

- \$345.4 million<sup>2</sup> in funds for development projects;
- \$54.6 million in Southern Africa Regional Program (SARP) funds for activities specific to Zimbabwe;
- \$193.6 million in food aid; and
- \$65.0 million in housing investment guarantees.

During the early years (1980-85), our program included \$172 million in commodity import programs that financed the foreign exchange cost of manufacturing and agricultural equipment, with local currency generated used to improve the productivity of smallholder farmers, as well as to support health, education, housing and local government projects<sup>3</sup>. The USAID program sponsored one of the largest participant training programs in sub-Saharan Africa, with nearly 200 candidates sent to the U.S. for advanced degrees. Together with central USAID resources, USAID sponsored an extensive mix of family planning activities that helped strengthen Zimbabwe's impressive family planning infrastructure and increase the contraceptive prevalence rate from 36 percent to 43 percent with a one child per mother decline (from 6.5 to 5.5) in fertility. With \$50 million in housing guaranty loans, USAID serviced more than 20,000 housing stands for low-income households.

Between 1980-1985 nearly \$300 million was committed, both to fund post-war reconstruction activities and to offset the effects of periodic drought. As a result of increasingly vocal expressions of anti-American sentiment by the Government of Zimbabwe (largely over U.S. policies with regard to trade sanctions on South Africa), funding levels dropped dramatically to less than \$10 million in 1986, and all but food aid was ceased in 1987. Although

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<sup>1</sup> Figures are in U.S. (rather than Zimbabwean) dollars unless otherwise noted.

<sup>2</sup> Includes \$256.2 million in ESF (FY 1980-86) and \$89.2 million in DA (FY 1986-94)

<sup>3</sup> These local currencies are by now close to being fully expended and thus no longer comprise an area of current program focus.

economic assistance was resumed in 1988, it was maintained at a nominal level of \$5 million in 1988 through 1990, increased to \$10 million in 1991 and to approximately \$20 million in 1992 and 1993, excluding food aid, housing guaranty loans and regional SARP funds. As can be seen from Figure 1, the 1992/93 drought occasioned huge increases in food aid assistance beginning in FY 1992 and continuing into FY 1993.

