C-2
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ZIMBABWE

Agricultural Sector Assistance
(613-0209)

ACTION MEMORANDUM FOR THE ADMINISTRATOR

SEP 23 1982

THRU: ES

THRU: AA/PPC, Mr. John R. ~~Bolton~~

FROM: AA/AFR, F. S. Ruddy

SUBJECT: PAAD Authorization - Zimbabwe Agricultural Sector Assistance Program (613-0209)

Problem:

Your approval is requested for a grant of $45,000,000 from the Section 531 Economic Support Fund appropriation to the Government of Zimbabwe (GOZ) for the Zimbabwe Agricultural Sector Assistance Program (613-0209). We plan to obligate $15,000,000 in FY 1982 and the balance of $30,000,000 incrementally in FY 1983 and FY 1984.

Discussion:

Choice of Sector Assistance

This grant constitutes partial fulfillment of the U.S. pledge made at the 1981 Zimbabwe Conference on Reconstruction and Development and is aimed at providing resources to the GOZ to help it implement various policy reforms in the agricultural sector, with special emphasis on benefits to the smallholder. The sector assistance format is chosen because it provides greater development focus and a closer linkage to agricultural policy and program objectives than the cash grant and CIP mechanisms which have characterized AID assistance to Zimbabwe since independence in 1980. The program sector grant provides a vehicle to address key problems in the agricultural sector without relying on individual projects which would require heavy direct AID involvement to implement and thus a larger AID presence in Zimbabwe than is considered desirable. The concept of sector assistance in Africa is innovative and should be approached with caution because of burdens placed on the host government and difficulties inherent in translating policy reform into action programs. Notwithstanding these difficulties, Zimbabwe occupies a unique position among developing countries in Africa. Among its assets are a well-developed agricultural infrastructure and, by any African standard, well-staffed agricultural institutions, both public and private. Although the GOZ may need outside technical expertise in specialized areas on a relatively short-term basis, there is no shortage of skilled administrators in government. The GOZ has demonstrated that it possesses a degree of sophistication in the planning and management of government operations which is rare among developing countries. After careful consideration, we have determined that program sector assistance is the most appropriate mode to provide resources to the GOZ for the agricultural sector.

Program Description

The framework for this sector grant is based largely on AID's agricultural sector assessment, conducted in April 1982. In that analysis, seven constraint areas were identified in agriculture, all of which impact upon the GOZ's efforts to improve the position of Zimbabwean smallholders. The constraint areas are agricultural research, extension, credit, marketing and input supply, land and water use, agricultural manpower training, and policy planning. The agricultural sector assessment showed that GOZ budgetary resources are inadequate to finance all of the activities necessary to fully address the constraint areas. The grant is designed to provide support to the GOZ budget in meeting this resource gap.

Of the grant total of $45 million, the equivalent of $30 million in local currency will be generated by a CIP for the purchase of agriculture-related commodities from the U.S. The CIP in itself is not a central objective of the sector program, but has been chosen by USAID/Z as the most effective way to provide the local currency needed by the GOZ to meet the resource gap in activities related to the constraint areas, and at the same time provide foreign exchange assistance to the Zimbabwean private sector in agriculture. However, in those limited instances in which the CIP mechanism cannot generate necessary local currency on a timely basis, the USAID Director may utilize the Special Letter of Credit mechanism to acquire local currency in needed amounts. Procurement under the CIP will be restricted to the U.S. only and will be allocated mainly to the private agricultural sector (80%). Since this is a program sector grant, as opposed to a project sector grant, AID's local currency contribution will not be used directly to finance specific projects, but rather will constitute an additional resource to the GOZ's agriculture budget for each year of the sector program. The GOZ will review with USAID/Z its agricultural budget, and USAID/Z, with assistance from AID/W and REDSO/EA as needed, must satisfy itself that the budget contains sufficient activities addressing the constraint areas to utilize effectively the annual tranche from the grant. AID local currency funding may be associated with specific budgetary line items, but they should not be "projects" designed specifically to take advantage of the AID grant. However, the GOZ must demonstrate that the agricultural budget submitted includes a real increase in activities, not merely a substitution of AID funds for GOZ funds.

The $15 million balance of the grant will be available to the GOZ to meet some of the projected foreign exchange budgetary requirements in activities related to the constraint areas. Specific requirements have not yet been identified. If the GOZ's foreign exchange needs are insufficient to utilize fully the $15 million balance, the CIP component of the grant can be expanded accordingly. If AID funds are used to finance technical services or commodity procurement, applicable AID regulations will be observed.

Evaluation Criteria

A sector assistance program is generally useful in influencing desirable policy changes. In this case, the initiative for the reform comes from the GOZ, with AID playing a supportive role. Since obligation of the full grant amount will be spread over three years ($15 million each in FY 1982, 1983 and 1984), AID will retain a major degree of leverage by making the obligation and disbursement of the second and third tranches subject to satisfactory annual evaluations of the program, based on evidence of progress in areas of policy reform. First year funds will be disbursed based on GOZ requests to cover budgetary shortfalls in the constraint areas. The program document (PAAD) identifies specific elements of policy reform which reflect the directions in which the GOZ proposes to move. Annual evaluations will look for evidence of reasonable progress in the following policy actions:

(1) allocation of a greater share of total GOZ resources to programs which beneficially affect low-income smallholders;

(2) reduction and eventual elimination of consumer subsidies resulting from fixed producer and consumer prices;

(3) a land resettlement policy which recognizes availability, competing smallholder assistance requirements and production/export goals;

(4) application of commercial rates of interest in lending to smallholders;

(5) An increase in research on crops and integrated crop/livestock systems directed specifically to communal farm conditions;

(6) extension of price stimuli, now applied to major commercial crops, to some present and new small farm crops;

(7) employment of market news and other innovative measures to extend technical information on production and marketing to smallholders, thus serving a large number of farmers with the number of available extension workers;

(8) adequate government support of rural savings clubs as a mechanism for mobilizing rural savings for smallholder credit and for channelling loan funds at lower costs through groups to small-scale farmers;

(9) development and adoption of measures to increase cooperation and linkages between research, extension and university education; and

(10) reduction of the costs of essential imputs by substituting lower cost items and more efficient methods of use, thereby easing the elimination of subsidies;

In addition to the evaluation of the past year's performance in policy matters, USAID/Z will review past year budgetary expenditures to ensure that activities identified and agreed to under the prior year budget were actually funded and are progressing satisfactorily. USAID/Z will also review and approve the GOZ's plan for allocation of funds under the AID grant for the following year. The GOZ will prepare an annual budgetary plan outlining total resource allocation in agriculture for that year and identifying the line items for which AID funding is proposed to meet shortfalls in constraint areas. Based on USAID/Z's concurrence, the annual plan will form the basis for disbursements under the grant. An AID Technical Review Team will assist USAID/Z in evaluating the annual plans. A ZASA Working Group, with USAID/Z and GOZ ministerial representation, will be established to provide continuous AID-GOZ dialogue and as a means of assuring program monitoring.

Responsiveness to AID Directives

The sector program grant contributes to action in several of AID's current policy priority areas:

(a) as discussed above, support for GOZ policy reform in the agricultural sector, with special emphasis on benefits to the smallholder.

(b) support to Zimbabwe' private sector through use of the Commodity Import Program mechanism and through strengthening the smallholders' productive participation in the agricultural sector. Market analyses undertaken for both the on-going CIP and this sector assistance program indicate a tremendous demand for foreign exchange to import a wide assortment of agricultural machinery, equipment and raw materials for the private sector.

(c) technology transfer through probable U.S. technical services purchased through the \$15 million foreign exchange element of the program.

(d) strengthening of Zimbabwe's agricultural institutions through activities in constraint areas financed under the program sector grant. Likely examples include expanding agricultural training colleges, institutions and university programs; institutionalizing linkages between the research service and the university's Faculty of Agriculture; and strengthening the cooperative system to cover agricultural production inputs and marketing services.

Conclusions

We have concluded from the analyses in the Program Assistance Approval Document (PAAD) that:

(a) the proposed approach - program sector assistance - and the provisions for disbursing funds under the grant are technically, economically and administratively sound;

(b) the timing and funding of the program are appropriately scheduled;

(c) sufficient planning has been completed to implement, monitor and evaluate progress under the program; and

(d) all statutory criteria have been met.

This program is excluded from the requirement for an Initial Environmental Examination under Section 216.2(c)(2)(ix) of AID Regulation 16. The determination for a categorical exclusion is in Section VI. of the P.A.A.D.

The Grant Agreement will contain two conditions precedent, in substance as follows:

(1) Prior to the disbursement of any funds under the grant, the ZASA Working Group must be established; and

(2) Prior to the disbursement of funds for each annual budgetary period, a firm budgetary plan, agreeable to AID and the Grantee, must be established.

The following two covenants will also be included in the Grant Agreement:

(1) That the GOZ will cooperate with AID in the planning/budget cycle, including the free exchange of relevant information, so that jointly acceptable programs are developed in a timely manner; and

(2) That the GOZ will take such steps as necessary to ensure that the approved fiscal year budget will contain funding to support adequately the constraint areas identified in the agreed-upon budgetary plan.

Both the Project Review meeting, held on August 9, and the Executive Committee for Project Review, held on August 16, recommended approval of the Zimbabwe Agricultural Sector Assistance Program. There were no unresolved issues. The Congressional Notification was submitted on September 3, 1982, and the waiting period expired on September 17, 1982.

The responsible officers in USAID/Zimbabwe will be the Mission Director, Roy Stacy, and the Agricultural Development Officer, Marcus Winter. The AID/W Project Officer is Morgan Gilbert, AFR/DR/SA.

There are presently no significant human rights issues in Zimbabwe.

Recommendation: That you sign the attached PAAD, thereby authorizing the proposed program in the amount of $45,000,000.

Attachment:

P.A.A.D., Zimbabwe Agricultural Sector Assistance Program

Clearance:

General Counsel: CLvanOrman CLC Date: 24 Sept
AA/PPC/PDPR: JEriksson R. Archie Date: 9/23

Clearances:

DAA/AFR: GPatterson ACL Date: 9/23/82
AFR/DR: HJohnson ______ Date: 9/23/82
AFR/DR: NCohen ______ Date: 22/IX/82
GC/AFR: TBork ______ Date: 9/22/82
AFR/SA: JHicks ______ Date: 9/22/82
COM/ALI: PHagan ______ Date: 9/22/82

AFR/DR/SA: DBlane/MGilbert:agb:9/22/82 x 28818

CLASSIFICATION:

AID 1120-1 (5-66)

PAAD

DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

1. PAAD NO.: 613-K-604

2. COUNTRY: ZIMBABWE

3. CATEGORY: Non-Project Assistance, including Program Sector Assistance & Commodity Financing (Standard Procedur

4. DATE: Activity No. 613-0209

5. TO: M. Peter McPherson Administrator, A.I.D.

6. OYB CHANGE NO.:

7. FROM: F. S. Ruddy, Assistant Administrator, Bureau for Africa

8. OYB INCREASE: Life of Activity $45,000,000.00

TO BE TAKEN FROM: ESF Funds, FY 1982, FY 1983, FY 1984

9. APPROVAL REQUESTED FOR COMMITMENT OF: $ 15,000,000*

10. APPROPRIATION - ALLOTMENT: GESA-82=31613-KG39 72-1121037 237-61-613-00-53-21

11. TYPE FUNDING: ☐ LOAN ☒ GRANT

12. LOCAL CURRENCY ARRANGEMENT: ☒ INFORMAL ☐ FORMAL ☐ NONE

13. ESTIMATED DELIVERY PERIOD: 1/83 - 12/88

14. TRANSACTION ELIGIBILITY DATE: Grant Authorization Date

15. COMMODITIES FINANCED

U.S. goods and manufactures, principally agricultural machinery, tools and equipment for replacement of Zimbabwe's capital stock and for the commercial agricultural sub-sector.

16. PERMITTED SOURCE		17. ESTIMATED SOURCE	
U.S. only:	Grant: $ 15,000,000*	U.S.:	$15,000,000*
Limited F.W.:		Industrialized Countries:	
Free World:		Local:	
Cash:		Other:	

18. SUMMARY DESCRIPTION FY'82 Funds Available $15,000,000.00*

Part of the U.S. pledge at the ZIMCORD conference, the grant will assist the GOZ to meet budgetary shortfalls in the agricultural sector. A total of $45.0 million will be incrementally obligated over a three-year period, with disbursements over five years. The program will be a controlled resource transfer to the GOZ in the form of budgetary support targeted to meet resource gaps in seven sectoral constraint areas which directly impact on Zimbabwean smallholders. These constraint areas, identified in FY 1982 agricultural sector assessment, include agricultural research, extension, credit, marketing and input supply, land and water use, agricultural manpower training and policy/planning. Policy dialogue on both micro- and macro-development issues will also be a key feature of the program.

Approximately $15.0 million in foreign exchange will be utilized to support foreign exchange budgetary needs for sectoral constraint areas. The CIP mechanism will be used to generate local currency in support of the GOZ budand will most probably be used in expanding credit and cooperative programs, construction, in-country training, commodity procurement and operational costs. CIP procurement will be restricted to AID Geographic Code 000 (U.S.onl

19. CLEARANCES		DATE
GC, CLvanOrman	[illegible]	24 [illegible]
FM/PAD, RBonnafon	[illegible]	9/23/[illegible]
AFR/DP, HJohnson	[illegible]	9/23/[illegible]
AFR/DR, HCohen	[illegible]	[illegible]
AFR/SA, JFHicks	[illegible]	[illegible]
GC/AFR, TBork		
COM/ALI, PHagan	[illegible]	[illegible]

20. ACTION

☒ APPROVED ☐ DISAPPROVED

[signature] — AUTHORIZED SIGNATURE

Sept 24, 1982 — DATE

M. Peter McPherson

Administrator — TITLE

CLASSIFICATION:

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ABBREVIATIONS AND ACRONYMS

AID	Agency for International Development
AFC	Agricultural Finance Corporation
AGRITEX	Agricultural, Technical and Extension Services, Department of the Ministry of Agriculture
ARDA	Agricultural and Rural Development Authority
CDSS	Country Development Strategy Statement
CIP	Commodity Import Program
DRSS	Department of Research and Specialist Services of the Minstry of Agriculture
EEC	European Economic Community
FRG	Federal Republic of Germany
FY	Fiscal Year
GDP	Gross Domestic Product
GNP	Gross National Product
GOZ	Government of Zimbabwe
IBRD	International Bank for Reconstruction and Development (World Bank)
IMF	International Monetary Fund
IQC	Indefinite Quantity Contract
MEPD	Ministry of Economic Planning and Development
MLRRD	Ministry of Lands, Reconstruction and Rural Development
MOA	Ministry of Agriculture

ODA	Overseas Development Administration (U.K. Aid)
PAAD	Program Assistance Approval Document
PSC	Personal Services Contract
SFCS	Small Farmer Credit Scheme
SLC	Special Letter of Credit
UNDP	United National Development Program
USAID/Z	U.S. AID Mission to Zimbabwe
UZ	University of Zimbabwe
ZASA	Zimbabwe Agricultural Sector Assistance Program
ZFY	Zimbabwe's Fiscal Year
ZIMCORD	Zimbabwe Conference on Reconstruction and Development (March 1981)
ZIMMAN	Zimbabwe Manpower Development Project

I. SUMMARY AND RECOMMENDATIONS

A. Program Title: Zimbabwe Agriculture Sector Assistance (ZASA)

B. Amount

FY 1982	-	$15.0 million
FY 1983	-	15.0 million
FY 1984	-	15.0 million
		$45.0 million

C. Period of Program Implementation

Five years, from October 1982 to September 1987.

D. Funding Source and Terms

ESF grant assistance.

E. Mode of Proposed Assistance

These funds will provide targeted budgetary assistance to support programs aimed at improving the welfare of smallholder farmers in Zimbabwe's agricultural sector. Of the total amount, approximately $15 million will finance the direct foreign exchange costs of U.S. services and goods and approximately $30 million will finance local costs. The local currency will be generated by the importation of U.S. commodities, destined for the agricultural sector, using standard CIP procedures except in Year 1 when a Special Letter of Credit mechanism may be utilized to quickly provide a limited quantity of local currency to start the program. A minimum of 80 percent of the foreign exchange allocations to generate local currency will go to the private sector. Sales proceeds will be deposited in a special account and available to finance eligible local costs.

F. Summary Program Background/Rationale

Agriculture plays a vital role within the Zimbabwean economy. The sector contributes approximately 15 percent to Zimbabwe's GDP, it accounts for more than one-third of all wage employment and it provides the principal source of income for nearly two-thirds of the rural population. Of total 1981 exports, agricultural products (both food and cash crops) accounted for 42 percent. More importantly, as a result of the sector's productivity, Zimbabwe is essentially self-sufficient in all basic foods and, other than South Africa, is the only maize exporter in the region.

The success of the sector has largely been the result of strong supportive ties between the previous government and the numercially small but economically powerful commercial farming groups. Both the flow of resources and the government's policies favored those farmers to the detriment of the majority of the rural population. Furthermore, the commercial farming groups controlled the richest farming areas. The division of spoils clearly favored the commercial farmers.

Upon assuming control the new Government resolved to redress this inequity and raise the living standards of the rural population. Headway has been made over the past two years. However, the problems facing the GOZ are enormous in scope and costly in resolution. Also, the time in which to demonstrate significant progress in this area is constrained by growing pressures on the Government to make good on land reform promises made during the war. Furthermore, in addition to the demands for land reform, there are equally pressing demands for improved social services -- better housing, more and better education and improved health facilities. This pent-up demand for rapid improvements in the quality of life of the majority is creating severe economic and political pressures, largely because the GOZ does not have the internal resources to finance all its desired programs.

In the agricultural sector, the GOZ is faced with the issue, within limited resources, of encouraging the commercial sector to continue to produce sufficient food and cash crops to feed the country and generate foreign exchange from agricultural exports while stimulating and enabling larger numbers of small farmers to enter the commercial economy. To achieve this policy of "growth with equity" within the agricultural sector will require financial resources that far exceed the GOZ's present and near-term capability. The Zimbabwe Agricultural Sector Assistance Program (ZASA) seeks to alleviate some of the pressure of these budgetary constraints.

Within this framework, the targeted ZASA program has one basic objective - to support implementation of GOZ policies that will improve the economic status of the smallholder, viz. increase smallholder agricultural productivity, production and on-farm income. To do this, as noted in Section III.E.,does not require major policy changes but only refinements and resources to enable implementation of adjustments already underway. The ZASA program will impact on this process by supporting GOZ programs that will provide small-scale farmers with greater access to and use of technologies that will enhance agricultural production and generate greater income.

The proposed form of assistance is sectoral rather than project assistance. Given conditions in Zimbabwe, this approach is both appropriate and desirable. It was developed to respond to the GOZ's continuing institutional capabilities and its record of accomplishments in channeling sizable donor resources (including AID) into post-Independence emergency reconstruction and rehabilitation programs in rural areas. The GOZ capacity to plan and implement programs and activities in the agricultural sector has been tested and judged adequate. The sector plan framework into which the program fits is reasonable and balanced. With continued confidence in the GOZ, this approach offers a flexible programming mechanism through which the highest priority plans to strengthen smallholder participation in the sector, consistent with overall plans, can be undertaken. Programmatic advantages of this approach for the GOZ include foreign exchange relief, thereby easing a balance-of-payments deficit, and a sizeable infusion of financial resources to help meet budgetary shortfalls. Advantages to AID include an opportunity to participate in the discussion of refinements to agricultural policies which will infuence sector performance within the national economy. In addition, this approach will minimize the management burden on Mission operations.

G. Summary Program Description

Under this ZASA program grant, a total of $45.0 million will be obligated over a three-year period, with disbursements over five years. The program is, in essence, a controlled resource transfer to the GOZ in the form of budgetary support targeted to meet resource gaps in seven constraint areas which directly impact on Zimbabwean smallholders. The constraint areas, identified during the FY 1982 agricultural sector assessment, are agricultural research, extension, credit, marketing and input supply, land and water use, agricultural manpower training and policy/planning.

Release of funds to the GOZ budget will be contingent upon satisfaction of general criteria that program resources: (a) are directed at relieving the specific sector constraints mentioned above; (b) have the potential to, or will directly, improve the welfare of Zimbabwean smallholders; (c) are reasonable in terms of the types of activities to be funded; (d) will help meet an identified budgetary shortfall; and (e) will not impose an unacceptable recurrent cost burden. An annual program review will evaluate the continuing commitment and momentum of the GOZ toward sound sector objectives. See Section VI. A., Evaluation, for a discussion of the sector performance criteria which will be used in the reviews. Provision of incremental funding in FY 1983 and FY 1984 will depend on the outcome of the reviews. Policy dialogue on both micro- and macro-development issues will also be a key feature of the ZASA program (see Section V. Program Implementation).

With regard to the use of AID funds, it is anticipated that foreign exchange will be utilized to support the foreign exchange budgetary needs of the GOZ in activities related to the constraint areas. In selecting one of several methods for generating local currency, the Design Team opted for the Commodity Import Program (CIP) mechanism. We believe this approach will maximize trade advantages for the U.S. while responding fully to the requirements of the Zimbabwean economy. The additional local currencies provided in support of the GOZ budget will likely be used in expanding credit and cooperative programs, construction, in-country training, commodity procurement and operational costs.

The program's implementation mechanism is closely tied to the annual GOZ budget/planning cycle. Its most critical feature is flexibility in programming resource flows. In its most simple form it entails: (1) the development of critical programs and activities in the agricultural sector by participating GOZ ministries, (2) agreement by an inter-ministerial ZASA Working Group on program priorities and funding shortfalls, (3) USAID review of priorities against the indicated general criteria and agreement to provide resources in the program areas, followed by (4) tranched release of funds. In this process, USAID/Zimbabwe will be strengthened by a contract technical review team.

Disbursements will be monitored to assure that approved programs are funded to agreed upon levels and to help determine whether continued funding is warranted. Lastly, the GOZ's planning, design, implementation and financial management capabilities will be evaluated annually by USAID/Zimbabwe, REDSO and the technical review team.

The above summarizes the ZASA program approach in its simplest form. All local currency (approximately $30 million) will be programmed as stated above. On the foreign exchange side, however, there are two variations that may appear inconsistent with the non-project assistance/budgetary support nature of the ZASA grant. The first variation relates to technical assistance. In straight budgetary support, technical assistance would be an integral (largely foreign exchange) component of a given GOZ program/budget proposal and the GOZ would be free to contract for assistance under normal GOZ procedures. In the present program, however, for reasons discussed elsewhere, the GOZ is likely to request that AID contract directly for technical assistance identified by participating ministries. Although such a direct contractual arrangement would involve normal AID contracting procedures, GOZ technical assistance proposals would nonetheless be developed through the same process as local currency programs and activities.

