

USAID/Zimbabwe

Annual Report

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Zimbabwe

Performance:

Zimbabwe continues to be mired in a protracted political crisis. The country's social and political environment remains highly polarized, with the society unable to reach consensus about how to transition from two decades of political dominance by the party (ZANU-PF) that led its liberation struggle. Despite indications early in the year that the ruling party was willing to engage in dialogue with the opposition Movement for Democratic Change (MDC), all signs now suggest that ZANU-PF will continue its drive to augment its dominant position. Although factionalism is rife within the ruling party, particularly concerning the issue of leadership succession, ZANU-PF remains united in its efforts to achieve a major victory in the upcoming March 2005 Parliamentary elections.

Recent months have seen the introduction in Parliament of new electoral legislation to address limited aspects of electoral administration. They have also seen a slight reduction in the number of reported incidents of violence that were perpetrated throughout much of the year against the opposition and its perceived supporters. Although the ruling party has embarked on modest electoral reforms and some leading figures have recently spoken out in favor of political tolerance, most independent observers believe the electoral playing field will remain uneven. Their assessment is due to the lingering effects of years of violence and intimidation; the ongoing suppression of basic constitutional freedoms, e.g., speech and association; and state (i.e., ruling party) control of most media and all electoral institutions.

Zimbabwean civil society is a vibrant force in the country, with levels of political consciousness and debate at perhaps their highest since independence. As civil society has increasingly pushed for greater democratic space and demanded more popular participation in the decision-making process, the government has responded with ever greater restrictions. Among other things, the government has tightened restrictions on the independent media and journalists, and recently passed legislation restricting the operation of non-governmental organizations (NGOs), which includes a prohibition on foreign funding for NGOs engaged in human rights and/or governance work.

A significant event this year was the acquittal of MDC President Morgan Tsvangirai on treason charges. Some have interpreted this as evidence of judicial impartiality. Instances of judicial integrity can be found, which hopefully can be fortified at an appropriate opportunity in the future. Nevertheless, numerous instances of political manipulation of the judicial system by the ruling party remain commonplace.

Although the upcoming Parliamentary elections will occupy center stage of the political arena for the coming months, even in the best of scenarios they are unlikely to contribute to a lasting resolution of the country's political crisis. Domestic and regional dialogue concerning Zimbabwe's electoral environment provides an important opportunity for debate and potential progress on a number of critical rule of law issues, including freedoms of association, speech and the cessation of politically motivated violence. Nonetheless, fundamental constitutional issues, such as the separation and balance of powers, will continue to restrict political competition, hinder government accountability and, thus, potentially generate further political conflict. Ultimately, it will be a long-term process for Zimbabweans to build a tolerant, pluralistic democracy, requiring sustained support from regional neighbors and the international community.

Economically, Zimbabwe is completing its sixth consecutive year of decline at a time when sub-Saharan Africa has recorded an average gross domestic product (GDP) growth rate of 3.4%. Although the Reserve Bank's monetary policy has slowed the plummet, the failure to address fundamental, economic distortions, e.g., price and exchange controls, or tackle profligacy means that GDP is still expected to decline by a further 5.2% in 2004. Official figures suggest that inflation decreased from over 500% at the

beginning of the year to 209% in October. The managed exchange rate has been permitted to rise from Z\$824/US\$1 to about Z\$6,200/US\$1 for most transactions (some must still be done at the Z\$824 rate), but the local currency still remains overvalued, hampering the competitiveness of local exports. Foreign exchange continues to be in critically short supply due principally to the country's declining export performance. The inability to meet external debt obligations caused the suspension of international balance of payments support, and fewer international lines of credit. The GOZ is attempting to offset this through its look-East policy, which is trying to encourage investment from China and other friends in the Far East. The economic decline has resulted in renewed shortages of food, fuel, electricity, and other critical imports. A once thriving industrial sector is suffering, with an additional 48 formal businesses closing in 2004, bringing the total number of closures to 350 since 2002. Official unemployment is over 70%, excluding hundreds of thousands of former farm workers who were internally displaced by the government's fast-track land reform program. The economic, social and political upheaval has fed an unprecedented brain-drain, creating an estimated three million economic and political refugees in foreign countries.

While the rest of the southern Africa region has recovered from the 2002 drought, agricultural production levels in Zimbabwe have become a state secret. Independent local and international analysts agree that corn and wheat production is little changed from last year, while the tobacco crop is even lower than last year's record low, all due to the lack of inputs and continued upheaval on the farms. The GOZ claims an all-time record harvest in 2004, and has prohibited international humanitarian general food distribution in this election year. Along with the World Food Programme (WFP) and other donors, USAID is now focusing a much reduced, targeted feeding program on the most vulnerable individuals, including school children and the poorest people affected by HIV and AIDS.