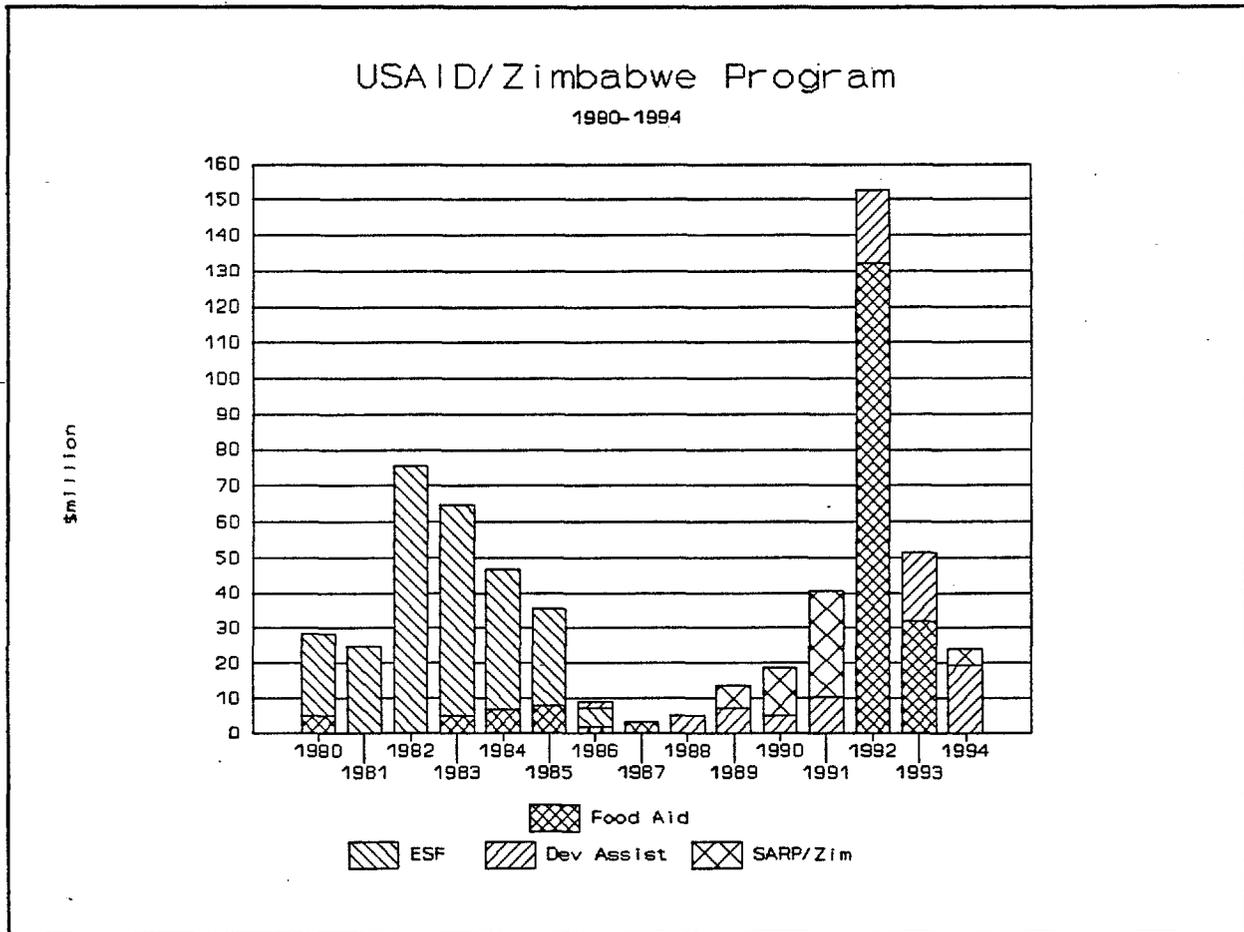


Figure 1

**B. Government of Zimbabwe Strategy and Performance**

Zimbabwe has the largest, most diversified economy in sub-Saharan Africa after the Republic of South Africa. In the ten years following independence, Zimbabwe focused its resources on equity, dramatically improving the health and education of its population, as well as increasing the participation of the smallholder farmer in the cash economy. For example, communal farmer production of the cash crops of maize and cotton increased from 10

percent at independence to 60 percent of total production by the end of the 1980's. This single-minded focus on equity, however, contributed to poor economic growth and was compounded by declining terms of trade, severe import compression and drought. Despite an upturn in growth in 1988-90, past low levels of fixed capital formation, a population growth rate of 3 percent, and inadequate private sector investment are continuing to place severe pressure on the economy.

The Government of Zimbabwe embarked upon a World Bank/IMF-endorsed economic structural adjustment program (ESAP) in 1991 to re-orient Zimbabwe's macro-economic, trade, and sectoral policies (including wage, price and foreign exchange controls) to promote investment, generate employment, and broaden participation in the economy. Despite severe economic dislocations associated with the drought of 1991/92 (the worst in a century), including a sharp deterioration in the country's terms of trade, the government has made notable progress in the areas of trade liberalization, price decontrol, the deregulation of foreign investment, and reform of the exchange system. The economy's ability to capitalize on these gains, however, has been compromised by continuing slippages in macroeconomic policies, particularly in the areas of fiscal policy and reform of public enterprises, where performance has deviated significantly from ESAP objectives.

## **II. USAID/Zimbabwe Strategy**

Although Zimbabweans today are healthier and better educated than they were ten years ago, no appreciable improvement in living standards has occurred. Although GDP grew at a real rate of 4.0 percent, population increases all but erased these marginal gains. In part, poor growth performance was a product of exogenous events -- world-wide recession, periodic droughts and depression in primary commodity prices. However, part of the economic growth equation was and is within the GOZ's control. Much of the poor growth performance during the past decade can be attributed to the conscious decision to address social inequities first, plus a socialist approach to economic growth espoused by the Government of Zimbabwe in the years after independence. But change is in the wind -- Zimbabweans, including the GOZ, are beginning to embrace more growth-oriented, outward-looking, market-oriented policies. Although world-wide recessions, drought and commodity prices cannot be controlled, the very diversity of Zimbabwe's economy and its human resource base provide some measure of protection needed to minimize the impact from cyclical trends and exogenous shocks.

USAID's new strategy supports structural adjustment, increased economic growth that is participatory and equitable, and creation of a de-controlled enabling environment conducive to investment by addressing the problem of economic growth for the country overall while simultaneously focusing on the plight of the "poorest of the poor" in rural Zimbabwe.