The second variation arises from the fact that AID will directly finance the foreign exchange costs of any participant training proposed by the GOZ and concurred in by AID, rather than simply release funds to the GOZ and let the GOZ place and fund its participants under its own procedures. Direct AID funding is intended to take advantage of GOZ procedures and AID contractual arrangements soon to be established under the ZIMMAN project, thereby avoiding the need to establish new machinery under ZASA.

Notwithstanding these two hybrid elements developed to respond to the particular circumstances in Zimbabwe, the basic direction of ZASA is still the controlled transfer of budgetary resources to the GOZ.

In summary, the ZASA program grant is non-project assistance in terms of its basic purpose: budgetary support to aid the GOZ's efforts to improve the productivity and increase the on-farm income of the Zimbabwean small farmer. The annual programming process is simple and straight forward and minor variations from traditional non-project assistance modes, i.e., TA and training, will be carried out following well established procedures. Finally, the basic premise of this flexible assistance mode - the GOZ's ongoing planning and implementation capabilities will be re-assessed annually as an integral part of the annual budget/programming cycle.

H. Statutory Checklist

Satisfied (See FY 1982 CIP PAAD).

I. Program Issues

None.

J. Eligible Geographic Code Source

Code 000 (U.S. only)

K. Recommendations

It is strongly recommended by both USAID/Zimbabwe and REDSO/EA that this agricultural sector assistance program in the amount of $45,000,000 be authorized for Zimbabwe.

L. PAAD Design Team

Marcus L. Winter, Agricultural Development Officer, USAID/Zimbabwe.

Dianne Blane, Project Development Officer, AID/Washington (AFR/DR/SA).

Laurence Hausman, Project Development Officer, REDSO/EA.

Edward Spriggs, Legal Advisor REDSO/EA.

John Lewis, Supply Management Officer, USAID/Zimbabwe.

Jerry Wolgin, Economist, AID/Washington (PPC/PDPR).

Richard Newberg, Agricultural Economist (Contract).

Calvin Martin, Senior Agricultural Officer, REDSO/EA.

Carl Eicher, Agricultural Economist (Contract)

Francis LeBeau, Agronomist (Contract)

Robert Maxwell, Agricultural Education Specialist (Contract)

II. PROGRAM BACKGROUND

A. Political Framework and U.S. Objectives

(1) Political Framework

Beginning in 1976, the United States Government (USG) became actively involved in attempts to reach a negotiated settlement to the Rhodesian conflict culminating in the Lancaster House Conference of late 1979. A consistent element in each of the settlement efforts was a pledge by the USG to provide financial assistance to the new Government of Zimbabwe, if created as a result of a negotiated settlement. Zimbabwe achieved independence on April 18, 1980. The assistance provided to Zimbabwe by the USG in FYs 1980 and 1981 and pledged for FY's 1982-84 at the March 1981 Zimbabwe Conference on Reconstruction and Development (ZIMCORD) can therefore be seen as consistent with these prior commitments.

A politically stable and economically dynamic Zimbabwe is key to the stability of the larger southern Africa region. As a non-aligned and economically important African nation Zimbabwe can also provide a balanced example on the pragmatics of private and public sector development and on the pace and methods of political change that should be pursued in the region.

(2) U.S. Objectives

The U.S. supports GOZ initiatives to deal with economic and social problems which have resulted from the war and several decades of neglect and exploitation of the black population. The GOZ's long-term goal is to change fundamentally the existing social structure so that economic benefits are more equitably distributed among the entire population.

Zimbabwe possesses numerous and diversified resources and has an extensive social and economic infrastructure which has been built up over many years. Notwithstanding these positive features, several massive tasks still confront the Government -- completing the repair and reconstruction of war-damaged infrastructure, stimulating the commercial sector to generate exports and new employment, and expanding basic social services to much larger population groups. To finance these tasks will require not only the major portion of the GOZ's internal resources but also substantial infusions of external assistance. The March 1981 ZIMCORD went a long way towards achieving the external funding objective. The U.S. pledge of $75 million for FY 1982, followed by similar amounts in the succeeding two years, represents a significant component of the funding package.

Zimbabwe is a country founded and functioning on democratic principles. There are hopeful signs that a successful, non-racial society will emerge, with the underpinning of a strong mixed economy. Such a success will serve as an important example to other nations, especially South Africa. It is in the U.S. interest to assist Zimbabwe to achieve this success, and it formed the prinicpal rationale behind the substantial U.S. commitment at ZIMCORD. This commitment is being partially implemented via this Agricultural Sector Assistance program.

B. GOZ Development Strategy

At Independence, the Government faced a number of severe problems, including reconstruction, resettlement of displaced persons and refugees, the fears of whites that they would be excluded from the new order, and the need to maintain the vitality of the modern economy while moving quickly to a more equitable distribution of incomes and assets.

The strategy adopted by the Mugabe government to deal with these problems is essentially fourfold:

(1) maintenance of economic prosperity by stimulating the private sector to expand production, create additional employment and increase exports;

(2) initiation of a resettlement program to shift black farmers from the former Tribal Trust Lands to underutilized land in the commercial farming areas;

(3) reconstruction and investment in the communal land areas; and

(4) vast expansion of government services to the African population, particularly in health and education.

In August, 1982 the GOZ plans to release a comprehensive Three Year Transitional Plan, detailing its medium- and long-term development goals. It is expected that the new plan will contain a policy overview, sector strategies and financial requirements, essentially updating the earlier GOZ document which served as a framework for donors at ZIMCORD. It is also expected that the plan will continue to emphasize equitable economic growth and the basic strategies outlined above.

C. U.S. Assistance Strategy

(1) General Statement

USAID/Zimbabwe's FY 1984 Country Development Strategy Statement (CDSS), prepared in May 1982, presents a comprehensive discussion and supporting analysis of the Mission's proposed strategy and assistance levels. In summary, the proposed strategy is focussed on (a) relaxing the constraints to overall economic growth in Zimbabwe and (b) removing the causes of poverty. Both elements of this strategy seek to support GOZ efforts to achieve self-sustained, equitable growth. The components of the Mission's strategy to relax constraints to overall economic growth include easing the balance of payments situation and maintaining the performance of the private sector through foreign exchange relief, plus helping reduce shortages of skilled manpower and supporting institution-building efforts. The strategy components to remove the causes of poverty include enlarging agricultural production, particularly small-holder; improving human productivity through skills development and qualitative, as well as quantitative, improvements in education; expanding employment generation in both the modern sector and off-farm in rural areas; and moderating the population growth rate, now estimated at close to 4.0 percent.

The programming of U.S. assistance to support this strategy takes into account the political and economic fluidity in Zimbabwe. Although the GOZ has already described many of its major policies and strategies, it has been understandably slower in translating them into specific courses of action. What has guided U.S. actions to date is the fact that Zimbabwe's political structure is broadly democratic and oriented toward equitable growth objectives. The GOZ has adopted a generally pragmatic, free-market approach to achieving these objectives, and this approach has the full support of the USAID.

(2) Program Relationship to the CDSS

As mentioned above, one of the four components of the Mission's strategy to remove the causes of poverty is to enlarge agricultural productivity. In general, the agricultural sector is already productive and benefits from a policy environment and institutional system which has provided production incentives and support services. The target group, however, has historically been the larger, private commercial farmer whose interest has been in achieving high production output. This existing system is now being challenged to address more adequately the requirements of the small-holder while maintaining the productivity of the commercial farmer.

Following on the results of the "Assessment of the Agricultural

Sector in Zimbabwe and Proposed Assistance Strategy for USAID", completed in April 1982, the FY 1984 CDSS recommends that a substantial resource flow be directed toward strengthening agricultural research, extension, credit, marketing and input supply, land and water use and agricultural manpower training institutions. Assistance in undertaking sector policy analyses and feasibility studies is also recommended.

The CDSS also proposes an implementation approach through sector, rather than project, assistance. A determining factor in supporting this approach has been recognition that the central administration of the GOZ is probably one of the most capable and most efficient in Africa. For this reason, the FY 1983 CDSS stated that "the USAID strategy is to rely heavily on GOZ capabilities for planning and implementation of their own development program." This confidence remains well-founded and has been confirmed in the FY 1984 CDSS and in implementation of the FY 1980 and FY 1981 program grants and the FY 1982 Commodity Import Program. Each funding mechanism has offered the GOZ maximum flexibility in programming local currency generations in sectors of mutual concern. It is also the theme which should continue in providing future U.S. resource assistance flows, including this program.

D. <u>Present and Proposed AID Assistance to Zimbabwe</u>

AID assistance to Zimbabwe to date has focussed on transferring sizable resource flows through flexible mechanisms. FY 1980 and FY 1981 program (cash) grants totalling $44.3 million and a Rural Health Services grant ($2.0 million) have been used to finance partially the GOZ's emergency reconstruction and rehabilitation program in the rural areas. Based on the GOZ's record of accomplishment and proven capacity to absorb effectively and channel substantial funds for a variety of activities throughout Zimbabwe under the grants, in FY 1982 the first Commodity Import Program (CIP) was authorized for $50.0 million. The CIP objectives are twofold: (a) to stimulate the Zimbabwe commercial sector to play its critical role in national rebuilding and employment creation by making available AID foreign exchange resources; and (b) to support GOZ reconstruction and development initiatives by using the local currency generations to finance public sector programs and activities in education, health, agriculture and/or small-scale enterprise promotion. The CIP approach, as a mechanism of flexible local currency programming, is judged appropriate for current conditions in Zimbabwe because: it is responsive to the GOZ's financial requirements; it reflects the competent functioning of the GOZ public sector; and it is in keeping with the businesslike relationship which characterizes AID-GOZ dealings to date. A similar rationale underlies the FY 1982 Housing Investment Guaranty program of $25.0 million.

As the GOZ ministries have settled down to the task of re-directing public services to the majority population, longer-term requirements and development needs have surfaced. On the basis of continuing dialogue with GOZ counterparts, requirements have been judged most urgent in agricultural and manpower development. Project and program investments in these two key components of the AID strategy in Zimbabwe will be initiated in FY 1982. The Zimbabwe Manpower Development (ZIMMAN) project will ease the skilled manpower shortage by supporting short- and long-term U.S. and third country training for Zimbabweans who now staff the GOZ training institutions and colleges. In their absence, U.S. short-term advisors will conduct in-service training of trainers programs. A broader range of development requirements in the education sector will be met through a human resources development sector grant, now scheduled for FY 1983 authorization. It is anticipated that this sector program will be designed much along the lines of this ZASA program.

The AID management strategy for providing assistance to Zimbabwe reflects both the country-specific conditions and an effort to streamline the Mission operation. Reflecting confidence in the GOZ's competence to determine its development needs for itself, AID has responded with programs which offer speed and flexibility of disbursements and which necessarily rely on the GOZ's planning and implementation capability. The strategy is also implemented in the USAID Mission operation which functions with a professional staff of six.

E. Zimbabwe's Agricultural Sector 1/

The role of agriculture in Zimbabwe is highly important. In addition to being the second largest sector, providing 13-16 percent of GDP (surpassed by manufacturing which contributes about 25 percent), agriculture employs over one-third of all those in wage employment, serves as a source of income for the 50-60 percent of the population resident in rural areas and directly accounts for 30-40 percent of foreign exchange earnings. This sector produces a surplus of food and, as a supplier of raw materials or consumer of finished products, is involved in supporting the majority of the manufacturing industry in the country.

But the gross figures conceal the highly dualistic nature of the sector. On the one hand there are 5,000+ large commercial farms covering about 40 percent of the total area of Zimbabwe and some 70 percent of the best quality land. These farms account for nearly all the wage employment and produce about 70 percent of

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1/ For additional detail on the sector see Annex A total output and 90 percent of marketed production. This subsector is well-provided with a services and infrastructure system enabling high yields and the utilization of advanced technology while maintaining the resource base.

The other major subsector is the African Purchase Land and communal area farmers. These 700-800,000 farmers operate about 45 percent of Zimbabwe's land area (an average of about 22 hectares per family, of which 3 are cropped), producing only 30 percent of agricultural output. Access to services and inputs in these areas varies. These farms are generally characterized by low yields, low levels of technology, low levels of purchased input and a deteriorating natural resource base. Until recently these farmers have been the neglected majority.

The combination of agriculture's importance and its dualistic nature confronts the Government of Zimbabwe with something of a dilemma. An expansion in both sub-sectors, and the more efficient use of currently under-utilized land and labor resources leading to higher productivity, is a cornerstone and requisite to the achievement of the GOZ's "growth with equity" objective. The issue is how to continue supporting and encouraging output from the large-scale commercial sector while also stimulating increased output and productivity in the densely populated smallholder areas. The pragmatic answer is to expand existing institutions and, as needed, to develop new institutions in order to enable reasonable access to required inputs and services by both commercial and communal farmers. Only an expansion in research, marketing, animal health, extension, credit and other activities will allow production-supporting efforts in commercial areas to continue while similar programs are developed or intensified in small-scale areas.

Such an expansion, however, requires additional resources at a time when there are also large requirements in other productive and social service sectors to correct resource and service imbalances deriving from an earlier period. At the same time attempts to keep budget deficits and inflation to manageable levels mean limits on the rate of expenditure growth. Nevertheless, the GOZ has responded to the needs in agriculture/rural development by increasing recurrent budgetary allocations for development activities from 1981/82 to 1982/83 by roughly 41 percent. 1/

In absolute terms, the recurrent allocation to agriculture/rural development of approximately $110 million in 1982/83 1/ represents about 4 percent of the total GOZ recurrent budget. A limited analysis of actual allocations within the agricultural

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1/ Excludes allocations for the consumer subsidies sector budget suggests that the smallholder sub-sector is receiving resources roughly in line with current output levels but is not being favorably treated vis-a-vis other groups or if higher output levels are to be stimulated. Constraints on budget growth and efforts to maintain on-going programs limit resources available for channeling to smallholders.

In the 1982/83 capital budget, the first year of the Three-Year Transitional Plan period, agriculture/rural development is given a major priority. Preliminary figures indicate an allocation of 25 percent of total resources or about $230 million for the Ministries of Agriculture (including parastatals) and Lands, Resettlement and Rural Development and the University of Zimbabwe. (See Section III.C. for an allocations breakdown). In addition, investments in other areas, such as rural roads and transport, also impact an agriculture. Assuming that necessary resources to implement the plans are secured, it appears agriculture/rural development will receive attention in accordance with its importance.

Within the overall sector, it is proposed that U.S. resources be directed toward programs which benefit primarily, but not exclusively, the smallholder. This proposal follows from the conclusion that the large-scale sub-sector does not require the same degree of assistance. It is productive, prosperous, well-serviced and able to expand with only a maintenance of current government support required. Further, most problems facing the sub-sector are either not subject to assistance (rising labor costs, for example) or those of the larger economy (foreign exchange shortages) and will, in certain instances, be addressed by other USAID assistance efforts, e.g., the Commodity Import Program. Nevertheless, the Zimbabwe Agricultural Sector Assistance program will affect the large-scale sub-sector as the additional resources enable more domestic funds to continue flowing to programs benefiting large-scale producers and as foreign exchange is allocated for agricultural imports to generate local currency. Suggested investments to expand personnel numbers will likewise permit the staffing of a wider range of programs by both the government and the private sector.

F. Other Donor Assistance to the Agricultural Sector

Available information indicates that since Independence other donors have made firm assistance commitments to Zimbabwe in an amount of roughly $950 million. Actual expenditures are at a much lower, but not specifically known, level. Of the commitments, $216 million is for reconstruction/resettlement, $227 million for development projects and $418 million for types of program assistance.

Within agriculture/rural development, although over one year has passed since the ZIMCORD Conference, a great deal of fluidity still exists in donor assistance plans. Teams and individuals from various countries and organizations have visited Zimbabwe for the purpose of defining the ZIMCORD pledges, but concrete plans under final design or implementation remain less than might have been expected. This is due partly to the long planning process which donors generally follow, partly to initial GOZ inexperience in dealing with donors and partly to the lack of complete plans in the form desired by donors for various possible projects. The situation has been further exacerbated by delays in the finalization of the Three-Year Transitional Plan which is expected to provide both a broad framework of assistance requirements and the identification of specific projects which have high GOZ priority for funding.

To date, the United Kingdom has committed roughly $48 million for land resettlement, with another $25 million planned, and is providing various short-term and longer-term experts. They are also providing some research equipment and propose to fund partially the expansion of Chibero facilities to accommodate a practical year for University of Zimbabwe agricultural students. The World Bank is in the process of finalizing a small-farmer credit scheme, which would provide upward of $45 million over three years, and are also developing/appraising projects in agricultural planning and forestry. The EEC has provided about $4 million for the development of resettlement schemes and is planning to finance the buildings and equipment for the Faculty of Veterinary Medicine at the University of Zimbabwe. The Federal Republic of Germany is considering a medium/long-term rural credit scheme ($4.3 million) and Australia is planning extensive involvement in the livestock area. Several donors, including the African Development Bank and the Kuwaiti government, are considering assistance to specific resettlement schemes. The total value of the proposed assistance cannot be estimated but appears fairly modest.

G. ZASA Program Development Process

Original plans were to base this sector support program on a comprehensive sector analysis carried out by a USAID team. However, the wealth of available material led to the conclusion during the visit of AID/Washington senior agricultural staff that such a new, comprehensive sector analysis involving outside experts and a lengthy time period would be redundant. Instead, a more modest effort based on existing documents and supplemented by meetings and discussions with Zimbabwean personnel was proposed. This exercise was carried out by USAID/Zimbabwe and REDSO/EA staff and resulted in "An Assessment of the Agricultural Sector in Zimbabwe and Proposed Assistance Strategy for USAID." (April 1982).

An outcome of the assessment was identification of major or key agricultural/rural development problems as targets for budgetary assistance. These particular targets were selected from a wide range of possible constraints based on need, United States expertise, possible other donor involvement, GOZ plans and priorities and U.S. backstopping capabilities. The desired focus on smallholders served as a background to the selection process.

To formulate the outline of the sector support package, as well as to confirm constraint area selections, international experts in the areas of agricultural manpower development, inputs supply and marketing, agricultural pricing, policy planning and agricultural extension were brought to Zimbabwe. These experts were supplemented by local personnel in irrigation, research and land resettlement.

Each expert reviewed in close collaboration with GOZ staff the on-going activities in specific constraint areas, considering both the policy environment and the results being achieved. The consultants also examined structural relationships and planning/implementation capabilities of involved organizations and identified particular areas within the general constraints which would benefit from USAID support. Finally, recommendations were provided on how support should be provided. The analysis and recommendations of the technical experts confirmed the appropriateness of the identified constraint areas as targets for support and provide the final data on which the agricultural sector support program has been developed.

III. PROGRAM DESCRIPTION

A. Program Objective

Prior to Independence, public sector resource allocations and investments in the agricultural sector were targeted largely on the large-scale commercial farming community. The GOZ's "growth with equity" goal requires correcting this historic agricultural resource and service imbalance. Pre-Independence institutions and program which largely ignored the smallholder are being increasingly reoriented and expanded to encompass all levels of production. The design of new and expanded programs, as well as the administrative infrastructure to implement them, in some cases is at the inceptive stage and not yet well-defined. It is clear, however, that internal resources - both financial and manpower - to support smallholder productivity growth are insufficient.

Within this framework this targeted agricultural sector assistance program sets its objective of supporting GOZ efforts to implement policies that will improve the economic status of the smallholder. In other words, an increase in smallholder agricultural production, productivity and on-farm income is sought. The ZASA program will assist achievement of this objective by providing budgetary resources enabling the GOZ to strengthen its institutional capacity to provide to the smallholder both access to and use of agricultural production and income-generating technology. The ZASA program is designed to help provide the means to an end, i.e., bridging at least partially the current financial and technical gap between the GOZ's ability to carry out its own strategy for the agricultural sector and its goal of "growth with equity".

In this process the program will facilitate policy refinement necessary to enable the agricultural production support system to better serve smallholders. This does not imply significant policy reform because the existing policy environment has been examined and is basically sound (see Section III.E.). It does require resources so the GOZ is not forced to change existing, basically sound policies for resource constraint reasons, and resources to enable additional smallholders to realize their production potential within the policy environment.

B. General Strategy and Targeted Constraint Areas

The ZASA program will direct resources at a number of key constraint areas rather than support the agriculture/rural development budget in general. This will allow concentration and focus on those areas of most importance to aiding the smallholders and the greater opportunity, with the indicated amount of AID resources, to have a meaningful impact on those constraints. These constraint area targets of assistance are described below.

(1) Research

Zimbabwe has a long and successful tradition of agricultural research, a complex research establishment and a relatively sophisticated research program. Output from the system has been an important factor in the production levels achieved in Zimbabwe and other countries in the region using the results. However, the research findings, improved crop varieties and recommended practices have often been unsuitable for smallholders, particularly those with a different resource base and without access to required inputs. Facilities tend to be located and the research largely conducted in higher rainfall areas while most smallholders are resident in lower rainfall zones. Little investigation has been conducted on smallholder production constraints and practices in such areas as power, soils, labor availability, small-scale mechanization and mixed cropping. Nor has much work been done on traditional smallholder crops such as millets, cowpeas and bambara groundnuts. Research on the economics of smallholder production has also been limited, as has research on farming systems of smallholders. Need for work in these areas is accentuated by the SADCC plans to have Zimbabwe assume certain regional responsibilities on selected crops and topics.

Addressing these deficiencies requires the expansion and upgrading of facilities, the development of new programs and more well-trained staff. Selective inputs by other donors, i.e., limited equipment, staff and training, are being negotiated but no major commitment has been secured. The Cooperative Development for Africa (CDA) program for agricultural research is interested in Zimbabwe as an initial concentration country.

(2) Extension

An official government organization concerned with improving the output of smallholder agriculture through the provision of information has existed since 1926. Currently the MOA's Agricultural, Technical and Extension Services Department (Agritex) has a staff of over 1,600 men and women operating in all 8 provinces of

Zimbabwe. Nevertheless the ratio of field staff to farmers of 1:700-800 is worse than it was in the early 1960's. There has also been a policy to concentrate efforts on the more progressive farmers. The result is a situation where the majority of smallholders are untouched while overall smallholder productivity is low and declining, and land use problems are growing in severity.