The collapse of the social service sector continued unabated in 2004. Zimbabwe has one of the highest HIV/AIDS prevalence rates in the world (24.6%). Other HIV/AIDS statistics are equally dire: 3,300 AIDS-related deaths each week, infant mortality rate of 76/1000, under-five mortality rate of 123/1000, nearly 1 million orphans in a population of 11.6 million, and a life expectancy of just 34 years. The shortage of most drugs continues as does the exodus of medical personnel and inflation has now put those drugs and treatments that are available outside of the reach of most people. In addition, 2004 saw the GOZ begin a campaign against private schools by preventing them from raising fees in line with inflation, thus threatening the only remaining source of quality education and encouraging even greater emigration of skilled professionals and their families.

While targeted US and EU travel and financial sanctions were expanded in 2004 to additional Zimbabwean government and ruling party leaders, President Mugabe continues to make frequent international trips to counteract his growing isolation. Legislated restrictions under Section 620q of the Foreign Assistance Act (FAA), the Brooke-Alexander Amendment to the Appropriations Act, and the Zimbabwe Democracy and Economic Recovery Act (ZDERA) all remain in effect, along with the policy restrictions established by the Deputies Committee. Zimbabwe's withdrawal from the Commonwealth still stands as does the freeze on World Bank and IMF programs in-country due to Zimbabwe's inability to become current on its arrears to these institutions.

U.S. Interests and Goals: Zimbabwe is a strategic country for the United States because events in Zimbabwe have a significant impact on the entire southern Africa region. The U.S. Government's principal national interests in the country are to: 1) prevent a further deterioration of the political and economic situation, and the consequent detrimental impact on the region; 2) strengthen the prospects for stability by fortifying democratic institutions and civil society; 3) implement an effective response to the catastrophic HIV/AIDS pandemic; and 4) mount an effective response to the complex humanitarian crisis.

USAID/Zimbabwe's crisis prevention/mitigation program, as set forth in its Country Strategic Plan for 2000-2005 (extended to 2006 through last year's Annual Report), employs a "scenario-based" approach. This allows the mission to be responsive to Zimbabwe's changing environment and, thus, the Strategic Plan remains relevant. The program reflects Zimbabwe's status as a "failing state" within the terms of the Agency's new Fragile States Strategy. Based on the identified indicators, the Plan's "breakdown" scenario is still applicable. The mission will continue to keep USAID/Washington informed through its

official reporting. The mission will also begin a new strategic planning exercise in 2005 as part of the agency's revised strategy development process.

USAID's focus on Zimbabwe's four interrelated crises (humanitarian, HIV/AIDS, economic, and political) continued in 2004. Regarding the humanitarian crisis, the U.S. Government provided an additional 127,110 metric tons of food (valued at US\$70,266,000) and US\$6,674,351 in non-food humanitarian assistance in FY 2004. Since the beginning of the crisis in 2002, USAID has provided food totaling 470,641 MT (valued at US\$282 million) and non-food assistance valued at US\$16 million. The USAID program in Zimbabwe will continue to provide program monitoring and assistance for the humanitarian crisis for the foreseeable future, resources permitting.

USAID's humanitarian assistance efforts are only a part of the USAID assistance program to Zimbabwe that seeks to respond to the fundamental causes of the nation's crises. USAID's two Strategic Objectives (SOs) and one Special Objective (SpO) are designed to respond to the HIV/AIDS, political and economic crises afflicting Zimbabwe. These are, respectively: 1) mitigating the HIV/AIDS pandemic (the "HIV/AIDS SO"); 2) increasing the dialogue and responsiveness between the citizenry and selected government institutions, especially Parliament and local authorities (the "Participation SO"); and 3) enhancing access of the most disadvantaged groups to income-generating opportunities (the "Economic Opportunities SpO").

USAID/Zimbabwe's program beneficiaries are predominantly female. Approximately half of our partner civil society organizations (CSOs) under the "Participation SO" specifically address advocacy issues of concern to women and other minority groups. While the SpO does not target beneficiaries by gender, over 50% of the beneficiaries are women, with a very high percentage of women benefiting from our home nutrition gardens and legal vouchers programs. Over half of the beneficiaries of the HIV and AIDS program are also female. All of USAID's assistance is being provided through a variety of local, U.S. and international contractors and NGOs, and United Nations agencies, consistent with current Congressional (Brooke-Alexander Amendment) and Executive Branch restrictions on direct assistance to the Government of Zimbabwe.