**Direct Program Obligations for Zimbabwe**  
**(\$000s)**

|  | FY 80         | FY 81         | FY 82         | FY 83         | FY 84         | FY 85         | FY 86        | FY 87        | FY 88        | FY 89         | FY 90         | FY 91         | FY 92          | FY 93         | FY 94         | Total          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|----------------|---------------|---------------|----------------|
| <b>Economic Support Fund</b>                       |               |               |               |               |               |               |              |              |              |               |               |               |                |               |               |                |
| 613-K601 Reconstruction and Resettlement I         | 20,000        | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 20,000         |
| 613-K602 Reconstruction and Resettlement II        | 0             | 24,200        | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 24,200         |
| 613-0201 Reconstruction                            | 2,000         | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 2,000          |
| 613-0203 African - American Labor Center           | 416           | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 416            |
| 613-0204 Science and Technology                    | 750           | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 750            |
| 613-0205 Low Cost Shelter                          | 0             | 0             | 750           | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 750            |
| 613-0208 Basic Education for Skills Training       | 0             | 0             | 0             | 15,000        | 15,000        | 9,869         | 5,000        | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 44,869         |
| 613-0209 Zimbabwe Agricultural Sector Assistance   | 0             | 0             | 15,000        | 3,700         | 15,000        | 11,300        | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 45,000         |
| 613-0215 Zimbabwe Manpower Development             | 0             | 0             | 4,000         | 4,000         | 0             | 5,139         | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 13,139         |
| 613-0216 Commodity Import Program                  | 0             | 0             | 50,000        | 37,000        | 10,000        | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 97,000         |
| 613-0219 Zimbabwe Family Planning Program          | 0             | 0             | 5,250         | 0             | 0             | 1,292         | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 6,542          |
| 613-0220 Adult Literacy Organization of Zimbabwe   | 0             | 450           | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 450            |
| 613-0221 Institute of Adult Education              | 0             | 20            | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 20             |
| 690-0207 Regional Food Security                    | 0             | 0             | 622           | 0             | 0             | 0             | 439          | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 1,061          |
| <b>Sub-Total</b>                                   | <b>23,166</b> | <b>24,670</b> | <b>75,622</b> | <b>59,700</b> | <b>40,000</b> | <b>27,600</b> | <b>5,439</b> | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>       | <b>0</b>      | <b>0</b>      | <b>256,197</b> |
| <b>Development Assistance</b>                      |               |               |               |               |               |               |              |              |              |               |               |               |                |               |               |                |
| 613-0209 Zimbabwe Agricultural Sector Assistance   | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 5,000        | 5,000         | 0             | 0             | 0              | 0             | 0             | 10,000         |
| 613-0229 Zimbabwe Manpower Development II          | 0             | 0             | 0             | 0             | 0             | 0             | 2,000        | 0            | 0            | 0             | 2,964         | 1,080         | 0              | 2,000         | 0             | 8,044          |
| 613-0230 Zimbabwe Family Planning                  | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 1,626         | 2,154         | 3,932          | 1,077         | 3,962         | 12,751         |
| 613-0231 International Executive Service Corps     | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 185           | 0             | 0              | 0             | 0             | 185            |
| 613-0232 Zimbabwe Business Development             | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 2,000         | 2,540          | 1,000         | 0             | 5,540          |
| 613-0233 Grain Marketing Reform (NPA)              | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 5,000         | 0              | 10,000        | 0             | 15,000         |
| 613-0234 Grain Marketing Reform (TA)               | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 1,100          | 1,400         | 0             | 2,500          |
| 613-0235 Private Sector Housing (TA)               | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 2,680          | 0             | 0             | 2,680          |
| 613-0236 Private Sector Housing (NPA)              | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 10,000         | 0             | 10,000        | 20,000         |
| 613-0237 Zimbabwe AIDS Prevention and Control      | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 2,500         | 500           | 3,000          |
| 613-0241 Natural Resources Management              | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 1,100         | 1,100          |
| 613-0510/0240 Program Development and Support      | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 225           | 300           | 486            | 192           | 185           | 1,388          |
| 690-0207 Regional Food Security                    | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 2,192         | 0             | 0             | 0              | 0             | 0             | 2,192          |
| OYB Transfer for Contractors                       | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 1,200         | 0             | 1,200          |
| OYB Transfer to AIDSCAP                            | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 3,438         | 3,438          |
| OYB Transfer to SEATS                              | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 138           | 138            |
| Payment of DC Parking Fines                        | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 62            | 62             |
| <b>Sub-Total</b>                                   | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>2,000</b> | <b>0</b>     | <b>5,000</b> | <b>7,192</b>  | <b>5,000</b>  | <b>10,534</b> | <b>28,738</b>  | <b>19,269</b> | <b>19,385</b> | <b>89,218</b>  |
| <b>SARF Funded Activities Specific to Zimbabwe</b> |               |               |               |               |               |               |              |              |              |               |               |               |                |               |               |                |
| 690-0248 Reg Transportation Dev II - Zimbabwe      | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 9,373         | 30,027        | 0              | 0             | 0             | 39,400         |
| 690-0464.13 African Development Support            | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 463           | 0             | 0             | 0              | 0             | 0             | 463            |
| 690-0251.13 Natural Resources Management           | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 3,221         | 0             | 0             | 0              | 0             | 4,500         | 7,721          |
| 690-0435.13 Afr Ag Research/Heartwater Research    | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 2,599         | 4,380         | 0             | 0              | 0             | 0             | 6,979          |
| <b>Sub-Total</b>                                   | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>6,283</b>  | <b>13,753</b> | <b>30,027</b> | <b>0</b>       | <b>0</b>      | <b>4,500</b>  | <b>54,563</b>  |
| <b>Food Aid</b>                                    |               |               |               |               |               |               |              |              |              |               |               |               |                |               |               |                |
| OSM (Low Guaranty)                                 | 0             | 0             | 0             | 0             | 0             | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 20,000         | 22,000        | 0             | 42,000         |
| TITLE I  | 0             | 0             | 0             | 0             | 0             | 8,000         | 0            | 0            | 0            | 0             | 0             | 0             | 40,000         | 10,000        | 0             | 58,000         |
| TITLE II   | 5,000         | 0             | 0             | 5,000         | 6,727         | 0             | 0            | 0            | 0            | 0             | 0             | 0             | 0              | 0             | 0             | 16,727         |
| Section 416 (Grant)                                | 0             | 0             | 0             | 0             | 0             | 0             | 1,700        | 3,200        | 0            | 0             | 0             | 0             | 72,000         | 0             | 0             | 76,900         |
| <b>Sub-Total</b>                                   | <b>5,000</b>  | <b>0</b>      | <b>0</b>      | <b>5,000</b>  | <b>6,727</b>  | <b>8,000</b>  | <b>1,700</b> | <b>3,200</b> | <b>0</b>     | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>132,000</b> | <b>32,000</b> | <b>0</b>      | <b>193,627</b> |
| <b>Grand Total</b>                                 | <b>28,166</b> | <b>24,670</b> | <b>75,622</b> | <b>64,700</b> | <b>46,727</b> | <b>35,600</b> | <b>9,139</b> | <b>3,200</b> | <b>5,000</b> | <b>13,475</b> | <b>18,753</b> | <b>40,561</b> | <b>152,738</b> | <b>51,269</b> | <b>23,885</b> | <b>593,606</b> |
| <b>Housing Guarantees Programs</b>                 | <b>0</b>      | <b>25,000</b> | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>25,000</b> | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>15,000</b>  | <b>0</b>      | <b>0</b>      | <b>65,000</b>  |

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Three strategic objectives have been identified, all contributing to a goal of equitable, participatory economic growth, and all within the Mission's manageable interest.