The GOZ is proposing to remedy this situation, but requires the following inputs:

(a) additional housing and transportation for existing staff;

(b) additional staff with additional and more appropriate technology to extend;

(c) additional use of techniques which extend scarce extension staff, i.e., radio, group extension, etc.;

(d) in-service training to better train and prepare staff to deal with less progressive, as well as progressive, farmers;

(e) additional research on small farmer needs linked to development of extension programs; and

(f) facilities, equipment and operating budget to allow an expanded extension staff to carry out an expanded program in all areas.

The International Fund for Agricultural Development over a five-year period is proposing an input of about $25 million to help meet these requirements. Some funds would be allocated to each requirement with a particular focus on (a), (c), (d) and (f).

(3) Training Institutions

Agricultural development in Zimbabwe is currently also hindered by inadequate quantities of trained manpower to implement ambitious development plans. The problem cuts across all levels and reflects limited past investments in the institutions providing this manpower.

Diploma- and Certificate-level training to produce lower and mid-level personnel is provided at 5 institutions. The two Agricultural Colleges at Gwebi and Chibero provide 3-year diploma-level training. The Esigodini, Mlezu, and Rio Tinto Agricultural Institutes provide three-year certificate-level training courses. Current annual output is about 80 diplomates and 67 certificate-holders. Plans are underway to expand their capacity to 120 diplomates and 280 certificate holders annually, while also reorienting and adding to the training programs as the students/trainers are better equipped to meet the needs of the sector.

Degree personnel are trained at the Faculty of Agriculture of the University of Zimbabwe. The faculty includes three departments, Crops Science, Animal Science and Land Management, with a current intake of 50 students per year. Plans have been developed to roughly double intake by 1985, to add a practical year to the degree program and to add one or two new departments.

Achieving these objectives at both the institutes/colleges and the University will require additional facilities, additional equipment, additional staff and staff training and an increase in recurrent budget. The ODA is planning to assist in the expansion of Chibero for the University practical year and the Dutch have expressed an interest in helping with the expansion of Esigodini.

(4) Input Supply/Marketing

Although sizeable quantities of purchased inputs are utilized in the agricultural sector, smallholders utilize only a very small percentage. There are several reasons. Limited credit means some smallholders cannot afford the inputs. Other smallholders may not be aware of the benefits of the inputs. Still others simply do not have ready access at reasonable prices because of distance from supply points and transport costs. The availability of markets within reasonable distances and transport costs are also primary constraints to marketing by smallholders.

User-owned and -operated cooperatives have been identified as an appropriate mechanism to solve the input supply and marketing outlet problems. But historically their coverage and membership has been quite limited. Constraints to expansion include a shortage of capital for operating costs and facilities, lack of trained management and cooperative extension staff, as well as lack of government facilities or programs to provide needed training for cooperative members and management.

To relax these constraints, the GOZ has embarked on ambitious programs of lending for warehouse and collection/distribution point construction and of expanding cooperative extension staff. The targets are establishment of 400 collection/distribution points and construction of 40 warehouses plus a nearly 200 percent increase in cooperative staff, to a level of 605, within the next three years. In addition, it is proposed that a cooperative training facility be established and a loan fund set up.

Outside of U.S. assistance, via allocations from CIP counterpart funds and cash grant local currency generations, very little external support has been obtained.

(5) Credit

Although lending to smallholders has risen rapidly from $1.1 million for 1,800 farmers in 1977/78 to about $20 million for 37,000 smallholders in 1981/82, the amounts and numbers are still modest relative to the number of farm families and the potential requirement. Firm plans exist to reach 65,000 smallholders with credit by 1984/85; and plans are also being developed to provide credit to an equal or larger number of settlers.

Constraints to indicated expansions are multiple. The Agricultural Finance Corporation (AFC) as a statutory corporation, has limited financial resources. Also, the AFC has been geared to the large-farm sub-sector, and it is a very different administrative and financial proposition to handle 40,000-200,000 small loans rather than 4-5,000 large ones. To service smallholders, AFC needs additional equipment, including computer hardware and software, additional staff and staff housing and new methods of processing loans. A greater decentralization of activities may also be necessary to provide needed services in a timely manner. This could involve facility construction at various locations.

The IBRD and the German Government propose to provide funding for the indicated expansion ($48 million) which would cover estimated short-term and a significant portion of medium/long-term credit requirements for up to 65,000 families. The funding would also cover some of the requirements for equipment, staff training, etc. However a gap remains in the availability of medium/long-term credit funds and in funding for certain support items, including vehicles, office equipment, computer hardware and software, etc. If the requirement for settler credit is also added, the unfilled need could exceed $100 million.

(6) Irrigation

There are currently about 143,000 hectares under irrigation in Zimbabwe. These include large estates, private commercial units, parastatal estates, official communal land schemes and unofficial communal schemes. The size of irrigated holdings varies from .1 hectare on certain communal schemes to 12,000 hectares on the largest estate.

Keen interest has been expressed in expanding the area under irrigation since surface water is potentially available for an additional 400,000 hectares and an undetermined amount of groundwater also exists. Problems and constraints in extending irrigation include:

(a) research and extension in water use are weak; (b) well-drilling rigs are in very short supply; (c) financial resources for irrigation are very restricted; (d) lack of land tenure on smallholder farms presents obstacles to long-term credit for irrigation development; (e) information on groundwater supplies is limited; and (f) rising costs require efficient utilization to justify investments.

At an estimated cost of $3,375.00 or more per hectare, the financial requirements to expand irrigated areas up to potential levels are obviously enormous. For larger, estate-type schemes, some private external investment should be possible. For small schemes, however, no donor funding has been identified. Immediate needs include funding for feasibility studies, an irrigation credit fund well-drilling rigs and groundwater surveys.

(7) Resettlement

With a small number of large, commercial farms occupying about 40 percent of available land, (and a much higher percentage of the better quality land) existing side by side with 700-800,000 small communal farmers, it was inevitable that land redistribution would be a major component of government policy. Initial plans in this regard contemplated a modest program which would be implemented slowly using land procured on a willing seller/willing buyer basis. More recently, a much larger program has been proposed, which, if implemented, would require the transfer of 60-70 percent of commercial land to smallholders. Limited analysis suggests that this would undoubtedly mean a decline in agricultural output, agricultural exports and agricultural incomes while doing little to relieve the land pressure problem in communal areas for more than a few years. Simultaneously, the resources necessary for re-settlement could deprive the communal lands of needed investments.

In implementing the program, the government faces financial, equipment and manpower constraints of severe and sizable magnitudes. Necessary funding for land purchase alone may exceed $300 million. Personnel to implement the program and equipment for infrastructure development are also in short supply. Also, the administrative apparatus is inadequate to the task. The U.K., the African Development Bank, the EEC and other donors are providing support, but the levels fall far short of estimated requirements.

It is suggested that any USAID support in the resettlement area be primarily indirect via budget support to the constraint areas previously identified. In fact, such support will necessarily be forthcoming as the outputs from budgetary assistance in staff de-velopment, in research, in cooperative development, etc., are utilized. Beyond indirect support, very limited budgetary support might be allocated for training and study tours aimed at improving staff capability to plan and evaluate settlement activities.

(8) Planning

Planning within the individual ministries concerned with agriculture is not as formally organized as one might expect given the degree of sophistication of most operating agencies and parastatals. Various agencies tend to identify constraints and formulate their own plans in response to generally stated or understood objectives, policies, targets and resource allocations. These are then reviewed at various ascending levels, eventually going to Cabinet. The system worked well in the past with established institutions, but whether such an informal system can perform as effectively in the current dynamic situation is questionable. It appears that more specific establishment of goals, priorities and targets is needed, with individual departments then establishing detailed implementation plans within assigned goals and resource allocations. This might also eliminate some of the overlap and duplication that now seems to exist.

The GOZ recognizes the need for greater attention to planning and is considering alternatives for a better coordinated effort. But beyond organizational questions, any expanded effort will be handicapped by the shortage of personnel. In all organizations (AFC, Ministry of Agriculture, MLRRD, ARDA, etc.), needs exceed staff availability.

The IBRD is currently developing a planning project which would seek to meet immediate needs in several ministries with outside personnel while necessary training is conducted. The UNDP, Italy, Australia and West Germany are also considering or have already provided individual planners at a lower level.

To supplement these efforts funds for collecting certain types of basic data, for conducting feasibility studies and preparing the analyses necessary to formulate and design development projects suitable for support by the GOZ, donors and private investors are required. Such funds would help meet immediate planning requirements while in the process of use the capacity of the GOZ to design, monitor and conduct such studies will be strengthened and absorbtive capacity of the sector to use resources effectively will be increased.

C. Program Funding Requirements and Composition

(1) Requirements

Originally it was expected that funding needs and funding gaps would flow directly from plans and programs being prepared for the Three Year Transitional Plan. Delays in finalizing the Plan however, have necessitated the use of alternative procedures to establish funding requirements which might be supported by the ZASA program. Two methods have been employed as described below.

The first method utilizes needs estimates prepared by the ZASA design team as part of the constraint area review process. Including a contingency amount, the estimated funding requirements to undertake necessary programs in all of the constraint areas is $100 million. The following Table summarizes these requirements.

Table I Cost Summary of Estimated Requirements by Constraint Area

Constraint Area	Total Requirement
Manpower Training & Development	$ 18,500,000
University of Zimbabwe	($9,900,000)
MOA Colleges and Institutes	($8,600,000)
Agricultural Extension	8,000,000
Agricultural Research	9,500,000
Cooperatives & Marketing	9,800,000
Credit & Input Supply	18,900,000
Feasibility Studies	2,700,000
Improved Land & Water Use	4,900,000
Contingency	27,700,000
GRAND TOTAL	$100,000,000

It should be noted that these estimated needs are generally additional to on-going funding requirements i.e., they are additional to existing recurrent budgets. But in most instances the estimated requirements are based on existing plans and proposals.

Using the total of $100 million as an approximation of amounts needed it can be seen that the $45 million proposed under the ZASA program will provide nearly half of the estimated requirement to undertake the task of strengthening institutions and services aimed at smallholders; and that, with requirements exceeding available resource flows, AID and the GOZ will have the latitude to support only those activities and programs which are economically, financially and administratively feasible and which will have the greatest impact on smallholder performance in the sector.

The second method starts with the available budgetary data on the capital side for the first year of the Three Year Plan (1982/83) and requests and allocations for the 1982/83 recurrent budget. Both capital and recurrent budgets are included to provide an indication of the magnitude of resources being channeled to agriculture/rural development and because certain items (e.g. equipment, building renovations, selected operating costs) in the recurrent budget may be suitable for budgetary allocations under the ZASA program. The 1982/83 capital budget is then projected forward using firm plans where they are agreed upon and estimates elsewhere. The difference between recurrent budget requests and allocations is multiplied by three to provide an estimate of recurrent budget shortfalls over the next three years that might be partially covered under the ZASA program. The results are shown in the following Tables.

TABLE II

AGRICULTURE/RURAL DEVELOPMENT

Capital Budgets

(Z$ '000)

		Actual 1982/83	Projected 1982/85
A.	**Ministry of Agriculture**		
1.	Colleges/Institutions/Training Centres	2,569	7,825
2.	Research and Specialist Services	65	511
3.	Veterinary Department	1,837	8,002
4.	Headquarters		1,100
5.	Agricultural Finance Corporation	24,039	75,241
6.	Agricultural Marketing Authority	95	134
7.	Cold Storage Commission	3,924	18,780
8.	Cotton Marketing Board	6,374	6,374
9.	Dairy Marketing Board	7,514	7,514
10.	Grain Marketing Board	5,973	24,960
11.	Tobacco Research Board	192	594
	SUBTOTAL	$52,682	$151,035
B.	**Ministry of Lands, Resettlement and Rural Development**		
1.	Completion of Existing Intensive Resettlement Schemes	13,325	28,635
2.	Mechanical Tillage Equipment	3,370	3,370
3.	New Intensive Resettlement	40,000	177,000
4.	Vehicles and Equipment	2,000	2,000
5.	Communal Area Redemetion Teams	1,050	1,050
6.	Development of Existing Small Irrigation Schemes	462	1,442
7.	Development of New Schemes	1,180	12,244
8.	Cooperative Infrastructure Development	5,300	5,800
9.	Cooperative Training College	-	1,600
10.	Coöperative Staff Housing	1,000	4,400
11.	Development of Existing and Previously Planned Estate	8,113	40,022
12.	New Project Development	14,445	37,300
13.	Water System Development	344	2,500
14.	Land Acquisition	32,750	169,750
	SUBTOTAL	$123,339	$487,113

C. University of Zimbabwe 1/
Faculty of Agriculture

		Actual 1982/83	Projected 2/ 1981/84
1.	4th Year Agricultural Course	-	1,165
2.	Faculty of Veterinary Science	1,125	1,125
3.	Lecture Theater	1,000	1,000
4.	Hall of Residence	1,500	2,500
5.	Library Extension	500	2,500
6.	Beit Hall Alterations	-	100
7.	Teaching Equipment	400	1,200
8	Canteen	-	50
	Sub Total	$4,525	9,640

1/ It should be noted that not all of the following capital items are exclusively for the Faculty of Agriculture.

2/ The University operates on a Three Year Plan basis. The current plan period for the University ends in December 1983. These figures do not include for the next plan period as these are still being developed.

	Actual	Projected
TOTAL	$180,546	$647,788

Table III AGRICULTURE/RURAL DEVELOPMENT

Recurrent Budgets

(Z$ '000)

	1981/82 Allocation	1982/83 Request	1982/83 Allocation
A. Ministry of Agriculture			
a. Agricultural:General	53,460	95,242	95,067
Subsidies	(42,280)	(75,866)	(75,866)
Loans	(8,881)	(15,672)	(15,672)
Other	(2,299)	(3,704)	(3,529)
b. Research & Specialist Services	8,411	8,978	8,159
c. Agricultural Education	1/	2,349	2,242
d. AGRITEX	15,197	20,182	16,509
Conex	(4,481)		
Devag	(10,716)		
e. Veterinary Services	14,652	20,271	18,112
f. Tsetse Control	4,899	6,985	5,858
Sub Total	$96,619	$154,007	$145,947
B. Ministry of Lands, Resettlement and Rural Development			
a. Administration & General	2,308	2,300	2,247
b. Surveyor General	1,840	1,857	1,823
c. Rural Development	-	13,501	7,833
d. Marketing and Cooperatives	1,331	3,427	2,347
Sub Total	$5,479	$21,085	$14,250
C. Faculty of Agriculture, University of Zimbabwe			
a. Academic Staff	374	411	411
b. Secretarial Assistance	154	184	169
c. Technical Staff	24	81	26
d. Maintenance	46	121	51
Sub Total	$598	$797	$657
TOTAL	$102,696	$175,889	$160,854

1/ Included in line item B. Research and Specialist Services.

Gap = $15,035 x 3 = $45,105 (U.S. $58.6 million).

As the above Tables indicate, the proposed resource input into agriculture/rural development over the next few years is very large. On the capital side, even excluding the resettlement program which constitutes a significant part of the proposed investment, the level of resources required dwarfs the projected AID input. Nevertheless, projected requirements in constraint areas are such that the proposed $45 million grant is large enough to impact importantly.

Including the recurrent gap between requests and allocations simply reinforces the general picture. The total requirement over three years exceeds the AID input, but selective support could be very important in relaxing targeted constraints.

(2) Funding Requirements Composition

Of the $45 million which is proposed for allocation to constraint areas under the ZASA program, it is estimated that $30 million will be utilized for local currency expenditures and $15.0 million in foreign exchange. For ease in programming, it can then be assumed that the incremental split on an annual basis will also be 2/3-1/3, or $10.0 million for local currency and $5.0 million for foreign exchange.

Foreign exchange will be required for the foreign exchange costs of carrying out the program in the constraint areas. Local currency will be utilized by the GOZ in meeting a wide array of needs in such areas as: cooperative society development and smallholder credit expansion; smallholder irrigation; facility development at the UZ Faculty of Agriculture and the MOA's Department of Research and Specialist Services (DRSS), etc.; in-country training; equipment; vehicles; studies; and selected recurrent costs.

D. ZASA Versus CIP

The distinction between this ZASA program and the Zimbabwe CIP is of utmost importance. The primary objective of the CIP is to respond to the requirements of the Zimbabwean economy for foreign exchange to increase imports of capital and manufactured goods, especially to replace outdated transport, civil engineering and manufacturing equipment. The secondary objective of the CIP is to support the GOZ's public sector programs for reconstruction and development by using the local currency generations for activities in health, education, agriculture and small-scale enterprises. In this ZASA program, the focus is on the agricultural sector and supporting the GOZ's efforts to strengthen the smallholders' position within the sector. Use of the CIP mechanism is an approach only to generate the local currency requirements. It is a very efficient use of funds, however, in making them "work twice" for the GOZ: (a) the local currency counterpart funds will finance priority activities and programs in the agricultural sector and (b) the foreign exchange allocations will stimulate the private and the public sectors. A minimum of 80 percent of the allocations will go to private sector importers. Further, the U.S. imports financed from the FX allocations will be farm machinery, equipment, fertilizer and other commodities which will also benefit the agricultural sector. An analysis of current and projected demand is included in Section IV B., Market Analysis - Imports, of this paper.

E. Policy Considerations[1/]

Overall development objectives and policies of the GOZ give high priority to activities in rural areas. This emphasis acknowledges, among other things, the importance of the agricultural sector as an employer, food producer and export earner. It also recognizes for "growth with equity" to be meaningful that the rural population must be provided with additional services and opportunities to riase productivity and production. In turn, for the desired effect to be realized, rural residents must respond to the services and opportunities.

Fortunately, the GOZ recognizes the importance of producer price, input, marketing, trade and investment policies in creating the necessary conditions for output expansion. The policy environment facing Zimbabwean producers might even be taken as a model for developing African countries. Prices of principal commercial crops are established at levels which take into account costs of production and return on investment. Producer participation in the process is extensive and the government has used the price mechanism to stimulate and reduce production of various crops according to the supply/demand situation. Simultaneously, the GOZ develops, again with producer participation, estimates of needed input quantities and then collaborates with private sector input producers and importers to ensure that these quantities are available. The GOZ makes improved crop varieties from the research stations available to cooperative companies enabling production of ample seed quantities at reasonable prices.

Credit is available at competitive interest rates from both private banks and the Agricultural Finance Corporation. (Note· for smallholders only short-term credit is available). Marketing is the responsibility of several statutory corporations which have

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1/ For a more detailed discussion see Annex B of "An Assessment of the Agricultural Sector in Zimbabwe and Proposed Assistance Strategy for USAID", April, 1982.

performed efficiently in handling widely fluctuating marketed production while operating country-wide facility networks. The Agricultural Research Council, with producer participation, allocates both government and private sector funds to work on critical problems. Agriculture has not been singled out to bear heavy taxes on exports nor to receive only minimum foreign exchange allocations. The exchange rate has been allowed to vary in response to world monetary forces. Past investments in agriculture by both the public and private sectors have been substantial. Future investment targets for agricultural/rural development are also significant.

In general, the policy atmosphere has been one that has provided incentives to producers as well as the production inputs necessary to take advantage of these incentives. But it would be inaccurate to imply that all segments of the agricultural production community benefit equally from the set of in-place policies. The credit and marketing facilities have been concentrated in large-scale commercial areas. Guaranteed prices and markets are not established for all important smallholder crops. Research has tended to focus on commercial crops in commercial areas. Smallholder participation in price establishment has been limited. In many smallholder production areas, inputs for purchases have been available only in limited quantities at higher prices. Smallholders do not utilize many inputs requiring a foreign exchange allocation. Thus, while policies provide production incentives and the means to take advantage of these incentives, these have been geared to the economically more important larger-scale commercial sub-sector. Smallholders have not been as well served by the system.

It is this situation which the sector assistance program addresses in support of GOZ policies to improve the production environment and services for smallholders. Specifically, the sector program will support implementation of GOZ policies to: (a) increase the relevancy of research to smallholders; (b) increase the supply of trained agriculturalists needed to reach smallholders; (c) improve the operating efficiency of the extension service; (d) increase the availability of credit and inputs for smallholders; (e) expand the member-controlled cooperative system; (f) improve the effective use of land and water resources; and (g) develop an effective planning system able to cope with changing requirements.

The sector assistance will impact on these policies in two important ways. First, the additional resources will help enable the continuation of current sound policies by reducing pressures to alter policies for resource scarcity reasons. Second, the ZASA resources will facilitate policy modifications, primarily in terms of resource availability, to improve the production potential of smallholders.

The ZASA program will not seek major policy reform measures because such changes are simply not needed. However, the sector program will provide opportunities to examine with the GOZ specific policy questions where U.S. expertise might be relevant and which bear on policy formulation at the macro level. Examples of policy issues which might be examined as part of the evaluation and allocation process include: input pricing, cooperation between the MOA and the University, irrigation development, crop pricing and mobilization of rural savings.

In summary, the proposed resource infusion will support GOZ policy efforts to translate growth with equity into meaningful programs. It must be recognized, however, beyond the influence on policies provided through the resource allocations, that any AID influence on agricultural policies will probably be more educative than prescriptive.

F. Complementary AID Assistance and Zimbabwe GOZ Absorptive Capacity.

Complementary to and interlinking with this ZASA program are inputs to the agriculture/rural development sector from the Commodity Import Program and the Zimbabwe Manpower Development project. From the FY 1982 CIP it is estimated that a total of $12-15 million will be allocated for agricultural machinery, equipment, and perhaps fertilizer imports. These imports will help relieve production/processing constraints which impact on both large- and small-scale farmers. As such, they will contribute importantly to the overall growth and strength of the sector. It is expected that similar percentages of future CIP's will also be allocated for the importation of items/materials required in the agricultural sector; i.e., a total of $35-40 million of imports supporting agricultural production will be provided over the 1982-84 period.

In addition to the U.S. dollar allocations for agricultural sector imports, it is also planned that some proportion of CIP countervalue generations will be directed to agriculture/rural development. Proposed allocations to agriculture/rural development from the FY 1982 CIP generations total about Z$12 million (U.S. $16.2 million). Some of these allocations will help meet resource requirements in the constraint areas identified for support under the ZASA program. For example, the agricultural training institutes, cooperative development and irrigation feasibility studies will receive funding. Other CIP counterpart generations will go to activities outside the ZASA focus areas, such as bulk storage or rural roads. It is anticipated that roughly one-third of CIP countervalue generations will also go to agricultural sector activities in future years (Z$30-35 million from 1982-84).