Other Donors and Relations: In addition to the United States, the major non-food aid donors are: the European Union (governance, social services, health, agricultural recovery and environment); the United Kingdom (AIDS/health, agriculture recovery); Japan (environment, self help, AIDS/reproductive health, education, infrastructure, agriculture and private sector); and Sweden (HIV/AIDS and governance). Implementing smaller programs are the Netherlands (governance and HIV/AIDS) and Norway (DG, health and education, although their program is now in abeyance). In 2004, food and other humanitarian assistance was provided directly or indirectly by: Australia, Austria, EU, Finland, Germany, Ireland, Italy, Japan, Netherlands, South Africa, Switzerland, UK, and the UN agencies; however, since the GOZ prohibition, donors' food aid programs are only using existing in-country stocks.

The IMF and World Bank programs remain frozen due to poor performance, breakdown in the rule of law, and failure to repay arrears. A resumption of disbursements is contingent on clearance of arrears. The World Bank is proposing to provide a small amount of grant assistance to Zimbabwe for economic research and HIV/AIDS programs. The IMF is engaged in on-going discussions surrounding the withdrawal of Zimbabwe's membership from that organization or some other form of censure. There is no prospect of renewed IMF financial support in the near term.

The UN agencies remain active in Zimbabwe in several sectors (AIDS/health, education, environment, governance and humanitarian assistance). Donor coordination is excellent. USAID, in conjunction with CDC, leads the coordination of HIV/AIDS activities in country, and participates actively in other donor coordination groups.

Challenges: The deteriorating economic environment has presented complex challenges to the USAID program. Intermittent shortages of fuel, power, and even food continued to plague USAID staff and our implementing partners. All implementing partners showed immense creativity in addressing these obstacles, but if the economic crisis continues it may have a significant negative impact on program

accomplishments. Inflation took a particularly large toll on the mission's budget and those of its partners. Local prices approximately tripled in US dollar terms, dramatically reducing the purchasing power of Zimbabweans, including the mission's local staff. Thus, FY 2004's straight-lined budget actually meant a cut of approximately 30%-40% in funding for both OE and program funds.

The USAID program, like that of most other donors, is implemented through local and international NGOs, including CSOs and faith-based organizations (FBOs). Our institution strengthening focus has enabled these NGOs to become better representatives of their constituencies, advocating for more participatory decision-making in the political process. In response, government has enacted new laws to restrict the operations of many of these same NGOs, continued to enforce restrictions on the freedom of association, and increased penalties for journalists who do not register with a government commission. This environment presents unusual challenges to our efforts to support the growth of a vibrant civil society.

Because the GOZ has refused to allow independent assessments of the country's crop and food supply, there is a great deal of uncertainty regarding the level of food vulnerability and the extent to which food assistance may be required. Most outside experts believe that cereal production in 2004 was approximately the same as 2003, during which the international community mounted a large-scale food assistance program. It is also clear that high levels of inflation have put the cost of a basic food basket beyond the reach of an increasing number of households. Independent estimates of the number of people who may be food insecure in early 2005 range between three and five million. USAID and other donors are monitoring the situation closely and considering options for assistance.

Zimbabwe, like other African countries, is challenged by the stigma and silence surrounding the HIV pandemic, and is experiencing deterioration in its public health system. Nonetheless, it still has a reservoir of talented health professionals and a relatively extensive public health infrastructure that enabled us to launch several new small-scale activities, including: anti-retroviral treatment for those suffering from AIDS and the provision of services for the prevention of mother-to-child transmission (PMTCT) of HIV. With additional resources, these and other programs can easily be scaled up to reach a greater percentage of Zimbabwe's large population that has contracted HIV.

Key Achievements: The mission's program made significant progress towards achieving its objectives, despite Zimbabwe's worsening environment. We remain concerned, however, about the potential impact of inflation, the upcoming parliamentary elections, and new NGO legislation on future implementation. Following are the major achievements at the SO level:

The Participation SO: Despite the challenging operating environment, the SO exceeded or met three of its four targets in 2004, while the fourth showed improvement. Civil society partners supported under the program provided direct input into every major piece of legislation, significantly influencing legislation on NGOs, media, electoral reforms, anti-corruption, and the national budget. The number of Parliamentary Committee meetings in which these organizations provided substantial input into the legislative process nearly doubled over the previous year. Despite the passage of several pieces of controversial legislation, the program supporting Parliament also had several subtle, yet significant, successes. Support to the Parliamentary Legal Committee resulted in landmark opinions declaring several pieces of legislation unconstitutional, including the NGO and the Electoral Commission Bills. In addition, the quality of policy and legislative debate significantly improved due to technical inputs provided under the program and more frequent public debate. The Parliamentary Committees reviewing legislation from the Executive branch proposed three times as many amendments in the 2004 legislative session than in the previous year. The program doubled the number of public hearings over the previous reporting period; a highlight was the attendance of over 350 participants at a public hearing to discuss the proposed NGO Bill. At the local level, grants to local CSOs facilitated notable improvements in transparency and accountability in local authorities, particularly with respect to the production of budgets and strategic plans. The program also focused on assisting local authorities to implement modern municipal management practices, and the number of officials who received technical training in 2004 increased by 40 percent over the previous year. Finally, the program's emphasis on more prudent financial management led to the trebling of the

number of local authorities that produced up-to-date financial statements over last year.