- The first strategic objective focuses on the communal lands' poor, that 35 percent of the population, who through unequal access, subsist on marginal lands unsuitable for traditional crop patterns. USAID's historic involvement in addressing agricultural and food security challenges around the world and in Zimbabwe holds promise for these people. Opportunities exist for maximizing the productivity of their land, identifying alternative income sources, and ensuring that these rural people have equal access to marketed food. Ultimately, improvement in the household food security, income and health of these people is at stake.
- Our second strategic objective, increased black ownership and investment at all levels of Zimbabwe's economy, reflects the recognition that access to economic assets and economic empowerment has been disproportionately vested in the white population (1 percent of total) and Government itself. By broadening access to economic assets, opportunities for increased competition and improved efficiency are created. Perhaps more significant and politically imperative is the need to demonstrate that blacks are in the mainstream of the economy, thereby making possible Government creation of a de-controlled enabling environment conducive to investment, and ultimately to economic growth, which in turn can increase employment and ownership opportunities for all in the Zimbabwean economy.
- A persistent problem that has continued to undermine the economic growth and personal family goals in Zimbabwe is the problem of population growth -- eroding the natural resource base, eroding the potential household and individual benefits of economic growth. Because of the cross-cutting nature of the problem and the interventions to be pursued, the Mission has identified a sustainable decrease in fertility as our third strategic objective.

The potential enormity of the HIV/AIDS problem in Zimbabwe is staggering, so much so that the Mission feels compelled to build on our work in this area. The Mission has identified AIDS as a target of opportunity for three reasons: (1) to address a compelling human developmental problem; (2) in recognition of the economic consequences of this pandemic; and (3) to be responsive to Congressional concern that USAID funds be used to support AIDS programs.

### III. USAID Program Achievements

#### A. Business Development

In the early years (1980-85), one of the most significant elements of the USAID program in Zimbabwe was the Commodity Import Program (CIP), which was funded by two commodity program grants of \$97 million. These included the Sugar Quota Compensation Program

(\$4.9 million) and the Agricultural Sector (\$42.75 million) and Educational Sector (\$29 million) programs. The U.S. dollar component of the program financed manufacturing, agricultural, construction, and data processing equipment, as well as raw materials for the tire, textiles, and plastics industries, and cotton ginning equipment geared to increasing smallholder cotton production. Nearly 90 percent of CIP foreign exchange dollar resources were allocated to the private sector. The foreign exchange from these programs was very effective in helping the business sector to re-tool, buy raw material inputs and to produce finished goods while the GOZ continued to focus on redressing social imbalances. They were also important vehicles to enable USAID to understand business development constraints and growth. More recently, we have used the pilot Zimbabwe Business Development (ZBD) Project activities, GEMINI small-business survey, and private sector involvement in grain milling and marketing, family planning and rural development to increase USAID's understanding of constraints on and opportunities for the private business sector in Zimbabwe. Some of these lessons relate to policy constraints; others relate to continuing GOZ suspicion of the private sector, especially its racial imbalance. Fundamentally, we have discovered that there is an entrepreneurial spirit in this culture that can be unleashed for growth.

#### B. Social Services

The Z\$ 294 million in local currency counterpart fund deposits by Zimbabwean importers financed more than 120 local development projects in the agricultural, health, education, housing and local government sectors. Significant accomplishments can be attributed to these local currency generations, especially in the increased productivity of smallholder agriculture and their participation in the cash economy, financing great expansion of education, social and health services, and equitable spread of rural development. USAID's involvement with the Basic Education CIP and local currency projects in the social sectors leaves strong impressions that Zimbabwe has grown from a basic human needs status, but there are important poverty and food security gaps that need to be addressed.

#### C. Agriculture and Food Security

USAID has historically been involved in the agricultural sector in Zimbabwe through the Zimbabwe Agriculture Sector Assistance Program (ZASA), two CIPs, the Regional Food Security Project, the Grain Marketing Reform Program, ICRISAT small grains research, Natural Resources Management Project, and local currency-funded agriculture projects. The \$55 million ZASA Program helped to increase smallholder productivity and incomes by improving access to essential inputs and markets, improving the quality and appropriateness of research, building human and institutional capacity, and maintaining and restoring the resource base. Local currency generated by this project financed the expansion of two agricultural colleges, built Grain Marketing Board depots, supported irrigation schemes, funded the construction of a coffee factory and provided agricultural training. The program had a significant impact in helping the small-scale farmer diversify into production of cash crops such as cotton, coffee, tea and oilseeds. Our \$30 million investment in research on

drought-resistant sorghum and millet for people in marginal lands is a strong base for extension of promising varieties and hybrids. Despite the progress made through these projects and supporting initiatives funded through SARP projects, it became increasingly evident that project assistance alone could not ensure the transformation of the agricultural sector in the absence of agricultural policy reforms. Accordingly, the highly successful Zimbabwe Grain Marketing Reform Program was launched in FY 1991 to support of GOZ policy reforms aimed at liberalizing maize pricing and marketing. The project will shortly be making its third and final NPA disbursement of \$5 million against significant reforms that have virtually ended the GOZ monopoly of this sector.

Through USAID's pilot \$7.6 million Natural Resources Project in Zimbabwe, the technical, social, economic and ecological viability of community-based natural resources management for increasing household and community incomes has been demonstrated. It has also been shown that Zimbabwe's national and local level capacity to develop and utilize indigenous natural resources (including wildlife) in a sustainable fashion can be enhanced through training, education and protection. As a result of our involvement, we know more about what needs to be done to provide a very significant household level income resource for the most food-insecure sector of the population. Consequently, in FY 1994 we amended the original \$7.6 million SARP project authorization upwards by \$4.5 million and authorized an additional \$16.0 million in bilateral funds to extend the project to FY 1999 and expand pilot activities nationwide<sup>1</sup>. Thus, total authorized funding for Zimbabwe natural resources activities is now \$28.1 million.