The second source of complementary support to ZASA is the Zimbabwe Manpower Development project. This project is focused on the training, both within and outside Zimbabwe, of trainers. Roughly 35 percent of project resources has been tentatively allocated to developing agricultural training capacity. This means that $4.5 million of U.S.-provided resources are scheduled to upgrade and expand staff in the MOA's colleges/institutes, the Faculty of Agriculture and other agricultural training facilities. In the colleges/institutes and the Faculty of Agriculture this integrates directly with ZASA plans to expand the output capacity of these facilities.

The above indicative resource amounts suggest an AID input to the agriculture/rural development areas outside of ZASA, of $40-45 million and Z$30-35 million over the 1982-84 period. ZASA will add U.S. $45 million and roughly Z$24-30 million in local currency. However, these combined totals of U.S. $85-90 million and Z$54-65 million include some double-counting, as dollar-financed imports generate the local currency (i.e., actual resource flows to Zimbabwe are lower). Assuming that 80 percent of all CIP-type funds go to the private sector, the net addition to government resources will be approximately U.S. $29 million ($21 million from ZASA and $8 million from CIP's) and Z$54-59 million ($24 million from ZASA and Z$30-35 million from CIP generations).

Given this level of resource input, an obvious concern must be the capacity of the private and public sectors to digest and effectively utilize the resources. There seems to be little doubt that the private sector can utilize the U.S. dollars made available for the importation of agricultural equipment. As the market analysis in Section IV. B. suggests, there is a large demand for agricultural equipment and materials which the U.S. can supply. In addition to the level indicated, there is also the possibility of importing higher analysis fertilizer to meet growing domestic requirements. This could easily take up any slack resources not directed toward equipment, spares, etc.

The ability of the GOZ to utilize the indicated amounts depends on needs, plans and implementation capacity. The previous funding requirements analysis (Section III.C.1) identified large needs in less that a broadly defined sector. If other areas, such as water development and rural roads, are added, which is appropriate since they may receive CIP counterpart allocations, the requirement would be much higher. There may also be additional requirements beyond those now suggested in areas such as agricultural credit.

The GOZ's plans as presented in the preliminary recurrent budgets for 1982/83 and in the Three Year Transitional Plan indicate an expectation that requirements will exceed available resources. Compared to GOZ plan requirements, the AID-proposed resource inputs, although not insignificant, appear relatively modest.

Finally, as discussed in Section IV.D., the capacity of the GOZ to utilize the indicated amounts appears to be more than adequate. The targeted institutions have the capability and manpower to utilize the resources.

To conclude, the opportunity to secure and combine sizable resource amounts from multiple sources provides security that necessary funding to implement ambitious plans will be available. The funds available outside ZASA are inadequate to meet the requirements even in the targeted constraint areas. Government plans and government capacity provide confidence that the level of resources being provided will be utilized in a timely and effective manner.

IV. PROGRAM ANALYSES

A. Economic Rationale and Analysis 1/

(1) Growth Trends

In 1980 and 1981 real GNP in Zimbabwe rose by 22 percent and per capita income by 15 percent while inflation averaged 12.5 percent per year. This impressive performance was fueled by an increase in demand in all sectors, a substantial improvement in the terms of trade and a bumper agricultural crop. Future growth is likely to be supply constrained. Indeed, some observers doubt that 1982 will see any real gains in per capita income although total GDP should grow by about 4 percent.

(2) Balance of Payments

Foreign exchange reserves in December, 1981 were about U.S.$290 million, a little more than two months import cover. Current estimates suggest additional pressure on reserves in 1982 and 1983 as current account deficits amount to about U.S.$367 million in 1982 and U.S.$586 million in 1983. Capital flows from foreign assistance and commercial borrowing by parastatals will offset part of this deficit but extensive government borrowing may be required particularly if agreement with the IMF over additional standby facilities is not reached.

(3) Government Budget

Government expenditures are rising rapidly although the deficit as a percentage of total expenditures is declining. This indicates that while total outlays as a percentage of GDP have not increased

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1/ A more detailed macro-economic analysis is contained in Annex D.

appreciably, the government has been able to increase revenues faster than the increase in GDP. But the government continues to be a net dissaver, taking savings from the private sector to pay for current expenditures. Also the government has been forced to resort increasingly to foreign borrowing to pay for its deficits. However, it appears the budget problem is being brought under control. The budgetary gap now seems likely to be a less important constraint than the balance of payments problem.

(4) Macro Situation Analysis

The problems facing Zimbabwe must be viewed from two perspectives one looking over the near term (one to three years) and the other over a longer horizon (ten to twenty years). In the near term, the Government of Zimbabwe must instill a feeling of confidence in two seperate constituencies: the commercial and business community, both domestic and foreign: and the African majority, both smallholders and wage-earners.

The long-term problem, restructuring the economy to provide growth with equity, can be dealt with if a firm base is provided, both politically and economically over the next few years. Zimbabwe can become a regional economic growth pole for all of Southern Africa if transport constraints are overcome and if the economy is managed correctly. If the near-term problems are overcome, the future should see substantial private capital inflows which will generate employment and provide savings for rural development. But the critical period is the next two-three years when foreign exchange and skilled labor are likely to be binding constraints.

In the short-term, the ability of Zimbabwe to borrow needed foreign exchange appears limited. Up to 1979, Zimbabwe was substantially underborrowed. However, by the end of 1981 this picture had changed dramatically. Public debt increased from U.S. $154 million in 1977 to roughly U.S. $1,275 million in 1981, and debt service increased from $6.1 million to $116 million, or 8.0% of exports of goods and services. Because much of the recent borrowing is short-term, it appears likely that the debt service ratio may rise to about 14 percent in the next 2-3 years, a level considered to be the maximum sustainable by many experts. Given the current debt structure, this ratio could decrease to about 10% by 1984 if borrowing is restrained. Therefore, foreign borrowing, particularly on a short-term, non-concessional basis, is not a likely avenue for expanding foreign exchange availabilities over the next two to three years. Short-term prospects are gloomy.

Similarly, the skilled labor problem is not likely to be solved in the near term. Net loss of skilled manpower continued during

1981, totalling 4,709 including 516 in the higher professional and technical occupations and 924 production/technical workers. While the GOZ has moved quickly to expand training capacity within the country since Independence, nearly doubling enrollment in the agricultural and technical colleges and the university from 1980 to 1982, these efforts will only reverse the negative decline after three to four years. At that point, there will still exist a considerable backlog of vacancies in the mid-level technical, administrative and production level. Thus, it is critically important that efforts to expand training capacity not be inhibited.

(5) Economic Overview of Assistance to Constraint Areas

(a) Introduction

This sector program will provide budgetary support in several discrete areas. Several of the probable recipient programs will be primarily, or will include, institutional development and personnel training elements. For these programs, appraisals of economic benefits are hampered by inadequate methodologies for precisely estimating probabilities of success or quantification of economic benefits. Other possible support areas will involve large numbers of small investments for which calculations of benefits can only be made on the basis of expected average returns. The third general category of programs which may be supported involves special, pre-feasibility and feasibility studies which, in and of themselves, are aimed at determining whether or not economic and social bases exist for proceeding further. This last category includes the design of projects for financing which will not be provided under this ZASA program.

Consistent with the overall strategy, for all proposed areas of budgetary support, responsibility for determining the economic rationale will rest with the planning and implementing ministries. It will be up to the ministries to do project-level analyses and eliminate non-viable activities.

(b) Institutional Development and Training

Four primarily institution-building, research and training programs may account for a sizable proportion of the total budgetary allocations. These are:

(1) University of Zimbabwe development;
(2) Institute and college development;
(3) Department of Research and Specialist Services development; and

(4) Agricultural and Technical Services (Extension) development.

In rough terms the anticipated investment in manpower development can be expected to result, per annum, in 50 additional university graduates, in 50 additional diplomates and in 100 additional certificate-holders. Using salary differences between secondary school leavers and personnel graduating from various institutions as a minimum indication of benefits, approximately Z$7,000 and Z$2,500 per university and college/institute graduate respectively, an annual return of Z$725,000 can be expected from the additional students trained. This does not consider improvements in the quality of training and savings in training costs as more students are taught per staff member.

For research and extension, no estimate of annual returns is attempted. However, only miniscule changes in production resulting from an improved variety would normally provide more than an adequate return on investment. For example, if 200,000 farmers increased maize yields by only 1 bag (100 kgs), the increase in value of production is over $3 million annually. Given current yield levels for communal farmers, such potential increases seem pessimistically modest.

It should also be noted that in the past, research institutes in Zimbabwe have made major contributions to the high level of commercial agriculture - a level hardly equalled in other developing countries. Commercial farming is carried on at levels of yield and input/output relationships which are fully equal to the best in developed countries in such diverse crops as maize, wheat, tobacco, cotton, soybeans and barley. Dairy, beef and poultry production also are efficient. The research investment contributing to these levels has been exceeded severalfold. Any ZASA program allocations will help re-establish and reinforce this capacity, which has been weakened by loss of professional staff, and to extend it to be broadly applicable to communal area farms. Only for cotton can this be said to have been extended to communal farms to any degree to date. Based on this type of contribution and past experience, there is little doubt that returns will be several times costs.

Finally, one of the expected outcomes of the program support is better linkages between the University/college-institutes/research and extension. As this occurs, there should be improved efficiency of operation, including better use of manpower and facilities and greater returns for the amounts invested.

The ZASA program also seeks to be cost-effective as activities are supported by coordination and joint use of costly expatriate technical personnel and by shifting a major part of the much more costly foreign training to Zimbabwe.

Specific cost-saving innovations are:

Sharing of expatriate staff. The University, colleges and institutes and the Department of Research and Specialist Services have each identified several key areas where qualified personnel are not available. In many cases, as is to be expected, needs are similar. It is planned, therefore, that any expatriate specialists funded will be assigned not only to assist in developing new curricula and teaching courses in both the University and in the colleges, but also to assist in designing and carrying out research in both the Department of Research and Specialist Services and the University.

The proposal is for the institutions receiving assistance to appoint a Zimbabwean with needed capacity, though lacking necessary training and experience, in each of the various positions rather than appointing AID-funded expatriate teachers, researchers or managers to the positions. In general, an expatriate will then work with and assist two or more Zimbabweans in such positions. Experience in many countries has demonstrated substantial diseconomies and often strained relationships where an "advisor" is assigned to work with only one "counterpart" officer. Putting the expatriate professional into the line position may result in his full occupation, but denies the local official the opportunity to gain the experience of actually filling the particular position. If in the same office at all, the counterpart likely would be relegated to the position of an assistant and on-looker. Thus, two economies are visualized; first, that of spreading the expense of expatriate technicians over several institutions or departments, and second, accelerating personnel development by immediately moving Zimbabweans into positions for which they will become fully qualified in two-three years. The broader use of expatriates should reduce by 4 to 5 persons (20 person/years) the amount of expatriate support necessary, realizing a savings of $2.5-3.0 million.

Training of Zimbabwean Professionals. Budgetary resources being utilized for flexible and multifaceted programs of training professionals at various levels is probable. First and foremost, of course, is the development of in-country training to replace the large numbers trained abroad in the past. Capacity at each undergraduate level will be about doubled, if current plans are funded, and a significant element of M.Sc. and Ph.D. training will be developed. Between 40 and 50 people will probably be sent abroad for graduate training to fill key higher level teaching and research positions. However, to reduce costs and make the training more meaningful in the Zimbabwean context, they will spend only the time outside Zimbabwe (mostly in the United States) required to do their course work. This would be about 1 year for an M.Sc. and

1½ to 2 years for a Ph.D. They will then return to do their thesis research and take final examinations. This will reduce, by an average of about 18 months, the time outside Zimbabwe and save about 7C person/years of training expense (about $1,500,000). Further, the research produced will be useful and relevant to Zimbabwe agriculture. Involvement of University of Zimbabwe faculty in the graduate training and granting of the degrees will enhance their individual and institutional capability. In addition to this, at the end of the ZASA program, there should be a full and general acceptance of University of Zimbabwe graduate degrees in agriculture as being equal to degrees obtained from foreign institutions. And, of course, the training should be more relevant to Zimbabwe's needs.

(c) Investment-Type Programs

Other programs of a more formal investment nature, with some institutional development, likely to be less than fully funded with GOZ resources and the recipient of AID resources include agricultural credit, agricultural cooperatives, irrigation and inputs and marketing (under cooperatives).

Funds for agricultural credit and some of the funds for irrigation and cooperatives would be managed by the Agricultural Finance Corporation (AFC). Consistent with current AFC practice, appraisals of the probable economic viability and benefits for each such investment will be conducted before loans are made. AFC's past record in implementing this procedure is reflected in very high loan repayments. Also the use of commercial rates of interest on loans provides good assurance of high probability of success for individual ventures and an adequate overall benefit-cost ratio. In 1979, returns to credit above interest costs were 14 percent in African Purchase Lands, 47 percent in communal areas and 64 percent on irrigated lands.

In the cooperative area, AID has already provided considerable local currency to begin the reconstruction and development of the smallholder cooperative system. Economic viability of individual units is suggested by the turnover levels achieved by many recently constructed warehouses/distribution centers in the first year of operation. Given the current lack of access to inputs and secure markets, the economic acumen of most smallholders, an expectation that inputs, when made available, should return Z$2-3 for each dollar spent and an expected turnover volume criteria which is used to determine site priority, viable turnover levels are expected in most areas. Limited experience to date also indicates a keen awareness by individual cooperative board members that "their" cooperative should be financially viable. In combination, these factors indicate that investments should generally be economic.

Nevertheless, it is expected that, despite best efforts, some primary cooperatives provided with physical facilities will fail, and more of the pre-cooperative societies that may be supported with nominal seed capital grants will fail. But again, the past experience and the current government's high commitment to cooperatives suggest a satisfactory percentage of success and acceptable overall returns. On purely equity grounds, support to this area should be given very high marks for its potential to touch and improve the lives of virtually all rural people.

The major input into irrigation would be through an irrigation fund similar to the earlier very successful fund, but this time extended to communal farmers. This would also be handled by the Agricultural Finance Corporation. Individual loans would be approved only on presentation of satisfactory and feasible plans. Again a criterion for approval will be an expectation of favorable rates of return. No ZASA program allocations would be made unless the actual procedures for evaluating economic viability are specified in the planning documents.

(d) Feasibility Studies and Project Design

It is expected that any ZASA allocations in this constraint area will be used to contract with local consulting firms who charge less than foreign firms. U.S. expertise would be financed only if local firms require outside help. This strategy should help develop in-country capability and be cost effective while the resources themselves will assist in ensuring economic viability of investment or allocation proposals.

(e) Commodity Imports

The previous sections have briefly examined the benefits to constraint areas and users of U.S.-provided budgetary resources. However, the import of agriculturally-related items to generate Zimbabwean dollars for budgetary allocations should perhaps also be considered since benefits accrue.

As purchases, the imports inherently reflect the judgement by the importers/users that there are benefits to their acquisition. Further, foreign exchange scarcity necessitating allocation choices among competing demands suggests that those imports/ purchases of greatest benefit are more likely to be purchased/ imported. Expected economic effects are in fact an important consideration in the normal GOZ foreign exchange allocation process.

Actual benefit levels will vary depending on the particular items imported. At this time the items are not known. Spare parts for agricultural equipment, machinery and fertilizer are the most likely items although breeding stock, agricultural product processing equipment and other items may also be imported.

Potential benefits of supplying key spare parts to put dead-lined machinery back into operation are also obvious. High returns also are possible from importing raw materials which are needed for the local manufacture of small machinery and tools. High analysis compound fertilizers such as MAP or DAP could replace, at lower costs, lower analysis fertilizers currently being used.

(f) Conclusions

It is not possible to provide a precise overall estimate of the benefit-cost ratio for the ZASA program, since actual allocations to each area remain to be finalized as proposals are presented. However, each activity or program will be expected to be cost-effective and an acceptable rate of return will be an approval criteria. Thus, overall returns will substantially exceed the rate on the lowest element. In our judgement the lowest return may be for credit which may be made available to some activities that have returns only marginally exceeding the 14 percent rate in African Purchase Lands noted above. The minimum return for local currency spent on any activity should exceed this 14 percent figure. Returns to local currency would, of course, be enhanced by benefits obtained from the United States dollars to Zimbabwean dollars conversion mechanism discussed above. It is estimated that overall returns should well exceed 15 percent per year on total project costs.

B. Market Analysis - Imports

On April 7, 1982, a Commodity Import Program Grant Agreement in the amount of $50 million was signed with the Government of Zimbabwe. The conditions precedent to disbursement were satisfied on June 10, and the first disbursements totalling approximately $1.1 million were made in early July. Upwards of $20 million is expected to have been disbursed by the end of CY82.

Experience from the CIP indicates that there is a tremendous demand for foreign exchange for the importation of a wide assortment of machinery, equipment and raw materials from the U.S. Annex C., Table XI shows imports from the U.S. during CY 1981 as Z$74,423,000 (U.S.$98,238,360). These figures are somewhat deceiving if looked at in terms of what could be imported under this program from the U.S. For example, there are a number of U.S. companies who normally serve the African market from their

European manufacturing plants. Agricultural equipment is a good example. It is a relatively simple process for this equipment to be supplied from the U.S. factory, rather than the European factory. It should also be noted that Zimbabwe is relatively new to the international trade arena, and sources of supply are still in the process of being established.

Under the current CIP, the GOZ plans to allocate approximately $15.5 million for agricultural tractors and spare parts. Indications are that the agricultural sector can easily utilize an additional $10 million per year for similar capital equipment that can be sourced from the U.S. When consideration is given to agricultural implements, harvesters, pumps for irrigation, agricultural related transport equipment, and fertilizer, the requirements for foreign exchange go far beyond this amount.

An indication of the severity of the foreign exchange situation is reflected in the trend of "global allocations" for commercial and industrial imports. These allocations were constant at Z$220 million per quarter for the first 3 quarters of 1981. For the fourth quarter of 1981, the amount dropped to Z$200 million. For the first and second quarters of 1982 the amount dropped further to Z$190 million per quarter. Although the third quarter global allocation figures have not yet been released, the Ministry of Trade and Commerce has indicated that it anticipates that there will be a further reduction. The PAAD for the 1982 CIP reckoned that if the foreign exchange controls were removed, the requirements for foreign currency could range from US$1,000 million to upward of US$2,000 million annually.

On the basis of the above information there appears to be little question as to the absorptive capacity for the funds that would be made available under the CIP portion of this program.

C. Financial Analysis

(1) AID Program Budget Summary

The proposed AID input to this program is $45 million obligated in equal tranches over three years but expended over five years. Since allocations to GOZ constraint-area budgets will depend on plans and funding gaps to be identified as part of the budgetary process, no firm projections of support for particular areas are possible. However, an illustrative allocation is shown in Table IV based on the indicated obligation schedule. It will be noted that no allowance is made for inflation as the allocation process within a fixed amount of resources will automatically take cost increases into account. The Table does suggest annual budgetary allocations to each constraint. In practice this is unlikely to occur because expenditures will undoubtedly be slower in some areas while suitable plans will not

TABLE IV ILLUSTRATIVE

SUMMARY COST ESTIMATE AND FINANCIAL PLAN 1/

(US $000)

Constraint Area	FY 1982	FY 1983	FY 1984	Total
A. Manpower Training & Development				
(1) University of Zimbabwe	2,600	2,500	2,400	7,500
(2) MOA Colleges and Institutes	900	1,400	1,200	3,500
B. Agricultural Extension	3,000	1,800	1,400	6,200
C. Agricultural Research	2,900	2,100	2,400	7,400
D. Cooperatives & Marketing	800	1,500	1,900	4,200
E. Credit & Input Supply	1,500	2,500	2,500	6,500
F. Feasibility Studies	1,000	400	400	1,800
G. Improved Land & Water Use	300	400	200	900
Sub-Total	13,000	12,600	12,400	38,000
Contingency	2,000	2,400	2,600	7,000
GRAND TOTAL	15,000	15,000	15,000	45,000

1/ It should be noted that this Illustrative Table includes combined local currency and foreign exchange resource flows to the targeted constraint areas.

TABLE V - ILLUSTRATIVE SCHEDULE
OF
ESTIMATED PROGRAM EXPENDITURES, 1983-1987
(US$ 000)

Constraint Area	1983	1984	1985	1986	1987	Total
Manpower Training & Development	2,000	2,500	3,000	2,500	1,000	11,000
*University of Zimbabwe	(1,000)	(1,500)	(2,000)	(2,000)	(1,000)	(7,500)
*MOA Colleges & Institutes	(1,000)	(1,000)	(1,000)	(500)	(-)	(3,500)
Agricultural Extension	3,000	2,000	800	400	-	6,200
Agricultural Research	2,500	1,500	1,500	1,000	1,000	7,400
Cooperatives & Marketing	300	1,250	1,300	600	750	4,200
Credit & Input Supply	-	1,000	2,000	2,500	1,000	6,500
Feasibility Studies	400	500	500	400	-	1,800
Improved Land & Water Use	150	400	200	100	50	900
Sub-Total	8,350	9,150	9,300	7,500	3,700	38,000
Contingency	1,000	1,500	2,000	1,500	1,000	7,000
GRAND TOTAL	9,350	10,650	11,300	9,000	4,700	45,000

TABLE VI - ILLUSTRATIVE SOURCE AND USE OF FUNDS

(US$ 000)

USE	SOURCE		
	FX	LC	Total
Technical Services	7,800	-	7,800
Participant Training	1,800	1,300	3,100
Construction	-	8,500	8,500
Equipment & Vehicles	1,900	3,700	5,600
Recurrent Costs	-	2,300	2,300
Investments 1/	-	8,900	8,900
Studies	1,000	800	1,800
TOTAL	12,500	25,500	38,000
Contingency	2,500	4,500	7,000
GRAND TOTAL	$15,000	$30,000	$45,000

1/ Items such as funds for cooperative and irrigation lending, grants to pre-cooperatives, research funds etc.

be developed in others.

Table V indicates a possible expenditure rate assuming the allocation pattern shown in Table IV. As shown expenditures are expected to lag behind obligations i.e., in 1983 and 1984 the project will be forward funded to a considerable extent. This acknowledges the time lag necessary to generate local currency for allocation and a desire not to mortgate future AID funds beyond FY 1984. The longer expenditures pattern also reflects what is judged to be the minimum time necessary for institution-building impact.

An illustrative breakdown of foreign exchange and local costs is contained in Table VI. As can be seen it is estimated that two-thirds of program resources will go for local costs with only one-third directed to foreign exchange costs. In fact the proportion of local costs will probably be slightly higher as certain costs associated with technical services, e.g. housing, will also be paid in Zimbabwe dollars. The largest foreign exchange cost will be technical services with much smaller amounts for training and equipment. Construction followed by credit funds are the largest local cost items.