The HIV/AIDS SO: In FY 2004, the HIV/AIDS SO exceeded all of its targets. USAID, in coordination with CDC, launched a new program of support for the roll-out of the GOZ's national ARV program. In five sites, USAID provided training, technical assistance, and ART medicines for 100 patients per site, while CDC upgraded laboratories and supported monitoring and evaluation. Between January and September 2004, our new effort to support PMTCT services resulted in 48,873 women visiting USAID-supported PMTCT sites for a new pregnancy. This represents over 50% of all pregnant Zimbabwean women who received PMTCT services and is more than double the target of 20,000. Through USAID-supported PMTCT services, 2,120 HIV positive women and their infants received a complete course of ARV therapy to prevent mother-to-child transmission. Uptake of voluntary counseling and testing (VCT) services continued to climb during FY 2004, with 154,826 new clients being tested, compared to 94,638 in FY 2003. Sales of USAID's socially marketed condoms increased by 40% over FY 2003 sales. Over 173,000 orphans and vulnerable children (OVC) were reached with education assistance, psychosocial support, income generating activities and/or food security initiatives through USAID-funded organizations in FY04, against a target of 150,000. Fifty-two percent of those receiving education assistance were girls.

The Economic Opportunities SpO: In FY 2004, the SpO exceed all of its targets, focusing on both enhanced food security and increased income for the disadvantaged. USAID's program extended its coverage to 54 of Zimbabwe's 58 administrative districts. A total of 117,524 households benefited from the program in FY 2004, compared to the target of 71,000 households. In FY 2004, the program benefited a total of 705,144 people, a 68% improvement on the 420,126 beneficiaries in FY 2003. HIV/AIDS-affected households accounted for 70%, or 83,739 households, of total beneficiary households, representing a 56% increase on achievements in FY 2003. USAID successfully protected OVC and advanced the rights of women under its legal services vouchers activity. The household nutrition gardens program served a total of 15,945 households against a target of 11,000. The program's cost effectiveness improved significantly, dropping from \$50.71 per household in FY 2003 to \$23.78 in FY2004.

Results Framework

613-001 Natural resources management strengthened for sustainable development of CAMPFIRE communities

613-002 Broadened Ownership in a Growing Economy

613-008 Enhanced citizens' participation in economic and political decision-making

SO Level Indicator(s):

Civil Society Organization (CSO) perception of valid engagement with Parliament on issues relevant to their concerns

Local authorities' perceptions of the quality of CSO input into the local budget planning and review process

Local CSO perceptions of valid engagement with local authorities on issues relevant to their concerns

MPs' assessment of the quality of CSO input into the legislative process based on a non-budgetary process

MPs' assessment of the quality of CSO input into the legislative process based on the budgetary process

Number of Parliamentary Committee meetings in which CSOs are involved in a substantial interchange

IR 1 Improved Civil Society Organization's Representation of Citizens' Interests at National and Local Levels

IR 2 More Effective and Accessible Selected National Government Institution (Parliament)

IR 3 Local Authorities More Capable and Open to Local Citizen Input

613-009 HIV/AIDS Crisis Mitigated

SO Level Indicator(s):

HIV Prevalence in 15-19 Age Cohort

Number of individuals with advanced HIV infection receiving antiretroviral therapy

Percentage of Zimbabwe's Orphans and Vulnerable Children (OVC) Reached with Care and Support

IR 1 Reduced high-risk sexual behaviors

IR 2 Enhanced capacity to formulate, advocate and implement improved HIV policies

IR 3 Increased care and support for OVC and others infected with HIV

613-010 Access to Economic Opportunities for Disadvantaged Groups Expanded

SO Level Indicator(s):

Number of HIV/AIDS affected households participating in economic interventions

Number of households participating in economic interventions

IR 1 Access to Financial Services Increased

IR 2 Micro-Business Capacity Improved

IR 3 Rural Incomes and Food Security Increased

SpFA 1 Adverse Economic Impact of HIV/AIDS Mitigated