#### D. Family Planning and HIV/AIDS

USAID has had a long-standing involvement in the delivery of family planning delivery services in Zimbabwe. After the completion of a \$6.5 million bilateral family planning project in September 1987, eighteen USAID/Washington centrally-funded organizations, closely monitored by USAID, continued important assistance to the sector. Activities ranged from the Johns Hopkins Program of International Education in Gynecology and Obstetrics (JHPIEGO), which provided training for health practitioners in family planning techniques, to the three private sector programs including social marketing to increase private sector involvement in providing sustainable family planning services. The USAID-funded 1988 Demographic Health Survey conducted by Westinghouse Corporation did indeed document the very significant progress made in increasing contraceptive prevalence from 36 percent to 43 percent and decreasing the total fertility rate from 6.5 to 5.5 children per woman. As a result of the continuity in this sector, USAID has developed a strong relationship with the Zimbabwe National Family Planning Council (ZNFPC). In order to build on the experience in the sector and address the previously unanswered problem of sustainability, a second bilateral Zimbabwe Family Planning Project was launched in 1990. The project is funded

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<sup>1</sup> Actual obligations during FY 1994 were \$4.5 million from SARP and \$1.1 million from bilateral funds.

with \$16.9 million in bilateral resources and \$5.8 million in central USAID/W funds. An additional \$1 million is budgeted for contraceptives.

Between 1987 and 1992, a total of \$8.4 million, including \$1.4 million in local currency, has been provided to the Zimbabwe National AIDS Coordination Program. Activities have included the provision and distribution of condoms, support for the expansion of the Harare and Bulawayo Blood Transfusion Services, equipment for regional hospitals, training for peer educators, laboratory technicians and epidemiologists, and extensive support for AIDS education. Building on the experience of the past few years in Zimbabwe, USAID/Zimbabwe has embarked on a bilateral project to address the need to effect behavioral change to reduce the rate of increase in HIV/AIDS prevalence in Zimbabwe, with a heavy emphasis on involvement of local NGOs. Given the magnitude of the problem, the Mission intends to initially target interventions to high risk groups, and expand on the successful experience gained to date on workplace interventions. In FY 1994 we bought into AIDSCAP to the tune of \$3.4 million to fund long- and short-term technical assistance to implement the bilateral Zimbabwe AIDS Prevention and Control Project, first authorized in FY 1993.

#### E. Human/Technical Resources

In the early years (FY 1982-86), the \$45 million Basic Education and Skills Training (BEST) program provided technical assistance and training as well as commodity assistance. The BEST program had notable impact in building local training institutions to help expand enrollments and in developing curriculum materials, thus helping Zimbabwe to increase its trained manpower. Foreign exchange was used to finance training, technical assistance, computer equipment and instructional materials, while local currency generated financed projects in teacher education, localization of examinations, secondary school technical kits and the decentralization of technical colleges.

Through the \$13.1 million Zimbabwe Manpower Development Project I (ZIMMAN I), USAID sponsored one of the largest participant training programs in sub-Saharan Africa, with nearly 200 candidates sent to the United States for advanced degrees in addition to providing 250 short-term training opportunities for individuals in the public and private sectors. The ZIMMAN II Project, first authorized at \$15 million in 1986, has shifted focus to emphasize the need to help Zimbabwe's private sector meet its long-run requirement for technical, professional and managerial resources. Greater private sector support for training institutions and in-country workshops will impact both established and emergent business enterprises, while public sector training will be channelled toward remedying GOZ policies and regulations that constrain the private sector. Lessons learned from the BEST program and ZIMMAN I have taught us that we no longer need to be involved in public sector education nor degree training. Our previous involvement in this sector also tells us that human resources training is still required to support business expansion, complemented by training for policy makers to enable them to transform the policy and regulatory structure in Zimbabwe to one that supports the entrepreneurial class.

## F. Housing

The initial USAID-supported housing program met all of its objectives, strengthening both the public sector housing institutional structure in Zimbabwe and providing the finance for the servicing of nearly 22,000 housing stands for low-income households. Based on the success of the previous \$50 million housing guaranty program, the strong professional relationship developed between the Ministry of Public Construction and National Housing and USAID over the years, and an understanding of the underlying constraints to the provision of low-cost shelter, USAID is using a combination of \$78 million of grant and loan guaranty resources to leverage reforms that will expand the private production of low-cost shelter through: a) increasing efficiency and capacity in the private construction sector; b) expanding capital market opportunities to finance shelter; and c) reducing and rationalizing Government's involvement in urban land and shelter development. The long-term goal is to shift responsibility for the provision of shelter from the public to the private sector. As in the agricultural sector, it was recognized that financial and infrastructure constraints alone do not ensure sustainable development, and without specific sectoral policy reforms, the GOZ will continue to remain dependent on donors to address developmental priorities. Our familiarity with the housing and construction industries has taught us much about problems impeding black participation and ownership in private sector growth.