Table VI also contemplates a willingness by USAID/Z for ZASA resources to be utilized for recurrent costs on a limited basis. This is based on the judgement that instances may occur where recurrent cost support will be an exceedingly good development investment i.e., to allow an activity to start before normal GOZ budgetary processes can provide funding, to reduce the budgetary shock of a new program, to provide flexibility not contained in normal budgets, because the recurrent need has a very high development impact, etc. An ability to respond to recurrent cost requirements, if needed, is also in keeping with the flexibility of the ZASA program. However, before any ZASA resources are allocated for recurrent costs a clear justification will be provided including a plan for GOZ assumption of responsibility. The discussions with MEPD which are to be part of the ZASA resource allocation process will allow a review of the recurrent cost issue each time any such use of ZASA resources is proposed.

(2) The GOZ Contribution

Just as no precise allocation of AID-provided resources can be made, so no exact quantification of the GOZ contribution to the program is possible. As a sector support program it could be argued that nearly all GOZ development expenditures in the sector should be included as the GOZ contribution. More realistically, it seems reasonable to include some proportion of expected GOZ inputs into the constraint areas where U.S.-provided resources are directed. Table VII provides an illustrative estimate based

TABLE VII - ILLUSTRATIVE GOZ CONTRIBUTION 7/

(US$ 000)

Constraint Area		1983	1984	1985	1986	1987	Total
Manpower Training & Development							
University of Zimbabwe 1/		300	500	800	900	1,000	3,500
MOA Colleges & Institutes 2/		1,000	1,000	1,000	1,000	1,000	5,000
Agricultural Extension 3/		4,000	4,000	4,000	3,000	2,000	17,
Agricultural Research 3/		2,000	2,000	2,000	2,000	2,000	10,000
Cooperatives & Marketing 4/		1,200	1,500	1,500	1,500	1,500	7,200
Credit & Input Supply 5/		1,000	3,000	5,000	5,000	5,000	19,000
Feasibility Studies 6/		500	1,000	1,000	500	500	3,500
Improved Land and Water Use 6/		300	500	1,000	500	500	2,800
	TOTAL	10,300	13,500	16,300	14,400	13,500	68,000

1/ It is estimated that 40 percent of recurrent expenditures of the Faculty of Agriculture will be in areas directly supported by ZASA resources. The level will rise as enrollments increase.

2/ It is expected that resources will be allocated to 3 or 4 of the institutes. The input is conservatively estimated at 33 percent of current recurrent expenditures.

3/ Approximately 25 percent of the 1982/83 recurrent expenditure level.

4/ Based on 40 percent of the 1982/83 recurrent expenditure level.

5/ An estimate amounting to about 14 percent of projected new government capital inputs.

5/ A conservative estimate given the proposed capital investments in new capital projects and the land resettlement program during the Three Year Plan period.

7/ Excludes other donor investments.

on assumed allocations of AID-provided resources per previous Tables, and attributions of varying percentages of recurrent budgets and actual investment amounts coming from GOZ sources. On this basis the GOZ contribution is estimated at $68 million over the five year program period. Given the level of GOZ resources flowing into agriculture/rural development and the individual constraint areas this level of input does not appear inflated even recognizing that actual allocation areas and amounts may vary significantly.

(3) Recurrent Cost Implications

As illustratively suggested, the ZASA program contains considerable funding for capital investment. It also contemplates allocation of funding to allow inauguration of new programs and the covering of some portion of recurrent costs during initial stages of these programs. Finally, the training components will result in additional staff at higher levels. Combined, these features will require that the GOZ cover considerable recurrent costs both during and after the program. No estimate of these costs is attempted.

Meeting these costs is judged not to be a major problem for several reasons. First, there is a keen concern on the part of GOZ staff regarding recurrent costs. An analysis of recurrent costs accompanies any proposal for capital investment. Second, it is precisely to reduce any recurrent cost shock that some funding for recurrent expenditures is proposed under this program. Third, current allocations to agriculture/rural development are still faily modest as a percentage of overall GOZ recurrent expenditures. Modest increases in amounts allocated to cover recurrent costs seems both reasonable and possible from GOZ resources.

Together, the priority given to agriculture/rural development, the awareness of budgetary constraints which exists and the phasing-in of certain recurrent costs leads to the conclusion that the GOZ will be able and will pick up recurrent costs eminating from the ZASA program. Nevertheless, this will be closely monitored during implementation of the program and during the regular funding allocation process.

D. Institutional Analysis

(1) Introduction

As described in Sections III and V, the program will be planned and implemented by several organizations in the agriculture/rural development sector as well as the University of Zimbabwe, with the Ministry of Economic Planning and Development playing a coordinating role as the overseer of all development activities. Other organizations, such as the Ministry of Transport, the Ministry of Works, the Ministry of Finance and the Ministry of Trade and Commerce will also be involved in certain aspects. Clearly this multitude of actors makes planning, administration, management, coordination and implementation of the program complex. Simultaneously it spreads the workload by not placing all the burden on any one organization and introduces checks and balances which will help ensure consistency with mutual objectives. The result, in line with the overall USAID assistance strategy of relying on GOZ planning and implementing capabilities, is that those organizations best able to prepare necessary plans and carry out activities in accord with mutual development objectives will receive the greatest level of support. This will be particularly true after initial resource allocations as performance will be a principal criterion for additional allocations.

But a certain competence is necessary even at the start for the system to work. Organizations must be able to perform the planning and implementation tasks assigned or resources will not be effectively utilized in a timely manner. In the following, assessments of the ability of the major implementing organizations to carry out needed functions are made. These assessments are based on ZASA technical team and USAID/REDSO staff interaction, observation and discussions with the organizations.

(2) <u>Ministry of Agriculture</u>

The Ministry of Agriculture has the leading role in the program, based on probable resource allocations. The Ministry was established in 1903. The central administration includes the usual management and support functions and the Economics and Marketing Branch. Because of the relatively small size of the Ministry and close working relationships among senior staff, a formal macro-planning section was never created.

Primary planning responsibility is currently located in the principal departments and services: (a) Research and Specialist Services (crop, forage and livestock research, plant protection, soils, inspection etc.); (b) Agricultural Education (2 colleges and 2 institutes providing training below university level); (c) Veterinary Services (mainly livestock deseases and pest control); and (d) AGRITEX (agricultural extension). Each of these sub-sections of the Ministry has long experience in planning, budgeting, implementing and administering its various activities. Extension of additional services to the communal and settlement areas has imposed an increased burden on these operating divisions at a time when retirements and departures have reduced overall staff expertise. Nevertheless, DRSS and AGRITEX are well situated in terms of numbers of experienced, senior managment personnel, although crops research has lost several scientists. Agricultural Education is somewhat less well-endowed. Veterinary Services remains well staffed.

Overall, in spite of the loss of experienced staff, the Ministry continues to operate efficiently. To the extent that the AID support fits in with Ministry priorities and plans already developed, this should remain the case. At the moment the Ministry could effectively utilize more funding resources than are available from the GOZ. However, if, in providing additional funding, USAID and other donors make special demands and impose special requirements, the Ministry could quickly be unable to cope. This problem is undoubtedly most relevant in the near-term while staff are being developed and experienced gained.

Long-term and macro-level planning are probably the areas of greatest weakness at the moment. As already indicated, these two types of planning are being done at department and section levels. Integration and coordination is largely informal without comprehensive economic assessments of alternatives. Based on past performance one would conclude that the system works well. However, it is evident, as the GOZ begins to plan on a three to five year basis, with competing demands for resources, that the Ministry of Agriculture will need to devote greater attention to planning if it is to retain credibility in the struggle for resources. The planned World Bank assistance will address this requirement over the long-term.

For USAID the question is whether or not existing capacity and plans are adequate to allow effective use of the resources made available. The conclusion is affirmative, particularly in the short-term. Constraints are so obvious that the available short-term plans will undoubtedly be consistent with the more detailed long-term plans developed. The Ministry does have the capacity to prepare short-term (two to three year), plans and has already done so in most areas.

Turning to implementation, existing Ministry staff are fully able to handle program increases in most areas. The largest immediate bottlenecks remain equipment, facilities and recurrent budget rather than staff. For local contracting and commodity procurement Ministry personnel know the procedures and have operated effectively in the past. No serious problems are foreseen in the future unless there is an acceleration in the departure of experienced staff.

Ministry staff have less experience with overseas procurement of goods and services. They know the procedures, but limits on foreign exchange have prevented the acquisition of extensive experience. In the ZASA design team's judgement only limited quantities can be handled. This means assistance in overseas contracting and procurement may be necessary.

Financial management in the Ministry if excellent with a well-qualified staff. The Ministry will be able to handle the requirements due to the additional USAID resources. Again because staff depth is limited, the situation could change if a number of individuals were to depart. This will require close monitoring.

In summary, the Ministry will be able, with existing staff, to plan and implement expanded programs in research, extension and agricultural training. Constraints may arise in the short-term if numerous additional requirements are imposed by donors. There may also be problems with foreign exchange procurement on a large scale.

(3) Agricultural Finance Corporation

The Agricultural Finance Corporation is the principal entity for publicly sponsored institutional credit. It has excellent planning capacity and an outstanding record in provision of credit to commercial farmers. Financial record keeping is very good. The organization currently has seven senior staff, 52 credit officers and 105 credit assistants plus clerical accounting and other support personnel. The number of credit assistants is to be increased to 160 by 1984-5. All senior positions are currently filled but staff training needs strengthening. An expansion of credit to small farmers with IBRD and FRG resources is expected to put some strain on the AFC for the next two to three years. However, the ZASA design team's assessment is that the AFC can move more rapidly on small-farmer credit if it is able to recruit and train additional staff. Allocations to the manpower development constraint area should help to increase the number of personnel available for recruitment. ZASA program resources may also be used to accelerate staff training and development.

Other possible AFC involvement, such as lending ZASA provided funds directly to cooperatives, would not involve supervision by the same people. AFC should not have difficulty either in handling funds for lending to cooperatives or under a Small Farmer Irrigation Scheme where the extension service is expected to provide guidance.

In summary, the continuing ability of the AFC to plan and implement programs augers well for any resources allocated to the organization. Barring unforeseen problems, the AFC will be able to handle any resources provided.

(4) University of Zimbabwe

The University of Zimbabwe is a fairly autonomous entity within the Ministry of Education. It is well-organized, administered and takes planning very seriously. Accounting controls are exceedingly tight.

In response to national agricultural needs, the Faculty of Agriculture has developed plans to expand numbers of students and levels of training and to add a substantial research program. These efforts will tax the small professional staff in agriculture and particularly the Office of the Dean of Agriculture. However, a careful review of the plans and needs has produced a realistic definition of personnel requirements and a strategy to meet them. This includes the addition of a recently retired senior professor and department head as an assistant to the Dean for planning and especially in managing the enlarged research program. To provide further assistance, the Faculty has organized an advisory group, including three internationally renowned professors, beginning in October, 1982 to advise on Faculty development. These actions should be adequate to meeting planning needs for any ZASA resources provided.

In the implementation area, the University has significant competence, particularly for local procurement and contracting. Although experience with external commodity procurement is quite good, it is very limited for overseas technical services contracting. Depending on availability of overall University funding, the ability of central administration to oversee and monitor the various activities suggested for the Faculty of Agriculture should be adequate. If all plans for the entire University expansion are funded, staff will be taxed. The availability of experienced staff in significant numbers does give the University, however, a greater capacity to meet additional requirements than other GOZ entities.

(5) Ministry of Lands, Reconstruction and Rural Development (MLRRD)

The MLRRD has less experience in program planning and implementation than the MOA. However, it does have, at the senior level, a good core of experienced staff. At lower levels numbers are becoming adequate but experience is lacking. The MLRRD has been assigned responsibility for the very ambitious resettlement plans with a target of settling 162,000 families in three years. (A significant reduction in the target is currently being discussed). Should the 162,000 target be maintained, it would leave MLRRD with little top-level time and capacity for any other planning and implementation activities. A reduction will mean a greater ability to handle other programs.

Fortunately, some of the departments, most notably Cooperative Development, which have substantial internal planning and implementation capability, will probably be allowed to continue their currently planned programs targeted mainly to communal areas.

(6) The Department of Cooperative Development

The Department of Cooperative Development currently has a staff of 207 including a director, two deputy and two assistant directors, 10 provincial officers, one executive officer, 42 marketing and cooperative service and extension officers, 117 marketing and service assistants and 35 clerical and other support personnel. It provides advisory and regulatory services for about 400 primary cooperatives and unions. While most of its senior staff positions are filled, there are plans to increase total staff from 207 to 605 and to provide in-service training to much of the current field staff.

Recent performance of the Department has been very good. Since 1980, it has embarked on a major program of expanding smallholder cooperatives to increase the number, enable facility construction and develop an integrated operating system to distribute inputs and collect and market produce. Plans to achieve the objectives were developed by current cooperative staff, and implementation, using a private construction firm, has been proceeding on schedule. Twenty-two warehouses and 72 distribution/collection points have been completed to date.

In future, initial emphasis will be on completion of the current construction program and development of a staff and cooperative member training program, probably financed with ZASA supplied budgetary resources. Plans for the first phase construction program have been completed, and plans for the training program will be completed by September-October. The Department also should be able to complete programmatic details for a possible grant for pre-cooperative development without difficulty.

As indicated, the Department has arranged for a private contractor to undertake the construction program using standard plans. The staff have the ability to monitor performance. Adequate record keeping and accounting procedures are in use.

In summary, there are good reasons to believe the Cooperative Department can plan and implement the program of expansion being proposed. A key to overall success, however, will be the training program for cooperative managers, cooperative board members and Cooperative Department staff. Implementing the training program will undoubtedly strain existing staff in its early stages, when numbers of trainers will be limited.

(7) Agriculture and Rural Development Authority (ARDA)

Funds for feasibility studies and detailed proposal planning have been suggested for management by ARDA. This is in line with plans to give ARDA major responsibility for managing contracts for these purposes. ARDA is considered the most qualified organization to handle such a role for itself and on behalf of others. Its staff strength is rather limited in terms of numbers, but the organization has recently been involved in awarding a number of both local and international contracts, so it does have needed experience. Given that any ZASA provided allocations would be for specific studies, extensive internal planning capacity is not required. Funds would be drawn only as priority and well-documented proposals are submitted. Monitoring and supervising the feasibility studies should be within the capacity of ARDA.

(8) Ministry of Economic Planning and Development

The MEPD will have two important functions in planning and implementing the program. First, MEPD will have a responsibility for ensuring that plans and proposals put forward are consistent with national priorities. Second, the Ministry will serve as the focal point for overall financial allocations and consolidating reporting.

The MEPD should have the ability to perform these functions effectively. In the past the newness of the Ministry plus staff recruitment and shifts as the Ministry was organized were disruptive. These problems are now behind the Ministry which is demonstrating a growing ability to plan and monitor development activities.

Nevertheless, USAID and ministerial interaction with MEPD to develop satisfactory operating procedures for the program is already underway. The similarity of proposed procedures to those being utilized for the regular CIP program is facilitating this development.

(9) Other Ministries/Organizations

Within the GOZ, responsibility for certain types of implementation is centralized. Thus the Ministry of Construction has responsibility for all major building projects; the Ministry of Transport operates the central government motor pool; the Central Tender

Board handles all large procurement; etc. Several of these organizations will have responsibility under the program to implement various aspects of the plans developed by the Ministries of Agriculture and Lands, Resettlement and Rural Development and the University.

In all instances, the organizations have adequate procedures to undertake the needed work. The organizations also have the required experience. However, their ability to perform tasks in a timely manner given staff constraints is not always guaranteed. This problem is likely to be most severe in the Ministry of Construction. However, this bottleneck has been recognized by the GOZ, and procedures have been instituted to use the private sector and outside contractors to handle certain assignments. In this manner bottleneck areas are being relieved. More importantly, this indicates a willingness by the GOZ to take steps to relieve constraints as they occur. We expect this also to be the situation under the ZASA program. If technical ministries are willing to place sufficient pressure on the bottleneck, solutions can and will be developed to allow timely implementation.

To summarize, it is believed that the support ministries will be able to meet the requirements placed on them by the program. Constraints which do arise will be overcome through pressure and flexibility.

Two final participants in the implementation process, particularly in respect to the CIP local currency generating mechanism, are the Ministry of Finance and the Ministry of Trade and Commerce. The Ministry of Finance will handle the financial aspects of the program including the establishment of a special account in the Reserve Bank of Zimbabwe for deposit of the Zimbabwe dollar equivalent of foreign exchange provided, as well as monitoring of inflows and outflows from the account. The Ministry of Trade and Commerce, in accord with standard GOZ procedures, will make allocations of foreign exchange to private and public sector importers. Because the procedures to be employed by both the Ministries are the same as those being followed under the regular 1982 CIP program, except for the restriction that foreign exchange will be allocated only for agricultural sector imports, no special implementation difficulties are foreseen.

(10) Summary

The underlying rationale for the proposed mode of assistance is that participating GOZ institutions have the core capacity to implement the majority of programs and activities under consideration with existing staff and without significant external technical assistance. Therefore, the design team took a particularly critical look at the design and implementation capacity of the

GOZ institutions with whom we expect to be working. There are weaknesses in some important staffing areas created by the migration of experienced staff and technicians. Replacement staff are often qualified but inexperienced. Planning strength appears to be more limited than implementation ability. However, on balance, the Design Team concluded that sufficient institutional strength still exists to give us confidence that AID resources will be effectively utilized and managed. Because the staffing situation is fluid, however, the Team emphasizes the importance of the annual review process which will assess the continuing capacity of participating institutions to design, implement, monitor and manage resources.

V. PROGRAM IMPLEMENTATION

A. Policy Dialogue

A basic, underlying feature of program implementation will be a policy dialogue with the GOZ, examining both macro- and micro-level policies. This dialogue, to be conducted on a continuing basis with both technical and economic ministries, will seek to: (a) expand mutual understanding of the implications of various policies for developmment; and (b) encourage the implementation of sound policies and the modification of policies which appear to be less well-conceived. A particular focus will be the continuation of current moderate policies which are directed toward narrowing the resource gap between commercial and smallholder agriculture while maintaining a sound, productive agricultural sector. The concerns identified in the sector evaluation criteria (see Section VI. A., Evaluation) will also be targets of the dialogue. A timetable for specific policy adjustments is not being put forward, although movement in the above areas will be the basis for continuing the program beyond the first year.

B. Program Development

Responsibility for developing constraint area budgets and related programs and activities will rest with the GOZ, particularly the Ministry of Agriculture; the Ministry of Lands, Resettlement and Rural Development; and the University of Zimbabwe's Faculty of Agriculture.

C. Program Coordination

Coordination between GOZ entities and with USAID/Z will be assured by a ZASA Working Group which will be established. Membership in the Group will include the deputy permanent secretaries or their designees from the operating ministries and the Deputy Secretary of MEPD or his designee. This Working Group will ensure consistency of funding proposals with overall Zimbabwean development strategy, assign priorities, finalize proposed budget levels and address implementation issues if and when they arise. The USAID/Z Agricultural Development Officer will serve as an *ex officio* member of the Group.

D. Disbursement Approval

Final concurrence prior to release of all grant funds will rest with USAID/Z. The ZASA Grant Agreement will specify that funds may be released only with the concurrence of AID and the GOZ (MEPD in this case) as indicated in an Implementation Letter which will describe the GOZ budgets to be supported. USAID/Z concurrence will be based on the results of a two-tiered assessment of the program.

At the macro-development level, USAID/Z will evaluate the success of the program to date as indicated by the GOZ's implementation of sound policies which improve the economic status of the smallholder. AID disbursements beyond Year 1 will be contingent upon a favorable evaluation. See Section VI.A. below for a more detailed discussion of this evaluation.

At the micro-development level, USAID/Z concurrence will be based on a review of proposed allocations utilizing the following criteria as guidelines:

(1) do the GOZ proposals address the constraint areas?

(2) if so, how are the constraint areas being addressed, will smallholders be the principal beneficiaries (with quantification of numbers if possible) and within what timeframe?

(3) what is the GOZ's budgetary shortfall which indicates that constraint-area programs will not be adequately funded without ZASA resources?

(4) how will the complete portfolio contribute towards achieving overall macro-development objectives? and

(5) what are the recurrent cost implications of programs within the portfolio?

It should be noted that AID will not examine specific design details and inputs for each proposal except to assure that scarce budgetary resources will not be utilized for inappropriate procurements. AID concurrence and disbursements will be keyed to identified budgetary shortfalls rather than against expenditures for specific activities.

These annual reviews/evaluations will be conducted by USAID/Z and its Technical Review Team.

E. Program Implementation

ZASA program implementation will rest with Treasury, MEPD and the operating GOZ entities which receive budgetary support under the Grant. However, where appropriate and feasible, USAID/Z may undertake limited tasks on behalf of and at the request of the GOZ.

F. Financing and Disbursement Mechanisms

Of the $45.0 million requested for the ZASA program, approximately $15.0 million will finance direct foreign exchange costs associated with GOZ budgetary shortfalls in activities related to the constraint areas. Disbursements will be based on GOZ annual budget requirements subject to the approval criteria described in paragraph D above. If AID funds are used to finance technical services or commodity procurement, applicable AID regulations will be observed.

The estimated $30.0 million in local currency (Zimbabwe dollar) requirements may be generated in two ways. The largest portion, and perhaps all, will be generated via the standard CIP mechanism, utilized in the FY 1982 Zimbabwe CIP (613-0216). The second method of generating local currency which may be used, designed to meet immediate dispersing requirements in CY 1982, is the AID Special Letter of Credit (SLC) procedure. A.I.D.'s Regulation 1 will apply to these foreign exchange transactions. Although only items applicable for use in the agricultural sector will be procured, all items listed as eligible in the A.I.D Commodity Eligibility Listing - 1981 Edition will be eligible for financing.

Implementation assistance will be provided by USAID/Z's Supply Management Officer.

Local currency generations will be deposited into a special account, or sub-account, administered by the GOZ Treasury. Disbursements from the special account to the operating ministries will be made in accordance with the GOZ's standard financial procedures, subject only to the restriction that funds be released only upon AID/GOZ concurrence on their allocation.

G. Procurement of Commodities and Services

(1) Commodity Procurement

In order to maximize AID's flexibility in responding to sector requirements and administrative needs of the GOZ, several methods of procurement may be utilized over the five-year period of the program. These will include direct GOZ procurement utilizing its own procedures, procurement by the technical contractor utilizing Handbook 11 chapter 3 procedures or procurement by a competitively selected procurement services agent. For the CIP procurement standard CIP procedures will be used.

(2) Procurement of Services

As discussed elsewhere in the PAAD, it is anticipated that outside technical assistance will be needed in one or more of the constraint areas expected to receive funding under the sector grant. These short and long-term technical assistance requirements can most effectively be provided via a contract with a U.S. university or consulting firm which has a good performance record in Africa.

A direct AID contract is proposed because the GOZ has indicated its strong preference to minimize its involvement in contract administration. Nonetheless, the GOZ will play a major role in developing selection criteria and in contractor selection. Once an acceptable TA contract has been negotiated, necessary funding will be provided via an AID direct Letter of Commitment. Given USAID/Z's limited staff, all support functions will be the responsibility of the contractor. USAID/Z understands that direct AID contracting will require monitoring of contract activities.

H. Participant Training

It is expected that constraint-area proposals will include funding to support various types of participant training, i.e., long- and short-term training in the U.S. and third countries and short-term in-country training. Financing will be arranged through the most appropriate of two mechanisms, through either the ZIMMAN project (613-0215) or this ZASA program. As designed, up to 35 percent of the ZIMMAN project budget may support training within the agricultural sector. Therefore, U.S., third country and in-country training to develop the staffs of the UZ Faculty of Agriculture and the MOA agricultural colleges and institutes will be charged to the ZIMMAN project and handled by the ZIMMAN contractor. Training which falls outside the scope of the ZIMMAN project, such as training for research, cooperative and extension personnel, will be charged to the ZASA program. Participant training placements will nevertheless be arranged through the ZIMMAN contractor, with the contractor's placement fee, etc. charged to the ZASA program. Payment of U.S. dollar training costs will be made directly through USAID/Z. Payment of all local currency training costs will be handled by the appropriate GOZ ministry or agency, drawing upon the allocation approved for the specific constraint-area activity or program.

I. Implementation Schedule

The following schedule indicates the major implementation actions under this ZASA program.

Date	Action	Responsibility
CY 1982		
August-Sept	Negotiation and execution of sector program Grant Agreement obligating FY 82 funds (U.S. $ 15,000,000)	GOZ USAID/Z
October	L/Comm issued for general Ag. Sector commodity procurement to begin L/C generations	AID/W USAID/Z
Sept-October	RFP for T.A. contract issued	AID/W USAID/Z
Sept-October	Ministry constraint-area budgets finalized with gaps identified	GOZ USAID/Z
October	GOZ budget approved; and grant levels "locked in" ; USAID/Z - GOZ agree on ZASA budgetary allocations for first year	GOZ USAID/Z
Oct-November	SLC issued to finance immediate L/C costs; special account established; L/C and F/X released	AID/W USAID/Z GOZ
November	Specific constraint-area procurement commences	GOZ USAID/Z
1983		
January	CIP generations from general Ag. sector procurement begin to flow into special account. Second SLC issued if more L/C required	USAID/Z
January-Feb	Proposals for major T.A. contract received, reviewed and ranked	AID/W USAID/Z GOZ
February	Major T.A. Contract executed	AID/REDSO Contractor GOZ (concurrence)
January-Feb	First quarterly reports on constraint-area expenditures received	GOZ

January-March	USAID/Z works informally with GOZ in developing ZFY 83-84 constraint-area funding program	GOZ USAID/Z
March-April	Short-term technical advisors arrive in Zimbabwe	TA Contractor
March-April	GOZ Ministries receive guidance from GOZ Treasury on ZFY 84 budget availabilities	GOZ
April	First funding amendment obligating additional US $15,000,000 in FY 83 funds. General CIP procurement continues to generate required L.C.	GOZ AID/W USAID/Z
April-May	USAID/Z and technical review team meet with ZASA Working Group to evaluate past performance and plan ZFY 84 program	USAID/Z GOZ
April-May	EPD budgetary input known	GOZ
May-June	Long-term technical advisors arrive in Zimbabwe	TA Contractor
May-June	GOZ ministries submit to USAID constraint area funding proposals for ZFY 83-84	GOZ
June	USAID/Z with technical review team assistance concurs in areas/programs to receive funding allocations	USAID/Z
July	Annual budgetary report on GOZ expenditures provided	GOZ
October	GOZ parliament approves budget; USAID/Z confirms agreed levels with operating ministries and agreement reached on allocation	GOZ USAID/Z
Oct-Nov	Funds released to GOZ	USAID/Z

1984-87	Cycle repeats	USAID/GOZ
October 1987	End of program evaluation and report	AID/USAID/GOZ

J. Monitoring and Reporting

USAID/Z will receive quarterly disbursement reports from the implementing ministries and Treasury. Ad hoc field visits to ensure that the various constraint-area programs are receiving agreed-upon funding will be made. In addition, the ZASA Working Group will meet on a quarterly basis to review on-the-ground progress. Finally, evaluations of GOZ general performance and on-going implementation capabilities will be conducted annually by USAID/Z through its Technical Review Team. These evaluations will be a central feature of this sector grant and its annual program development process. See Section VI.A. below. USAID/Z will also monitor any direct AID contract activities.

VI. OTHER CONSIDERATIONS

A. Evaluation

An annual review/evaluation is an integral part of the yearly programming cycle under this sector grant. These annual reviews/evaluations will be conducted by USAID/Z and its Technical Review Team, which may include external contract personnel, in April or May of each year. The terms of reference include an assessment of the implementing agencies' continuing capabilities and actual progress in implementation of GOZ agricultural sector programs.

More importantly, however, these evaluations will form the basis for determining whether or not the ZASA program is succeeding in achieving its objective - the implementation of GOZ policies and programs which improve the economic status of the smallholder - and in deciding whether or not additional ZASA resources should be provided. In making these determinations, the evaluations will necessarily examine the overall development environment. More specifically, the evaluations will examine progress of the GOZ towards:

(1) allocation of a greater share of total GOZ resources to programs which beneficially affect low-income smallholders;

(2) reduction and eventual elimination of consumer subsidies resulting from fixed producer and consumer prices;

(3) a land resettlement policy which recognizes availability, competing smallholder assistance requirements and production/export goals;

(4) application of commercial rates of interest in lending to smallholders;

(5) an increase in research on crops and integrated crop/livestock systems directed specifically to communal farm conditions;

(6) extension of price stimuli, now applied to major commercial crops, to some present and new small farm crops;

(7) employment of market news and other innovative measures to extend technical information on production and marketing to smallholders, thus serving a large number of farmers with the number of available extension workers;

(8) adequate government support of rural savings clubs as a mechanism for mobilizing rural savings for smallholder credit and for channelling loan funds at lower costs through groups to small-scale farmers;

(9) development and adoption of measures to increase cooperation and linkages between research, extension and university education;

(10) reduction of the costs of essential inputs by substituting lower cost items and more efficient methods of use, thereby easing the elimination of subsidies; and

(11) other areas, as appropriate.

Obviously movement and progress will vary between areas and between years, but it will be the responsibility of the evaluation team to weigh the factors and to develop a recommendation on whether or not to continue the ZASA program.

A mid-term, independent evaluation will be conducted after 18 months of program implementation, utilizing AID/W, REDSO/EA and contract personnel. The summative, end-of-program evaluation will be conducted in October 1987, again utilizing AID/W, REDSO/EA and contract personnel. The scopes of work for these evaluations should reflect the fact that specific, project-type outputs are not encompassed within the purpose of the sector grant.

B. Environment - Rationale for Categorical Exclusion

A request for a categorical exclusion from AID's IEE, EA and EIS requirements was submitted earlier. No action was taken, presumably because insufficient detail on the nature of the program was available to support a decision on the applicability of a categorical exclusion. The program description and implementation sections of this PAAD (sections III and V, respectively) now provide ample information for such a decision.

The present program consists primarily of budgetary support to sub-sectors of the agriculture sector that have a direct impact on the small farmer. General constraint areas likely to receive funds have been identified, and every year as part of the GOZ's annual budget cycle (see section V A and B above), program/budget support proposals will be submitted to USAID for review prior to funding of GOZ budgets related to those constraint areas. It is crucial to note, however, that this program is not designed to involve AID in "details" regarding the "specific activities" to be financed, e.g. their exact location, and the specific inputs to be financed. Instead, to put it briefly, AID is supporting the GOZ's budget and leaving the "details" to the GOZ. Knowledge of or control over such details is neither required nor appropriate for program sector assistance in the form proposed in this PAAD. Moreover, this mode of assistance is premised upon a continued high level of planning and implementation capability on the part of the GOZ ministries involved in the program, including the capability to assess the environmental impact of various programs and to adopt measures which minimize or mitigate adverse environmental impacts. As stated in the preceding section, these capabilities will be annually evaluated.

Regarding AID Regulation 16, criteria for three types of categorical exclusions are set out in Section 216.2(C) (1). Criteria (II) directly applies to this sector program grant in that AID will not have, nor does the purpose of the program (i.e., budgetary support) require that AID have, "knowledge or control over the details of the specific activities that have an effect on the physical and natural environment for which financing is provided by AID".

Finally, it should be noted that for the most part U.S. grant dollars will directly or indirectly finance only CIP-type procurement, technical assistance and training. Categorical exclusions are routinely applied to these types of activities (see E.G. reg. 16, Section 216.2(C)(2) (I) and (IX). Any activities likely to have a direct effect on the environment are to be financed from GOZ-owned local currency generations. The precise use of which, as stated above, is not legally or practically within AID's control.

Accordingly, a categorical exclusion is appropriate for this activity.

VII. NEGOTIATING STATUS AND PROPOSED CONDITIONS AND COVENANTS

The operating GOZ ministries and the Ministry of Economic Planning and Development have reviewed and concurred in the substance of this PAAD. Over the past 3 years USAID/Z and the Ministry of Economic Planning and Development have developed solid working relationships and procedures in connection with the large local currency program established under two previous program (Cash) grants and the FY 82 CIP. Many of those procedures (e.g. special account, quarterly financial and progress reporting, initial activity identification, and flexible programming and reprogramming) will be applicable or adaptable to the proposed sector program grant. Accordingly, USAID/Z is confident that implementation of the program will proceed smoothly.

The sector program grant agreement, now being drafted by the REDSO/EA/RLA, will combine elements of the program grant and CIP grant agreements previously utilized in Zimbabwe. No significant negotiating problems are foreseen.

The agreement will contain, in addition to normal conditions precedents regarding signatures, legal opinions, etc., one non-routine condition precedent to disbursement to the effect that prior to each disbursement, the GOZ and AID must concur in writing on plans for the use of grant funds in specific GOZ budget areas for mutually agreed upon programs and activities.

Two special covenants are anticipated, in substance as follows:

(1) That the GOZ will cooperate with AID in the planning/budget cycle, including the free exchange of relevant information, so that jointly acceptable programs can be developed in a timely manner; and

(2) That the GOZ will take such steps as necessary to ensure that the approved fiscal year budget will contain funding to support adequately the constraint areas identified in the agreed-upon budgetary plan.

Two conditions precedent are also anticipated, in substance as follows:

(1) Prior to the disbursement of any funds under the grant, the ZASA Working Group must be established; and

(2) Prior to the disbursement of funds for each annual budgetary period, a firm budgetary plan, agreeable to AID and the Grantee, must be established.

Although the above condition precedent does not articulate the basis on which AID will decide whether or not the budgetary plan is acceptable, the general program description in the Grant Agreement must make it clear that AID is providing grant funds with the understanding that GOZ budgetary allocations and policy directions will reflect agreed-upon sector objectives.

ANNEX A

BRIEF DESCRIPTION OF

THE

AGRICULTURAL SECTOR

A. Introduction

A basic feature that any description of the agricultural sector in Zimbabwe must recognize is the existence in the sector of three types of production areas, based on land holdings and tenure system. The first type is the commercial area which consists of large, privately-owned, mechanized units. There are 5-6,000 of these farms covering about 40 percent of the total area of Zimbabwe or 15.7 million hectares.[1/] Generally, this is a very productive sub-sector utilizing advanced agricultural technology, large quantities of off-farm inputs and excellent marketing and support services to produce at levels comparable to those achieved in North America. As a sub-sector, the commercial areas produce 70 percent of total agricultural output and 90 percent of marketed production. Within the sub-sector a relatively small percentage of the farms (less than 30%) accounts for about 80 percent of the production.

A second subset is the African Purchase Lands comprising 1.4 million hectares owned and farmed by some 8,600 private farmers. Agricultural production systems in these areas are based on lower levels of technology and input use. The areas are quite well served with input and marketing services and have access to credit. One in eight of these farmers has a tractor. Crop yields are lower than for the large commercial farms but well above the average in the communal areas.

The third type of area is the Communal Lands which encompass about 16.3 million hectares operated on a land assignment basis by an estimated 700-800,000 farmers. This subsector is the least productive and the poorest served by infrastructure, production services and available technology. Yields are generally low, reflecting low purchased input use, less advanced technology and the generally lower agriculture ecological potential of the areas. Greater attention is paid to food crops although roughly 25 percent of the total output, in value terms, is marketed. Fertilizer use and interest in cash crops is increasing.

While each of these different areas has some unique and distinct features, and probably deserves separate treatment, to reduce complexity this description generally uses only smallholder and commercial categories, the smallholder category including both the African Purchase farmers and the communal land farmers.

B. Role of Agriculture

Somewhat atypical for a developing nation agriculture is not, in economic terms, the largest sector in the Zimbabwean economy. Its contribution of 13-16 percent to GDP (4-5% from the smallholder subsector) is surpassed by that of manufacturing (25%) and closely

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1/ Urban areas are also included in this total but account for a very small percentage.

followed by distribution (11-12%) and public administration/defence (11-12%). Nevertheless, in employment terms, the agricultural sector is predominant, providing over one-third of wage employment as well as a source of income for the 50-60 percent of the population resident in the smallholder areas. The sector also is a large and growing source of foreign exchange through exports of food (sugar, maize, beef) tobacco and cotton. In 1980, the last year for which a breakdown has been obtained, agricultural produce made up about one-third of total exports. Finally, it is estimated that the sector as a producer of raw materials or a consumer of finished products is involved in supporting the majority of the manufacturing industry in the country.

Growth in the value of sector output has been relatively modest during the past few years averaging less than three percent per annum during the 1975-79 period. The value of production in the smallholder areas is estimated to have actually declined by 12 percent during this period reflecting poor weather and the impact of the war. However, in 1980, sales of crops and livestock rose by 31 percent to $683 million and, led by a bumper maize harvest, it is estimated that agriculture could contribute over 20 percent to real growth in 1981.

In the foreseeable future, agriculture as a sector will face very considerable demands. First, it will need to continue feeding a population growing over 3 percent annually. Second, the agricultural sector must provide direct opportunities for currently impoverished smallholder families to attain considerably higher living standards. Third, if Zimbabwe is to be able to import necessary capital and consumer goods, the sector must continue to be a major foreign exchange earner. Fourth, the sector must supply raw material for the industrial growth needed for long-term economic progress. Fifth, the sector, and the small and large scale industries built on its raw materials, must provide employment for a large proportion of labor force entrants. Sixth, the sector will need to be a source of the government revenue needed to maintain and expand social and economic services. Finally, to stimulate industrial production the sector will need to act as a market for domestically produced industrial goods. If the sector is to meet these demands and government objectives it is estimated that a real growth rate in the agricultural sector of over 5 percent annually will be required. For the smallholder sector, the target will need to be at an even higher level to reflect increasing productivity as additional services are provided and an expansion in the area to be cultivated by smallholders (The GOZ aims to achieve such levels). While these targets are high, given the human and natural resource base and government commitment, they are attainable.

C. Resource Base

Zimbabwe has a total land area of about 39,075,900 hectares falling into 5 agro-ecological regions or zones (these roughly correspond to land use classes). Based primarily on adequacy and efficiency of rainfall, about 65 percent of the land falls into Zones

IV and V which, in the absence of irrigation, are suited to livestock production only. The remainder is suitable for crop production although Zone III lands (18 percent of the total) are subject to mid-season dry spells. Average annual rainfall varies from some 16 inches in the southern part of the country (a Zone V area) to over 78 inches in the Eastern Highlands (Zone 1) with a mean for the entire country of 26 inches. Only 5 percent of the land area receives over 35 inches of rainfall annually but an additional 64 percent receives over 24 inches. Variability in rainfall between areas is high, ranging from 20 percent in the north to over 46 percent in the south, meaning two locations with the same average rainfall might have very different agricultural potentials. Further, rainfall in certain parts of the country comes in a few, very heavy showers which reduces its usefulness. Consequently the averages can be misleading as indicators of cropping potential. Cropping in the south and west is more risky and the growing season shorter than in the north and east. The main rainy season extends from November through March.

Altitude is the main factor affecting temperature with the Zambezi valley in the north-west having the highest mean temperature of about 89°F. The lowest temperatures are found along the Eastern border where the average mean temperature is about 60°F. In the remainder of the country, temperature means vary between 64°F and 70°F. The coldest months of the year are June and July with localized frosts. The warmest month is October prior to the onset of the rains.

The soils of Zimbabwe are predominantly sandy with scattered areas of loam and clay. Nearly all the soils require careful management to control erosion and loss of fertility. Nevertheless, it appears water, not soil, will be the most limiting natural resource for agricultural development.

In this regard, the existence of a large number of dams must be noted. Some 100 major dams and over 7,200 minor dams have been constructed to increase water availability. Together, these provide about 15-20 percent of what has been calculated as the optium storage. The majority of the dams are multi-purpose although the agricultural sector uses about 85 percent of total water consumption (excluding Kariba). Currently, about 20 percent of the land cultivated in the commercial sub-sector is under some form of irrigation (roughly 138,000 hectares) with another 5,000+hectares irrigated in the communal lands. Considerable potential remains for additional irrigation development, both for relatively small schemes in communal and smallholder areas, and for major project along larger rivers.

D. <u>Land Use</u>

In the commercial area, a little over 12 percent of the land is being cultivated with a range from about 3.0 percent of Zone V land to 29 percent of Zone II land. Most commercial farms are between 500 and 2,000 hectares in size although many are even larger. In the smallholder areas, nearly 25 percent of the land is cultivated with an estimated 42 percent of the Zone II land and about 17 percent of the Zone V land being under crops or in fallow. Limited information suggests that the cropped area has been increasing about 3 percent annually in recent years. Average cropped area per family is about 2-3 hectares with communal grazing except in African Purchase Areas where farms average about 140 hectares. Available information suggests about 60 percent of the communal land is under very high population pressure.

Of the areas not being cropped, the majority are being used for livestock production. In addition, there are 900,000 hectares of forest land and about 4.7 million hectares in parks and wild-life reserves.

Zimbabwean farmers produce a wide variety of crops on the land under cultivation. In the smallholder areas, maize, groundnuts, beans sorghum/millet and cotton are the most important crops with significant amounts of sunflower, fruits and vegetables also being produced. The principal crops in the commercial areas are maize, tobacco, cotton, soyabeans, sugar-cane and wheat. Coffee, tea, barley and deciduous fruits are also grown. In terms of sales value, tobacco is the most important cash crop for Zimbabwean farmers accounting for about 30 percent of total crop sales. Cotton is the second most important cash crop (18 percent) and maize is the third (about 15 percent).

Livestock also plays a significant role in the sector accounting for over 25 percent of the value of production. It is estimated that the national cattle herd of roughly 5 million head is divided about 40:60 between the commercial and small-holder sub-sectors. Zimbabwe is normally self-sufficient in most meat and dairy products although the artificially low consumer milk and beef prices have resulted in some shortages of dairy and beef products.

E. Agricultural Institutions and Supporting Services

1. Introduction

Overall responsibility for agricultural development is divided between the Ministry of Agriculture (MinAg) and the Ministry of Lands, Resettlement and Rural Development (MLRRD). Important supporting roles are performed by the Ministry of Water Resources and Development which plans and implements activities related to boreholes and irrigation and the Ministry of Construction which is responsible for design and construction of all government facilities.

The MinAg provides all extension services to the sector through the Department of Agricultural, Technical and Extension Services (AGRITEX) as well as handling agricultural research, agricultural certificate and diploma training and veterinary services. In addition, the Ministry oversees a number of statutory bodies in the areas of marketing, credit and research.

The MLRRD has responsibility for a range of rural development activities including irrigation planning, land resettlement and cooperative development. The operations of the Agricultural and Rural Development Authority (see below) also fall under the Ministry.

Historically, there have been a series of actions, particularly since 1965, to create, adapt and consolidate agricultural institutions. These actions included:

(a) the establishment of the Agricultural Marketing Authority (AMA) in 1967 to act as a parent body providing services and finance for all previously created state marketing agencies including (1) the Grain Marketing Board handling the major grains, oilseeds, and coffee; (2) the Cotton Marketing Board; (3) the Cold Storage Commission (cattle and sheep), and (4) the Dairy Marketing Board;

(b) the setting up of the Tobacco Marketing Board which operates outside the AMA;

(c) the creation of the Sabi-Limpopo Authority (1970) to develop the potential of the south-eastern Lowveld;

(d) the establishment of Agricultural Finance Corporation (AFC) (1971) which served to consolidate several pre-existing agencies providing credit to large scale commercial farmers, and which now also serves small farmers;

(e) the creation of Agricultural Development Authority (ADA) (1971) charged with developing the national agricultural potential;

(f) the setting up of the Tribal Trust Land Development Corporation (TILCOR) (1968) to foster development in Tribal Areas;

(g) the establishment of the Agricultural Research Council (ARC) (1971) to provide for greater cooperation in the research undertaken by various bodies in the country; and

(h) the establishment of the Agricultural and Rural Development Authority (ARDA) in 1978 to consolidate the activities of ADA, TILCOR, SLA, and the Land Settlement Board (from the Ministry of Internal Affairs) and to coordinate rural development activities.

Very recent changes include the consolidation of all extension responsibility in the Ministry of Agriculture (the MLRRD previously handled extension in the communal areas), the transfer of cooperative development from MinAg to MLRRD and the establishment of a small farmer credit scheme in the AFC. More information on certain key organizational units of MinAg and the MLRRD and selected statutory bodies is provided under functional headings below.

2. Agricultural Research

Although some research is conducted by the respective marketing groups,[1/] the Seed Maize Cooperative Company of Zimbabwe, the University of Zimbabwe and the Department of Veterinary Services,[2/] the Department of Research and Specialist Services (RSS) in the MinAg is the major Organization in this area and is responsible for conducting research in agricultural science, crop production, and pastoral production. The Department maintains close contact with the already mentioned Agricultural Research Council, a statutory body established by the Minister, which is responsible

1/ Sugar, swine and tobacco are handled by the marketing organizations.