## G. Fostering Private Sector Growth

In 1991 the Mission launched the experimental Zimbabwe Business Development Project directed at the private sector. This pilot \$5.54 million project has provided continued technical assistance through a \$3.1 million sub-grant to the International Executive Services Corps (IESC), and has sponsored important studies of the small-scale enterprise sector, potential for business linkages, monopolies and competition policy in Zimbabwe, and the potential for export processing zones. Major conclusions of the project included the following:

- The productive sector in Zimbabwe remains highly concentrated with the GOZ maintaining a large stake in the economy through both direct ownership and indirect controls;
- Deregulation and a positive climate must be created to attract growth-oriented private investment;
- Employment creation and broader income opportunities will result from de-controlling small businesses to increase new start-ups and expand existing enterprises;
- The small enterprise sector is dominated by knitters and crocheters largely because of regulatory barriers to entry into other small businesses;

- Despite initial interest, the potential growth of smaller businesses through business linkages (such as business spin-offs and sub-contracting by large businesses) in Zimbabwe is limited. Export processing zones may be more acceptable because of personal gain than openings for private sector-led growth of exports;
- In order to target the small business sector through IESC, a cross subsidization policy must be maintained;
- Credit, technical management and marketing training are particularly critical to business growth in Zimbabwe; and
- The GOZ will not open the economy to broaden private participation until it has been demonstrated that blacks have an opportunity to participate as owners in the economy.

These findings have helped shape the Mission's proposed focus in addressing the regulatory and policy impediments to increased black ownership in the economy. However, we admit that we are unable at this stage to judge if personal or bureaucratic power, remaining socialist philosophy, and Party public sector involvement are equally constraining. We will test this further.

#### H. Support for Structural Adjustment

Support for macro structural adjustment is part of an ongoing dialogue pursued with the Ministry of Finance, and the various sectoral ministries the Mission deals with. In highly general terms, we work with the World Bank and IMF on macro-economic reforms and they, in turn, work with us on sectoral reforms in areas in which we have in-depth involvement. Throughout, the Mission, working with the World Bank, has encouraged the Government to stay the course on the adjustment process, with the recent emphasis on eliciting the supply-side response required for benefits to accrue to the economy. A USAID-sponsored mission from the Foreign Investment Advisory Services (FIAS) of the World Bank Group helped identify those policy constraints to investment, which hopefully will be incorporated into conditionality for the World Bank SAL II negotiations later this year. Recognizing the need to untie donor resources to support the expansion of the Open General Import License (OGIL) system and the move away from a managed system of foreign exchange allocation, the Mission is increasingly utilizing NPA to support both sectoral and macro ESAP objectives through such activities as the Private Sector Housing and Grain Marketing programs. The Mission has come to recognize that structural adjustment is a medium-term process, and given the commitment by Government to stay the course, donors such as USAID must shape their portfolios to support Government efforts. All donors believe GOZ is generally on course with ESAP, and must be supported to pass through the painful transition.

## I. Women in Development

The concern with advancing the status of women in Zimbabwe is consciously incorporated into the design of our projects. Over the years, the Mission has recognized the need to document the impact of project interventions on women and will continue to collect impact data on a gender-disaggregated basis. In addition to the acknowledged need to monitor impact on women's groups, not only in family planning but in agricultural and other projects (such as monitoring female employment in the National Railways and women-owned businesses as beneficiaries of IESC services), Z\$ 800,000 of local currency generations supported various women's cooperative projects identified by the National Council of Negro Women.

The Mission also funded law research efforts of the group Women in Law in Southern Africa (Z\$ 509,000 in July 1991). This NGO conducted research into laws which discriminate against women and identifying remedial actions required to improve women's legal, material and social position. Research incorporated such subjects as violence against women, access to land, custody of children in divorce, and child support/maintenance. More recently, using central USAID/Washington resources, the Mission provided \$143,000 to the NGO, Women in Law and Development in Africa (WILDAF), of which Women in Law in Southern Africa is a member. The Mission has learned that unless policy and regulatory constraints to a greater role for women in the economy and society as a whole are addressed, development benefits to women will continue to be marginalized; therefore, the Mission is attempting to incorporate such concerns into new project interventions.

## J. Regional Transport

Zimbabwe, and the Southern Africa Region as a whole, has learned much from the SARP-funded support to the transport infrastructure of the region. USAID funding supported the \$4.2 million Zim-Zam Road Project beginning in 1981, the \$39.4 million National Railways of Zimbabwe (NRZ) Project beginning in 1990, and the \$15.0 million Regional Drought Emergency Relief Project in 1992, with \$2.3 million of the latter benefitting Zimbabwe directly. We have learned that the regional backbone transport infrastructure is largely in place, with two or three exceptions. What is now needed to support trade for growth is more efficiency in the transport system. The lessons learned during the past decade were reflected in the design of the Regional Drought Relief Project which sought to increase the long-term transportation efficiency and capacity in the SADC region through ensuring the cost effective, timely delivery of drought relief supplies throughout the sub-region. The SADCC Transport Efficiency Investment Prioritization Assessment Report (STIPA Report) of August 1991 documented that transport infrastructure in the region was adequate and what was still required was to effect improvements in efficiency and capacity utilization to support the landlocked private sector to grow under ESAP. The Mission's continuing work on NRZ is addressing this efficiency issue through restructuring and hopefully, in the end, privatization, with expanded opportunities for black ownership.

#### IV. Near-Term Objectives, FY 1995-96

During FYs 1995-96 USAID/Zimbabwe will continue to pursue attainment of its three strategic objectives and the HIV/AIDS target of opportunity, including major new initiatives in health care financing (with an emphasis on family planning and HIV/AIDS prevention), black equity development. As grain marketing reforms are consolidated and their effects deepened, we are revisiting the targets associated with SO 1, with an eye toward possible revision of the objective to give greater emphasis to agricultural marketing and agribusiness. A primary overriding objective will be continued support to the structural adjustment process.