2/ Veterinary and tsetse research

for the determination of research priorities and for the allocation of research funds within RSS. Professional and technical staff positions in the RSS total about 300. Organizationally, the department consists of a Research Services Division, a Crop Research Division, A Division of Livestock and Pastures and an Executive Branch. Research Services Division includes:

(a) the Plant Protection Institute;

(b) the Chemistry and Soil Research Institute;

(c) a Biometrics Bureau;

(d) the Agricultural Engineering Institute;

(e) Seed Services; and

(f) a Herbarium and Botanical Garden.

The Crop Research Division encompasses:

(a) the Agronomy Institute;

(b) the Crop Breeding Institute;

(c) the Cotton Research Institute;

(d) the Horticulture and Coffee Research Institute; and

(e) the Lowveld Research Institute.

The Division of Livestock and Pastures includes research on various aspects of livestock and pasture production as well as advisory and regulatory services for the bee, poultry, sheep, pig and dairy industries. Research is carried out at three major research stations and four associated stations. The Executive Branch is responsible for in-service training, report publication and for overall administration.

3. Agricultural Training

Agricultural training leading to diplomas or certificates is the responsibility of the Deputy Secretary for Technical Services in the MinAg. Training is provided at four institutions.[1/] The two Agricultural Colleges at Gwebi and Chibero provide 3-year diploma level training. The Esigodini and Mlezu Agricultural Institutes provide three-year certificate courses. All institutions provide both practical and theoretical training in a wide range of agricultural areas. Women students are now being accepted. Current annual output from these institutions is 80 diplomates and 70 certificate holders. Plans are underway to substantially expand their capacity with a target of 120 diplomates and 240 certificate graduates annually.

Degree personnel are trained at the Faculty of Agriculture of the University of Zimbabwe. The Faculty, established in 1980 after being a Department in the Faculty of Science previously, includes three Departments: Crop Science, Animal Science and Land Management. There are plans to add a Faculty of Veterinary Medicine. The output level to date is about 15 graduates per year. Current intake is 50 students per year with plans to increase intake to 80-90 by 1985. Plans also exist to

1/ Recently the agricultural training provided by the Rio Tinto Mining Company Institute has also been accepted as the basis for awarding an agricultural certificate. Output is 20 annually.

add a fourth, practical year to the current 3-year program.

4. Extension

As indicated, the principal agricultural extension organization is Agritex. The main objectives of Agritex are to:

(i) To implement the policy of Government in relation to the development of the agricultural industry of the country, taking into consideration rural development to create the necessary infrastructure essential for successful, productive and stable agriculture.

(ii) To increase the productivity of agriculture with special emphasis to the communal, resettlement and small-scale farmer areas through the media of agricultural extension.

(iii) To stimulate the adoption of appropriate, proven agricultural, conservation and management practices leading to increased and profitable production on a sustained basis.

(iv) To promote the development of the people on the land thus improving the standard of living and the quality of life of the rural people.

(v) To provide such necessary services to the commercial farmer in order to maintain and where possible increase productivity.

Agritex is headed by a Director and has a staff of over 1,600 men and women trained in various technical aspects of agriculture. The Director of Agritex is assisted by two Assistant Directors, one for the Division of Field Services and one for the Division of Technical Services. The Field Service operates in all eight provinces under a Provincial Agricultural Officer. Separate divisions for commercial and communal extension efforts are maintained below the Provincial Office. These divisions are staffed by group Conservation and Extension Officers, Extension Officers, Conservation Officers, Extension Supervisors, Extension Assistants and Conservation Assistants. Field Services are supported by subject-matter specialists from the Technical Services Division. Branches within this Division comprise Animal Production, Engineering, Irrigation, Planning and Training with subject-matter specialists from these Branches appointed as may be required.

5. Marketing

The conduct of agricultural marketing in Zimbabwe falls into controlled and uncontrolled areas. Marketing of controlled crops at fixed prices (maize, groundnuts, dairy products, beef, cotton, soyabeans, coffee, wheat and sorghum is through the already identified statutory marketing organizations. Cattle and sheep marketing is undertaken by the Cold Storage Commission which establishes a minimum price. These bodies own and operate marketing infrastructure such as buying points, storage facilities, transportation equipment and processing plants. All production of controlled products from the large scale commercial areas must, by law, be marketed through the appropriate marketing board. In all other areas of the country there are no area marketing controls but once production moves into the large scale commercial areas it becomes a controlled product and must be sold to the board concerned with the product unless the product is not for sale.

The statutory marketing boards, except the Tobacco Board, are regulated by the Agricultural Marketing Authority. This organization also arranges short-term finance required by the Boards in the Marketing process.

Non-controlled crops such as tobacco, poultry, vegetables, fruits, beans, sunflowers and pigs are handled by the private sector at competitively determined prices. Cooperatives are important in the marketing of some of these products but in other instances, private firms or auction markets are the primary channels.

For the smallholder, up to four marketing channels are available: (1) direct to the marketing board plants or depots; (2) through a system of "approved buyers" in smallholder areas (operated by the GMB only) 1/ (3) via cooperatives, the majority of which were initially established for marketing, and (4) through private dealers who buy and sell on their own account. In spite of alternatives, it is generally agreed that marketing services for smallholders have been inadequate although it must be recognized that providing this service for the limited marketed amounts is and could be very costly.

6. Credit

The major institutional sources of credit are commercial banks and the Agricultural Finance Cooporation. For smallholders, the only official source of credit is the AFC. The AFC is headquartered in Salisbury with two branch offices and 14 district officers. During 1980/81, the AFC made loans totalling $132.7 million, nearly 92 percent of which went to the commercial sub-sector. Eighty percent of the loans were short-term. The AFC's share of all short-term loans to agriculture amounts to a little over 41 percent.

The Small Farmer Credit Scheme has a staff of about 200 assigned to four area (Provincial) and 13 offices. Credit to smallholders is generally provided in kind on a package basis utilizing the cooperative system for the input supply. The credit is currently supplied for controlled crops on an individual farmer basis. Credit is provided only for certain crops in certain areas. For the individual crops, packages and inputs suitable for half a hectare are utilized. A package will contain items such as fertilizer and chemicals and equipment if necessary. The target is to develop group lending. Security is provided through stop orders in the marketing system. Current interest rates are 12 percent for short-term (seasonal) loans and medium term loans. Nearly all smallholder loans are short-term. In 1979/80, about 4,500 smallholders received a little over $2 million in credit. In 1980/81, the corresponding figures were 21,900 and $11 million. Targets for 1981/82 are 37,000 borrowers and $20.7 million in loans.

1/ The CSC also acts as a residual buyer at cattle auctions. This is a form of "buying point".

7. Cooperatives

The cooperative movement in Zimbabwe has been developed in two channels. The commercial subsector is organized into a relatively small number of large, well-managed and powerful, principally supply, cooperatives. These cooperatives are represented by an apex organization the Commercial Farmers' Union (CFU) which acts as the voice of the commercial sector in dealing with the GOZ.

The smallholder subsector cooperative movement is made of of a Central Association (the Zimbabwe National Farmers' Union: ZNFU) 12 cooperative unions and 331 cooperative societies (58 of the societies operate in the smallholder commercial areas). Of this registered number not all are now active; some stopped operating during the war and have not yet been reactivated. These organizations are wholly owned by the estimated 45,000 members. Membership comes from both purchase land and communal area farmers with about 50 percent of the farmers in the purchase areas and about 6 percent of the farmers in the communal areas being served. Turnover for 1980 was $20.5 million compared to $4.8 million in 1979. While the majority of the turnover was in the supply of agricultural inputs, the marketing of produce accounted for $4.9 million. The GOZ supports the development of the cooperative movement by providing a cooperative extension service (the Marketing and Cooperative Services Section) in the Ministry of Lands, Resettlement and Rural Development. The Section is headed by a Director and Deputy Directors with two Assistant Directors for Development and Technical. There are 10 Provincial Marketing Cooperative Services Officers with two posted in Salisbury and eight in the provinces. The officers are assisted by Marketing and Cooperative Services Officers (16), Marketing and Cooperative Services Extension Officers (26), Senior Assistants (28), Assistants(39) and Miscellaneous staff (34).

The GOZ has announced plans to encourage further development of cooperatives for supply and marketing purposes. A total of 37 Central Depots and 390 Distribution/Collection Centers at a cost of $6 million are planned. It is also expected that a single apex organization combining the ZNFU and the CFU will soon be established.

PLEASE QUOTE REFERENCE NUMBER

ANNEX B

Telegrams: "ECONPLAN"
Telex: 2141
Telephone: 794571
Private Bag 7752, Causeway.

ZIMBABWE

Reference: B76/47

MINISTRY OF ECONOMIC PLANNING AND DEVELOPMENT,
Milton Building,
Samora Machel Avenue,
~~Salisbury~~ Harare.

16th July, 1982.

Director for USAID,
1 Pascoe Avenue,
P.O. Box 6G81,
HARARE.

Dear Mr Shortlidge,

ZIMBABWE AGRICULTURAL SECTOR ASSISTANCE PROGRAMME

Please refer to our meeting of 8th July, 1982 at which the above programme was discussed. The programme document is acceptable to the Government of Zimbabwe.

The Government of Zimbabwe places great emphasis on the development of our agricultural resources. Of particular priority is the expansion of services and resources to small holders to enable them to increase their productivity and subsequently their income. The above programme which we have developed jointly with you will greatly assist us in this expansion through the addition of resources to overcome selected key constraints.

We have already indicated our general agreement with the assistance outlined and the flexible programming system proposed for the resources to be provided. On behalf of the Government of Zimbabwe, I therefore request U.S.$45 million for the Agricultural Sector Support Programme (613-0209).

We hope that this request will be acted upon as quickly as possible so that we can begin to fund proposals developed by the implementing organisations before the end of the year.

Yours sincerely,

p.p. T.E. MSWAKA
SECRETARY FOR ECONOMIC PLANNING AND DEVELOPMENT

LC/LFM

STATISTICAL ANNEX

TABLE I

NATIONAL INCOME

Z $ million

Item	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Wages and—salaries	**625**	**699**	**781**	**904**	**1 049**	**1 154**	**1 249**	**1 335**	**1 501**	**1 881**
Rent										
Imputed for owner-occupied dwellings	17	19	21	22	22	23	24	22	21	21
Central and local government	11	12	14	15	17	19	21	22	23	24
Total	**28**	**31**	**35**	**37**	**39**	**42**	**45**	**44**	**44**	**45**
Gross operating profit*										
Unincorporated enterprises	166	188	159	237	225	246	238	219	276	385
Companies (non-financial)	286	345	419	532	532	546	479	510	751	949
Financial institutions	17	24	27	34	42	44	49	54	61	84
Public corporations (non-financial)	51	60	41	70	62	83	72	122	75	42
Central and local government—enterprises (non-financial)	18	19	21	19	19	18	20	21	29	32
Less imputed banking service charges	−23	−30	−33	−42	−52	−56	−65	−69	−82	−106
Total	**515**	**606**	**634**	**850**	**828**	**881**	**793**	**857**	**1 110**	**1 386**
Gross domestic income (factor cost)	**1 168**	**1 334**	**1 450**	**1 791**	**1 916**	**2 077**	**2 087**	**2 236**	**2 655**	**3 312**
Plus indirect taxes	98	107	118	129	137	170	223	238	262	268
Less subsidies	−22	−24	−15	−59	−41	−68	−94	−135	−92	−100
Gross domestic income (market prices)	**1 244**	**1 419**	**1 553**	**1 861**	**2 012**	**2 179**	**2 216**	**2 339**	**2 825**	**3 480**
Less net investment income paid abroad†	−30	−35	−39	−40	−31	−43	−30	−25	−25	−22
Gross national income (market prices)	**1 214**	**1 384**	**1 514**	**1 821**	**1 981**	**2 136**	**2 186**	**2 314**	**2 800**	**3 458**
Gross national income at 1965 prices	**1 098**	**1 204**	**1 241**	**1 357**	**1 338**	**1 319**	**1 221**	**1 183**	**1 273**	**1 422**

* Before receipt or payment of interest and dividends and before allowing for depreciation.

† As from 1975, figures include: (*a*) Income from National Railways of Zimbabwe operations in Botswana.
(*b*) Migrants income remitted abroad.

TABLE II

GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY OF ORIGIN

Z $ million

Item	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture and forestry	200	234	215	315	323	350	334	305	316	469
Mining and quarrying	72	76	104	136	131	152	149	158	188	264
Manufacturing	251	297	343	421	447	480	460	514	679	796
Electricity and water	34	38	41	42	50	57	56	64	71	87
Construction	58	74	81	82	94	88	84	68	75	96
Financial and insurance	41	53	59	73	86	92	102	109	159	159
Real estate	35	39	43	46	44	47	47	45	44	45
Distribution, hotels and restaurants	171	192	198	258	258	262	242	296	367	466
Transport and communications	103	114	122	138	159	172	184	191	211	257
Public administration	71	79	93	109	130	163	204	241	266	287
Education	40	43	48	55	65	73	76	86	98	169
Health	25	27	28	33	38	43	49	54	63	73
Domestic services	33	35	37	40	45	49	52	54	53	65
Other services, n.e.s.	57	65	71	85	98	105	113	120	147	185
Less imputed banking service charges	−23	−30	−33	42	52	−56	−65	−69	−82	−106
Gross domestic product (factor cost)	**1 168**	**1 336**	**1 450**	**1 791**	**1 916**	**2 077**	**2 087**	**2 236**	**2 655**	**3 312**

Source: Central Statistical Office

TABLE III

HISTORICAL TRENDS IN THE ZIMBABWE ECONOMY

(1965 Z$ Million)

	Gross Domestic Product (Market Prices)	Gross Fixed Capital Formation (% of GDP)	GDP per Capita (Market Prices)	Gross Fixed Capital Formation	Annual Real Growth Rate (GDP per capita)	Inflation Rate
1965	737	13.2	164	97	-	-
1966	749	10.9	162	82	-1.2	-2.0
1967	810	12.0	169	97	4.3	1.0
1968	826	16.6	167	137	-1.2	4.0
1969	944	13.8	184	130	10.2	2.9
1970	980	15.3	185	150	0.5	3.8
1971	1,098	16.3	200	178	8.1	2.7
1972	1,204	16.1	211	194	5.5	4.4
1973	1,241	19.2	211	238	0	5.9
1974	1,357	20.0	223	272	5.7	9.6
1975	1,345	19.9	213	267	-4.5	9.5
1976	1,325	15.5	203	205	-4.7	9.3
1977	1,229	13.7	182	168	-10.3	10.4
1978	1,188	11.2	171	133	-4.9	8.8
1979	1,192	11.9	167	155	-2.3	10.7
1980	1,353	12.9	185	176	9.5	9.7
1981*	1,468	n.a.	194	n.a.	5.0	15.0

Source: Central Statistical Office

* Estimated

TABLE IV

ZIMBABWE: WAGE EMPLOYMENT BY SECTOR

(Thousand)

	1964	1966	1968	1970	1972	1974	1976	1978	1980	1981
Agriculture	299.5	278.4	288.6	297.8	342.2	365.6	356.1	341.4	327.0	287.0 (Estimate)
Mining	44.4	48.5	51.7	57.2	58.4	62.0	63.8	58.1	65.8	68.4
Manufacturing	76.7	80.5	95.8	114.7	130.7	151.3	153.6	139.3	159.2	174.1
Electricity, Water	4.9	5.1	5.5	5.6	6.1	6.9	6.7	6.5	6.7	6.5
Construction	26.9	27.8	34.2	42.4	49.5	64.3	51.6	40.9	42.1	47.2
Finance, Insurance, Real Estate	7.6	7.9	8.2	9.0	10.4	11.6	12.1	12.0	12.5	13.8
Distribution	61.5	56.1	61.8	65.6	72.1	76.2	74.7	69.1	70.3	75.4
Transportation	33.3	35.8	36.2	36.5	41.0	43.8	45.7	44.0	45.5	48.9
Public Administration	26.7	31.8	35.5	39.0	40.1	43.4	53.8	68.3	70.8	83.4
Education	27.8	30.2	30.2	31.0	31.9	34.7	36.9	34.9	41.6	59.1
Health	8.8	9.4	10.2	10.7	12.1	13.0	13.5	14.7	15.3	16.3
Private Domestic	93.7	95.7	102.0	109.3	119.4	124.4	122.8	115.9	105.1	104.7
Other Service	24.5	27.8	30.1	34.5	38.9	42.7	42.1	41.1	43.9	47.3
Total	736.0	735.0	790.0	853.0	953.0	1040.0	1033.0	986.0	1005.8	1032.1

Government of Zimbabwe, Central Statistical Office, Supplement to the Monthly Digest of Statistics, April, 1981, March, 1982.

ZIMBABWE: CENTRAL GOVERNMENT BUDGET ACCOUNT EXPENDITURES

(Z$ Million)

	1978-79	1979-80 Actual	1980-81	1981-82 Estimated	July-Dec. 1981-82 Actual	July-Dec as % of Estimated
REVENUE						
Income on Profit Tax	261	316	437	612	322	52.6
Sales Tax	148	171	180	288	126	43.8
Customs Duties	22	22	59	141	68	48.2
Other taxes	44	53	101	150	70	46.7
Revenue from Investment	44	48	62	54	13	24.1
Other Revenue	61	66	110	102	36	35.5
TOTAL REVENUE	580	676	949	1347	635	47.1
EXPENDITURE						
Recurrent Expenditure	482	614	606	762	376	49.4
Defence and Police	(240)	(358)	(308)	(362)	(192)	53.0
Education	(90)	(119)	(208)	(272)	(121)	44.4
Health	(46)	(53)	(77)	(108)	(47)	43.5
Capital Expenditure	54	55	65	142	37	26.1
Transfers	324	538	532	756	320	42.3
Subsidies	(123)	(91)	(106)	(161)	(91)	36.5
TOTAL EXPENDITURE	860	1026 1/	1203	1659 1/	733	44.2
DEFICIT(-) SURPLUS (+)	-280	-350	-254	-312	-98	31.5
Repayments and other Cash Outflows	-85	-135	-259	-348	-121	34.8
TOTAL	-365	-485	-513	-660	-219	33.2
Financed by Loan Recoveries	13	13	10	12	5	41.7
International Aid	0	0	8	124	2	1.6
Domestic Borrowing	211	357	310	295	154	52.2
Foreign Borrowing	129	96	40	308	115	37.3
Other	12	19	145	-79	-57	72.2
TOTAL OUTLAYS AS % OF GDP	38.2	32.8	31.2	35.5	15.7	44.1
DEFICIT AS % OF GDP	12.4	11.2	6.6	6.7	2.1	31.3

1/ Total is under/overstated by Z$1 million due to rounding.

TABLE VI

ZIMBABWE: CENTRAL AND LOCAL GOVERNMENT DEBT

(Z$ million)

Year End Dec. 31	Domestic Debt of Local Government	Domestic Debt Central Government	Total Domestic Debt	Foreign Debt	Total Debt	Debt GDP	Foreig Debt/ GDP
1964	49	244	293	178	471	.69	.26
1965	47	259	306	174	480	.65	.24
1966	44	344	388	172	560	.76	.23
1967	40	416	456	148	604	.75	.18
1968	44	412	456	144	600	.71	.17
1979	45	426	471	137	608	.61	.14
1970	47	480	527	125	652	.61	.12
1971	51	481	531	121	652	.52	.10
1972	59	513	572	119	691	.49	.08
1973	73	551	624	100	724	.47	.06
1974	94	600	694	95	789	.42	.05
1975	108	597	705	74	799	.40	.04
1976	125	706	831	78	909	.42	.04
1977	139	776	915	89	1,004	.45	.04
1978	153	923	1,076	224	1,300	.56	.10
1979	168	1,126	1,294	353	1,647	.67	.14
1980	185	1,429	1,614	415	2,029	.62	.12
1981*	212	1,584	1,796	514	2,310	.54	.12

Source: Central Statistical Office, Supplement to the Monthly Digest of Statistics, April, 1981

*Estimated

TABLE VII

Zimbabwe Balance of Payments Accounts

(U.S. $ Million)

	Actual						Preliminary	Projected		
CURRENT ACCOUNT	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Goods	76	248	223	270	206	100	-45	-63	-165	-352
Imports	-791	-672	-651	-657	-882	-1373	-1433	-1484	-2282	-2624
Exports	868	920	874	927	1089	1473	1338	1921	2117	2272
Services (Net)	-85	-100	-119	-142	-160	-219	-215)	-415	-465	-572
Factor Payments (Net)	-49	-69	-47	-73	-102	-73	-115)			
Private Transfers	-37	-54	-60	-16	-56	-123	-150	-120	-91	-85
Official Transfers	0	0	0	0	0	59	128	231	137	225
Balance in Current Accounts	-114	25	-2	39	-112	-256	-447	-367	-586	-784
Net Capital Transactions										
Government	-6	-7	-9	180	175	-34	48)	198	459	500
Public Authorities	-4	5	-3	-6	-10	-5	156)			
Other	102	-4	-5	-140	91	159	99	100	125	150
Total capital and current Balance equals (-) net* Change in Reserves	+22	-14	+19	-73	-144	+136	-144	+69	+2	+134

Source: Ministry of Finance, Government of Zimbabwe

*Includes net errors and omissions

TABLE VIII

Zimbabwe: Export Shares by Commodity

1979-1981

(Percentages)

	1979	1980	1981
Agriculture	24.8	27.8	41.7
Maize	2.5	0.9	3.9
Sugar	3.0	5.6	6.1
Tobacco	12.5	14.5	25.0
Cotton Lint	6.8	6.8	6.7
Mining	32.0	31.8	23.7
Gold	10.0	12.2	7.1
Asbestos	10.4	9.4	8.5
Copper	4.6	2.9	2.0
Nickel	5.6	6.2	5.2
Tin	1.4	1.1	0.9
Manufacturing	42.2	40.5	32.4
Ferro-Alloys	6.8	10.4	8.9
Iron and Steel	10.9	11.0	7.4
Other Crude Materials	14.9	10.9	9.1
Other Manufacturing	9.6	8.2	9.0
TOTAL	100.0	100.0	100.0

Source: Monthly Digest of Statistics, March, 1982 (Central Statistics Office, Harare)

TABLE IX

Zimbabwe: External Debt and Reserve Position

	Foreign Assets (Million US$)	Imports (Million US$)	Months of Import Coverage of Reserves	External Debt (Million US$)	External Debt/GDP
1975	116.6	791.4	1.8	118.5	.037
1976	121.2	672.0	2.2	[illegible]	.036
1977	107.5	651.1	2.0	137.4	.040
1978	185.2	656.6	3.4	331.9	.096
1979	267.6	882.4	3.6	523.6	.144
1980	329.2	314.1	3.6	657.8	.147
1981	[illegible]89.8	433.0	2.5	983.3	.172

TABLE X

ZIMBABWE: MONEY SUPPLY AGGREGATES

	M_1 (Z$ Million)	M_2	M_2/GDP	M_2 % Change	Interest Rates Discount Rate	% Change In Prices (GDP Deflator)
1975	324	441	.223	-	4.25	10.3%
1976	352	518	.243	17.5	4.00	9.4
1977	375	552	.253	6.6	3.75	10.6
1978	415	626	.271	13.4	3.60	9.3
1979	463	710	.254	13.4	3.60	12.5
1980	633	952	.275	34.1	4.00	10.6
1981	679	1035	.243	8.7	9.50	15.0% *

* Estimated

Source: Quarterly Economic And Statistical Review, March, 1982
Reserve Bank Of Zimbabwe

TABLE XI

ZIMBABWE: MAJOR SUPPLIERS OF IMPORTS

(Z$' 000)

Country	August/December 1980	January/December 1980
South Africa	104,676	257,375
U.K.	32,242	101,922
U.S.	27,825	74,423
West Germany	25,699	73,773
Japan	16,238	61,597
France	7,796	37,130
Belgium	4,188	16,697
Netherlands	6,449	23,439
Mozambique	1,408	18,965
Switzerland	6,810	21,447
Zambia	10,438	24,635
Italy	6,378	21,116
Petroleum - Other	75,184	148,672
Other Countries	55,707	143,697
Returned Exports	1,187	2,785
TOTAL	$382,225	$1,027,675

Source: Central Statistical Office

TABLE XII

ZIMBABWE: VALUE OF SELECTED IMPORTS RELATED TO THE AGRICULTURAL SECTOR

(Z$' 000)

	1979	1980	1981
Nitrogeneous Fertilizer Material	1,312	4,800	13,928
Other Fertilizer Materials	2,622	4,778	8,682
Insecticides and Disinfectants	13,158	15,894	18,486
Bags and Sacks	2,947	6,771	13,016
Farming Machinery	8,181	17,355	18,685
Pumps and Centrifuges 1/	1,884	3,437	3,865
Buses and Trucks			
Chassis and Components 1/	8,690	15,607	32,098
Motor Spares 1/	17,327	22,664	29,378
TOTAL	$56,121	$91,306	$138,138

1/ It is recognised that these items are not exclusively for the agricultural sector. However, the agricultural sector does absorb a substantial percentage.