FY 1994 saw a major amendment to the Zimbabwe component of the regional Natural Resources Management Project (690-0251.13) to enable expansion of the community-based wildlife management concept and practice nationwide, plus an amendment to the Zimbabwe Family Planning Project (613-0230) to increase the authorization amount by \$7.0 million and plan for annual OYB transfers of \$0.5 million for contraceptives in FYs 1995 and 1996. FY 1994 also saw a \$3.4 million OYB transfer to AIDSCAP, which will be providing both long- and short-term technical assistance to implement the bilateral Zimbabwe AIDS Prevention and Control Project, which was first authorized in FY 1993.

FY 1995 will see two new project starts -- an NPA activity to address health care financing issues (particularly as they relate to family planning and HIV/AIDS prevention), some of which were identified in a 1994 feasibility study, and a new project start entitled Black Equity Development to foster greater economic participation by Zimbabwe's black majority. The table on the following page shows USAID/Zimbabwe's actual and proposed schedule of obligations for FY 1994-96. Note that, beyond the \$17.7 million projected FY 1996, recent contacts with USAID/W suggest that, as a "focus" country, USAID/Zimbabwe may be asked to absorb an additional \$4.0 million, including \$2.0 million for family planning, \$1.0 million for natural resources, and \$1.0 million for economic growth.

**USAID/Zimbabwe Schedule of Obligations  
FY 1994-96  
(\$000)**

| Number       | Project Title                       | FY 1994            | FY 1995            | FY 1996            |
|--------------|-------------------------------------|--------------------|--------------------|--------------------|
| 613-0229     | Zimbabwe Manpower Development       | 0                  | 2,000              | 1,000              |
| 613-0230     | Zimbabwe Family Planning            | 3,962              | 1,000 <sup>1</sup> | 1,000 <sup>2</sup> |
| 613-0232     | Zimbabwe Business Development       | 0                  | 0                  | 0                  |
| 613-0233     | Zimbabwe Grain Marketing Reform     | 0                  | 0                  | 0                  |
| 613-0234     | Zimbabwe Grain Mktg Reform Research | 0                  | 0                  | 1,000              |
| 613-0235     | Private Sector Housing (PA)         | 0                  | 0                  | 0                  |
| 613-0236     | Private Sector Housing (NPA)        | 10,000             | 5,000              | 0                  |
| 613-0237     | Zimbabwe AIDS Prevention Control    | 0                  | 1,000              | 900                |
| 613-0237.13  | Grant to UNICEF                     | 500                | 0                  | 0                  |
| 613-0238     | Zimbabwe Family Planning (NPA)      | 0                  | 5,000              | 5,000              |
| 613-0239     | Black Equity Development            | 0                  | 2,000              | 3,500              |
| 613-0240     | Program Development and Support     | 115                | 500                | 500                |
| 613-0241     | Natural Resources Management        | 1,100 <sup>2</sup> | 1,500              | 2,000              |
| OYB Transfer | AIDSCAP                             | 3,438              | 1,500              | 2,800              |
| OYB Transfer | SEATS                               | 123                | 0                  | 0                  |
| Total        |                                     | 19,238             | 19,500             | 17,700             |

<sup>1</sup> Includes \$500,000 in contraceptives.

<sup>2</sup> Plus \$4.5 million from the Zimbabwe component of the SARP-funded Natural Resources Management Project (690-0251.13).



## BASIC INDICATORS

|                            | <u>Zimbabwe</u> | <u>Tanzania</u> | <u>Kenya</u> | <u>Malawi</u> |
|----------------------------|-----------------|-----------------|--------------|---------------|
| <b>POPULATION</b>          |                 |                 |              |               |
| POPULATION (1991)          | 10.4            | 26.9            | 24.4         | 9.9           |
| AV. ANN. GROWTH RATE       | 3.13            | 3.4             | 3.5          | 4.3           |
| POP. DENSITY (p/km)        | 26.6            | 26.2            | 36.9         | 67.4          |
| POP. UNDER 15YRS. (%)      | 45.5            | 46.7            | 49.9         | 46.7          |
| TOT. FERT. RATE (1991)     | 5.5             | 6.8             | 6.4          | 7.6           |
| <b>GNP</b>                 |                 |                 |              |               |
| GNP/CAPITA (1990 \$)       | 640             | 120             | 370          | 200           |
| AV. ANN. GROWTH (1980-90)  | -0.8            | -0.7            | .3           | -0.1          |
| GDP-AV. AN. GROW. RATE     | 2.9             | 2.8             | 4.2          | 2.9           |
| <b>URBANIZATION</b>        |                 |                 |              |               |
| URBANIZATION               |                 |                 |              |               |
| %TOT POP (1990)            | 28.0            | 20.0            | 23.0         | 11.0          |
| AV. ANN. GROWTH            | 5.8             | 6.8             | 7.3          | 6.9           |
| <b>HEALTH</b>              |                 |                 |              |               |
| CRUDE BIRTH RATE/1000      | 41              | 48              | 44           | 55            |
| CRUDE DEATH RATE/1000      | 11              | 15              | 11           | 21            |
| INFANT MORT. RATE/1000     | 61              | 112             | 52           | 144           |
| UNDER 5 MORT. RATE/1000    | 88              | 178             | 75           | 228           |
| LIFE EXPECT. AT BIRTH      | 56              | 51              | 59           | 45            |
| MATERN. MORT/1000          | 150             | 340             | 170          | 170           |
| %POP. W/ACCESS WATER       | 66              | 56              | 30           | 56            |
| %POP. W/ACC. HEALTH SERV   | 71              | 76              | --           | 80            |
| %FULLY IMMUN. (1990-91)    |                 |                 |              |               |
| --TB                       | 87              | 89              | 80           | 96            |
| --DPT                      | 83              | 79              | 74           | 81            |
| --POLIO                    | 81              | 74              | 71           | 78            |
| --MEASLES                  | 83              | 75              | 59           | 78            |
| <b>EDUCATION</b>           |                 |                 |              |               |
| % ENROL. PRIM. ED. (86-90) | 128             | 64              | 94           | 67            |
| % ENROL. SEC. ED (1989)    | 52              | 4               | 23           | 4             |
| ADULT LITERACY RATE        | 67              | 91              | 69           | --            |

**SOURCE:**

Population Data: Zimbabwe 1992 Census

Other Information: UNICEF The State of the World's Children, 1993

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|   | 1988   | 1989   | 1990   | 1991   | 1992<br>Est. | 1993<br>Proj. | 1994<br>Proj. | 1995<br>Proj. |
|---|--------|--------|--------|--------|--------------|---------------|---------------|---------------|
| <b>GDP at market price</b>                          |        |        |        |        |              |               |               |               |
| Millions of Zimbabwe Dollars                        | 11441  | 13583  | 16566  | 21234  | ..           | ..            | ..            | ..            |
| Millions of U.S. Dollars                            | 6350   | 6427   | 6767   | 6194   | ..           | ..            | ..            | ..            |
| <u>(Annual percentage change)</u>                   |        |        |        |        |              |               |               |               |
| GDP Growth  | 7.3    | 4.7    | 2.1    | 3.6    | -9.0         | 4.5           | 5.0           | 6.0           |
| GDP Growth per capita                               | 4.0    | 1.5    | -1.0   | 0.6    | -11.7        | 1.4           | 2.0           | 3.0           |
| <b>Consumer Price Inflation</b>                     |        |        |        |        |              |               |               |               |
| Annual Average                                      | 7.1    | 11.6   | 15.7   | 23.7   | 40.4         | 30.0          | 15.0          | 10.0          |
| End of period                                       | 7.8    | 14.2   | 17.8   | 28.6   | 49.5         | 20.0          | 10.0          | 8.0           |
| <b>Money and Credit</b>                             |        |        |        |        |              |               |               |               |
| Broad Money Supply (M2)                             | 17.8   | 19.8   | 22.4   | 30.0   | 25.1         | 20.0          | ..            | ..            |
| Interest Rate 1/ 2/                                 | 9.2    | 8.7    | 10.3   | 27.0   | 37.8         | ..            | ..            | ..            |
| <u>(In percent of GDP)</u>                          |        |        |        |        |              |               |               |               |
| Gross National Saving                               | 19.1   | 19.0   | 17.3   | 12.6   | 12.0         | 16.0          | 20.5          | 22.4          |
| Gross Investment                                    | 17.2   | 19.0   | 20.1   | 22.0   | 25.0         | 25.0          | 23.5          | 23.0          |
| <b>Central Government budget</b>                    |        |        |        |        |              |               |               |               |
| Total Revenue & Aid Grants                          | 37.1   | 34.8   | 35.3   | 35.9   | 38.9         | 34.0          | 34.3          | 34.0          |
| Total Expenditure & Net Lending                     | 45.9   | 43.7   | 42.9   | 44.3   | 45.9         | 43.5          | 39.0          | 37.5          |
| Deficit (Including Foreign Aid Grants)              | -8.8   | -8.9   | -7.6   | -8.4   | -7.0         | -9.5          | -4.7          | -3.5          |
| Deficit (Excluding Foreign Aid Grants)              | -10.0  | -9.6   | -8.5   | -9.7   | -8.5         | -11.0         | -6.2          | -5.0          |
| <b>Balance of Payments, Current Account</b>         |        |        |        |        |              |               |               |               |
| Excluding official transfers                        | 0.8    | -1.3   | -4.7   | -11.8  | -19.2        | -13.2         | -6.1          | -3.0          |
| Including official transfers                        | 1.9    | ..     | -3.0   | -9.4   | -13          | -9.1          | -3.0          | -0.6          |
| Total External Debt Outstanding                     | 44.2   | 39.3   | 46.2   | 61.4   | 78.5         | 85.9          | 86.2          | 83.8          |
| Debt Service Ratio 3/                               | 27.4   | 24.0   | 22.0   | 21.6   | 25.1         | 25.3          | 27.2          | 21.2          |
| Gross Official Reserves<br>(Months of import cover) | 2.7    | 1.6    | 1.7    | 2.0    | 2.2          | 2.8           | 3.4           | 4.0           |
| <b>Memorandum Items:</b>                            |        |        |        |        |              |               |               |               |
| <b>Average Exchange Rates:</b>                      |        |        |        |        |              |               |               |               |
| U.S. Dollar / Zimbabwe Dollar                       | 0.5550 | 0.4732 | 0.4085 | 0.2917 | 0.1962       | ..            | ..            | ..            |
| Zimbabwe Dollar / U.S. Dollar                       | 1.8018 | 2.1133 | 2.4480 | 3.4282 | 5.0968       | ..            | ..            | ..            |

Sources: Central Statistical Office, Reserve Bank Of Zimbabwe, World Bank, IMF

1/ At end of year

2/ Interest Rate on 90 Day NCDs

3/ Percent of Exports of Goods and Nonfactor Services