Source: Central Statistical Office

TABLE XIII

LAND ALLOCATION BY NATURAL REGION (MILLION HA)

Natural Region	Communal Area	Small-scale Commercial	Large-scale Commercial	Forest National Park	Total	Percent
NR I	0.14	0.01	0.43	0.12	0.70	2
NR II	1.27	0.25	4.33	0.01	5.86	15
NR III	2.82	0.54	3.24	0.69	7.29	18
NR IV	7.34	0.52	4.03	2.89	14.78	38
NR V	4.78	0.10	3.65	1.91	10.44	27
TOTAL	16.35	1.42	15.68	5.62	39.07	100
PERCENTAGE	42	4	40	14	100	

TABLE XIV

PRODUCTION OF MAJOR CROPS 1970/71 AND 1976/77 TO 1980/81 ('000 MT)

	1970/71	1976/77	1977/78	1978/79	1979/80	1980/81
Maize	1 803	1 658	1 646	1 270	1 254	2 880
Tobacco	59	83	81	105	117	75
Cotton	140	154	169	151	160	175
Groundnuts	153	151	135	122	82	229
Wheat	87	164	203	153	154	164
Sorghum	75	61	79	52	101	146
Soyabeans	9	50	78	89	81	65
Coffee	1	5	4	5	4	5

Source: Ministry of Agriculture
Central Statistical Office

TABLE XV

VALUE OF MARKETED PRODUCTION

FOR MAJOR AGRICULTURAL COMMODITIES

Unit:Z$Million

	1970/71 1/	1976/77	1977/78	1978/79	1979/80	1980/81
Tobacco	22.817	80.315	69.281	84,004	94.200	99.557
Beef (Slaughtered) 2/	30.075	70.537	85.556	82.162	86.748	85.660
Cotton	14.044	46.818	49.997	53.303	54.871	70.515
Maize	24.674	51.669	48.649	45.594	30.882	72.062
Sugar	14.210	36.216	29.005	28.269	33.466	76.613
Dairy Products 2/	7.762	15.887	15.973	16.481	21.552	27.154
Groundnuts	844	7.283	2.838	3.587	3.400	4.513
Wheat	4.032	17.583	20.821	22.472	18.110	22.112
Coffee	.491	9.290	8.727	9.376	10.565	12.385
Soyabeans	628	4.611	5.919	9.729	11.853	14.944
Sorghum	112	.740	1.028	1.165	1.505	1.741

1/ On an April-March basis

2/ On a calendar year basis

Source: Central Statistical Office

TABLE XVI

PROJECTED OUTPUTS - COLLEGES AND INSTITUTES : 1982-1989

C E R T I F I C A T E S

Year	Mlezu	Esigodini	Rio Tinto	Total
1982	30	17	20	67
1983	23	17	20	60
1984	70	20	20	110
1985	80	20	40	140
1986	80	20	40	140
1987	200	40	40	280
1988	200	40	40	280
1989	200	40	40	280
TOTAL	883	214	260	1,357

D I P L O M A T E S

Year	Chibero	Gwebi	3rd College	Total
1982	40	40	-	80
1983	40	40	-	80
1984	40	40	-	80
1985	40	40	-	80
1986	60	60	-	120
1987	60	60	-	120
1988	60	60	40	160
1989	60	60	40	160
TOTAL	400	400	80	880

Source: Ministry of Agriculture

TABLE XVII

ZIMBABWE: DEVELOPMENT OF PRIMARY AGRICULTURAL COOPERATIVES [1/]

Year	No. of Societies	Membership	Share Capital Z$	Turnover Z$
1956	2	187	748	842
1960	21	1,830	7,292	143,374
1965	169	14,742	40,716	1,258,932
1970	283	27,397	73,413	2,000,720
1975	310	39,675	107,988	4,934,829
1976	328	41,258	110,490	5,260,143
1977	327	40,996	110,942	3,494,029
1979	326	41,132	108,365	3,321,004
1979	326	40,630	108,766	3.525.410
1980	331	44,863	$126,717	$14,744,161

1/ This does not include the Commercial Farmers' Union or Cooperatives in the commercial sector

TABLE XVIII

AGRICULTURAL FINANCE CORPORATION LENDING

	Commercial Sector		Communal or Purchase Areas	
Year	Loans	Millions of Z$	Loans	Millions of Z$
1975/76	2,300	43,8		
1976/77	2,500	53,2		
1977/78	2,400	57,5		
1978/79	2,700	69,0		
1978/80	2,200	75,6	4,400	1,6
1980/81	2,500	87,5	21,300	7,9
1981/82			37,000	14,8
1982/82			44,500	20,8
1983/84			54,200	28,5
1984			64,600	38,4

Source: AFC, 1981 Annual Report, pp. 7-11

1/ Z$750,000 is for medium-term credit for farms, fences, machinery, boreholes, etc. but not irrigation schemes.

TABLE XIX

ZIMBABWE: AREA UNDER IRRIGATION

	Approx. Area (Ha.)
Large company estates	30,400
Commercial settler farms	11,500
Privately developed commercial farm units	90,000
Tilcor estates and settlers	6,000
Official communal land schemes	4,400
Unofficial communal land schemes	700±
TOTAL	143,000

Source: Hawkins Associates. IRRIGATION IN ZIMBABWE April, 1982 p. 9

TABLE XX

ZIMBABWE: SUMMARY OF WATER AVAILABILITY AND POTENTIAL YIELD FROM SURFACE WATER RESOURCES

Total Potential 10^3m^3	Existing Commitment 10^3m^3	Balance Available 10^3m^3	Existing Storage 10^3m^3	Proposed Storage 10^3m^3	Total Storage 10^3m^3
603 100	133 970	469 130	99 833	3 834 224	3 934 057
1 286 500	413 600	872 900	245 233	4 604 490	4 849 723
2 078 500	517 100	1 561 400	803 100	1 892 500	2 695 600
1 790 200	323 700	1 466 500	88 052	6 126 990	6 215 042
1 040 600	48 100	992 590	8 925	3 655 120	3 664 045
2 602 600	654 700	1 947 900	331 788	5 252 750	5 584 537
1 642 372	768 732	873 640	1 972 855	6 280 960	8 253 815
329 000	161 000	168 000	454 300	1 759 100	2 213 400
11 372 872	3 020 812	8 352 060	4 004 085	33 406 134	37 410 219

Figures based on 10% yields. Total Potential assumes development of Storage - 3xMAR.

Source: Ministry of Water Development

ECONOMIC BACKGROUND

A. General

(1) Macro-Economic Setting

The basic data on the Zimbabwe economy are presented in the Statistical Annex. While a small, lower middle income country by international standards (per capita GNP was U.S.$694 in 1980), the economy is the largest in Southern Africa after South Africa in terms of total GDP, equal to the total of Mozambique and Angola combined. The most dominant feature of the economy is its diversity, despite its modest size. The Census of Production 1979-80 lists 200 mining units and 1,342 manufacturing units, some of which are branches of parent firms. There are, in addition, some 4-5,000 commercial farms. The primary and secondary sectors of the economy contain 8,246 production units with an average net output of $212,000 each. Despite the relatively small scale, the range of products is impressive. The range of outputs includes over twelve main agricultural crops, ten minerals, and 6,200 distinct manufactured goods. 1/

The major agricultural crops are tobacco, cotton, maize, sugar, wheat, beef and dairy products, groundnuts, tea and coffee. The mining industry produces a number of products including gold, asbestos, nickel, copper and chrome. The main manufacturing industries are iron, steel, and metal fabrication (26%), chemicals and petro-chemicals (14%), food processing (14%), beverages and tobacco (11%) and textiles (19%).

Gross output of the manufacturing sector equalled $375 per capita in 1979, on a par with such middle-income countries as Peru, Philippines and Ivory Coast. Equally important, the distribution of manufacturing among industries, with large chemical and metal industries, demonstrates the high degree of development of the sector.

The economy is well-endowed with infrastructure -- a rail system connecting all major economic centers as well as four links to ports in South Africa and Mozambique, 10,000 kilometers of road, and a widespread telecommunications system. With the completion in 1985 of a major thermal electric complex at Hwange (formerly Wankie), the country will be self-sufficient in electricity generation. Similarly, Zimbabwe has a much more sophisticated financial structure than is typically the case in an economy of this size, due in part to the restrictions which sanctions placed on access to international capital markets.

1/ Report of the Commission of Inquiry into Incomes, Prices and Conditions of Service (Harare, 1981) p.196.

Gross Domestic Income in 1980 amounted to Z$3.3 billion which was roughly shared between wage and salary earners and investors on a 2:1 basis. Thus, corporations, unincorporated enterprises which are mostly private farms, and parastatals had gross operating profits of approximately Z$1.1 billion. However, investment expenditures in the private sector were very low, about Z$250 million in 1980 or 8% of GDP. Consumption expenditures have averaged approximately 60% of GDP over the latter half of the 1970's, while government non-capital expenditures have increased throughout the period, reaching 23% in 1980.

While the economy is large, diversified and sophisticated by African standards, it is also extremely dualistic. The modern economy produces 95% of GDP, probably 98% of domestic savings, probably 95% or more of tax revenues, and 97% of export earnings, while the traditional economy provides the main source of livelihood for over 60% of the population. The modern economy is highly diversified, with important agricultural, mining, manufacturing and service sectors, but the traditional economy is largely concentrated in agriculture with informal sector activities in manufacturing and services also being important. Specialization of labor and the use of modern technology (obsolescent in some areas because of a continuing inability to import new capital equipment) characterize the modern sector while the traditional sector is characterized by general self-subsistence, limited specialization of labor and traditional technologies. The two economic areas are as different as the tractor and the hoe. Consequently, income per capita is 28 times higher in the modern economy as it is in the traditional one.

The primary task facing the present government is to redress the inequities inherent in the economy without at the same time eroding the vitality of the modern sector, which offers the best hope for increasing African standards of living in the future and for meeting the demand for a non-South African source of food and manufactures within the region.

(2) Recent Economic Trends

Between 1969 and 1974, the Zimbabwean economy experienced a rate of growth of GDP of 7.4% per annum and a rate of growth of per capita income of approximately 4% per year. Between 1975 and 1978, GDP, in real terms, fell by 12.1 percent, and in per capita terms the decline was over 20 percent. Indeed, by the end of 1979, real per capita income was only three Zimbabwe dollars greater than per capita income in 1964.

However, with the Lancaster House Settlement in 1980, the ending of sanctions and reopening of the economy, there was a substantial recovery on almost every economic front in 1980 and 1981. Real GNP rose by 22 percent for the two years, per capita income by a very respectable 15 percent while inflation averaged 12.5 percent per year. The recovery was fueled by an increase in demand in all sectors, particularly investment, a substantial increase in the terms of trade and a bumper agricultural crop. Consequently, import volumes increased by 72 percent between 1979 and 1981. The flood of imports enabled the economy to respond to rapidly expanding demand pressures.

The 1980/81 recovery was eased by the substantial excess capacity in the economy. Future growth is likely to be supply-constrained, and it will be some time before the economy replicates the economic performance of the past two years. Indeed some observers doubt that 1982 will see any real gains in per capita income although total GDP should grow by about 4 percent as the world recession, coupled with the effect of the recent drought on agricultural output, make themselves felt

B. Foreign Exchange and the Balance of Payments

(1) Balance of Payments

In December 1980, the Reserve Bank of Zimbabwe held U.S.$270 million, while the banking system held an additional U.S.$59 million, sufficient to cover three months of imports at 1980 levels, a rate somewhat higher than the average middle-income country. By December 1981, reserves had fallen to a level of U.S.$290 million, a little more than two months' import cover. Even this balance of payments picture is largely due to very stringent foreign exchange controls in the importation of goods and in the movement of capital. There are no hard estimates on the effect upon the deficit of removing exchange controls, but guesses range from U.S.$1,000 million to upwards of U.S.$2,000 million.

(2) Current Account

While the trade balance had been positive from 1975 to 1980, ranging from U.S.$76 million in 1975 to a peak of U.S.$270 million in 1978, a deficit of U.S.$45 million was recorded in 1981. Current estimates suggest a continuation of this situation with negative trade balances of U.S.$63 million in 1982 and U.S.$165 million in 1983. The main factors in this deteriorating situation have been the continuing growth in the volume of imports (up an estimated 30 percent in 1981) and the stagnation of exports in 1981. Partly this was due to a decline in the prices of certain key products (particularly gold, copper and tin) and partly to bottlenecks in the transport network, which seem to have been largely removed by the early part of 1982. But, in major part, the slowdown in export growth has been due to the failure of the industrial sector to expand production. Also, despite a substantial increase in the price of most minerals between 1975 and 1980, the output of the mining sector stagnated, largely because costs have risen faster than prices, the wage bill tripled between 1975 and 1981 while prices increased by two and a half times, and mining tonnage actually declined. When prices softened in 1981, the industry's inability to expand output led to a reduction in mineral and metallic product exports of $77.5 million, not including a decline in gold sales of an additional $71.8 million. In part, this failure in the mining and manufacturing sectors was offset by the excellent export performance of agriculture, particularly tobacco, which increased by $142 million. Nevertheless, the small increase in total export earnings in 1981 was due entirely to price changes. Export volumes actually declined.

The services account is also normally in deficit due to freight and insurance charges but also to a negative tourism and travel account. This deficit, which reach U.S.$215 million in 1981, is expected to grow even higher in 1982 and 1983.

Turning to factor payments, the government has strict restrictions on repatriation of profits, allowing foreign corporations to remit no more than 50% of after-tax profits. Because of sanctions, repatriation of profits to firms in the United States, United Kingdom and Canada were totally blocked during the UDI period. The unblocking of United States and United Kingdom assets is leading to increased dividend outflows which reached U.S.$115 million in 1981. The combined net outflow for services and factor payments is expected to reach U.S.$415 million in 1982 and U.S.$465 million in 1983.

Despite aid flows, the transfer balance remained negative through 1981. Partly this is due to the emigration of whites together with their goods, the payment of pensions and other remittances. In 1982, a positive transfer balance of U.S.$111 million is forecast. As disbursements from ZIMCORD increase, this is expected to reach U.S.$140 million by 1984.

Overall the balance of payments on current account was in deficit by U.S.$447 million in 1981 with a slight decline expected to U.S.$367 million in 1982 before again increasing in 1983 and 1984 to U.S.$586 million and U.S.$784 million respectively. (See Table VII in the Statistical Annex).

(3) Capital Account

Major capital flows during the next few years are expected to come from foreign assistance and commercial borrowing by public corporations for major infrastructure projects. However, funds from the various aid agreements are flowing more slowly than previously expected. According to government figures, aid flows in 1980 were only $60 million and were expected to reach $190 million in 1981. Only the United States, the United Kingdom and the World Bank, among major donors, have provided the substantial amounts of quick-disbursing non-project assistance needed to relieve the balance of payments difficulties. According to GOZ figures, aid flows for the next few years are expected to continue to increase slowly. Thus, in the next 2-3 years, there will not be large aid flows. Nor is it expected that direct private investment will be substantially positive through 1984. As of now, the major source of external capital flows, aside from foreign assistance, will be commercial borrowing by public corporations for major infrastructure projects. Excluding ZIMCORD loans, the government is expected to make larger repayments than borrowings. However, whether these plans will be actualized is a serious question. It well may be that drawdowns of foreign assets, along with substantial domestic budgetary financing needs, may force the GOZ to enter international capital markets to a much larger extent than is currently planned. In fact, this is already happening. In 1981, GOZ and parastatal organization borrowing abroad resulted in a net increase in foreign liabilities of some U.S.$575 million, or a 45 percent increase over the previous year.

An element in the balance of payments picture that remains unclear is Zimbabwe's relationship with the IMF. To date, Zimbabwe has drawn only an initial tranche of U.S.$50 million from the IMF. The Zimbabwean authorities have demonstrated willingness to undertake structural adjustments in respect to money supply, interest rates and the budget which could lead to an additional standby amount. To the extent that funds are forthcoming from the IMF, the GOZ can avoid entering commercial markets to meet foreign exchange and budgetary gaps.

C. Government Budget

(1) Expenditures

A consolidated expenditures account for the fiscal years from 1979/80 and 1981/82 is presented in Table V in the Statistical Annex. Total expenditures in 1981/82 are projected to increase by 37.9 percent over 1980/81, while revenues are projected to increase by 41.9 percent. Thus, the government deficit, which was 26.8% of total expenditures in 1980/81, would decline to 23.2% of total expenditures in 1981/82.

This indicates that, although total outlays as a percentage of GDP have not appreciably increased, the government has been able to increase revenues 27% faster than the increase in GDP. This is partly due to an increase in taxation and partly due to the natural bouyancy of the tax structure and the consequent rapid expansion of the tax base as monetary GDP increased. Therefore, by 1980/81, the deficit fell from 13% of GDP to 6.6%. Preliminary figures for the first half of the 1981/82 fiscal year indicate a further decline in the deficit to perhaps 4% of GDP. Although nominal tax rates are very high (corporate tax rates exceed 50.9%), the effective tax rate is much lower (about 25% for corporations) and should not seriously affect investment incentives.

While the government seems dedicated to continued fiscal austerity, including a reduction of subsidies, several problems remain. In the first place, government capital formation has remained virtually constant for the last four years, and despite the projected increase in 1981/82, actual capital expenditure is likely to remain at the level of Z$80 million. Consequently, Government continues to be a net dissaver, taking savings from the private sector to pay for current expenditures. (It should be noted that some of these current expenditures, particularly for education and health, are actually investment.) It is estimated that government dissaving (deficit, less capital formation) will equal 4.4% of GDP in 1981/82.

Secondly, Government has been forced to resort increasingly to foreign borrowing to pay for its deficits, as domestic borrowing in 1980/81 touched off a rapid expansion of the money supply and an upsurge in inflation. As foreign borrowing begins to reach levels of concern, and as domestic borrowing is constrained by tight monetary policy, few financing options are open to the government. Only one financing source seems available for rapid expansion and that is aid flows, which have been minimal so far. Consequently, budget austerity must remain the watchword for the next several years.

(2) Resources

As suggested earlier, probably more than 90% of tax revenues is derived from the modern economy. For the 1981/82 budget year, 45% of tax revenues is expected from income and profits taxes and another 43% from indirect taxes. Since food and rent are excluded from indirect taxation, and since income taxes are only levied on families with incomes in excess of Z$4,500, the tax structure is probably progressive on the whole. Non-tax revenues account for about 12% of total resources and are divided between payments for services and use of property (45%) and a variety of miscellaneous transfers.

At the present time, taxes represent about 25% of the total national income. To meet expenditures, the government has raised tax levels. However, there are serious problems attached to increasing the rates of direct taxation, which are 51.75% on corporations and probably average 35% on personal income, any further. Early in 1980, the government instituted new sales and excise taxes in order to reduce the deficit in fiscal year 1980/81. In 1981, sales, customs, gasoline and other taxes were again raised.

(3) Financing the Government Deficit

Clearly a problem facing the Government of Zimbabwe is financing the continuing deficits which are likely to occur over the next few years. In the past, the government has largely relied on the domestic market to finance its deficits, borrowing about Z$1,700 million over the past six years, including Z$210 million in FY 1980/81. Consequently, total domestic debt by December 1981 reached $2,140 million, or over one-third of GDP.

Domestic borrowings of this magnitude were possible in the past because of the highly liquid nature of the private sector. With low investor confidence, coupled with strict foreign exchange controls, the private sector had savings substantially in excess of investment requirements. Consequently, even with substantial government borrowing, interest rates remained at low levels, ranging from 4-½% for month bills to 10-¼% for commercial mortgages. The average yield on local stocks was 10-12% while government stock yield ranged from 4.05% on one-year certificates to 9.7% on 30-year certificates. Given the underlying inflation rate of 8-10%, almost all of these returns were negative in real terms. However, after the dramatic increase in the money supply in 1980 (34%), the authorities acted to restrict the growth of the money supply in 1981. The higher reserve requirements, general restraints on credit and doubling of interest rates reduced growth in money supply to 11 percent.

For the future, it should also be possible to rely on domestic borrowing to finance modest deficits. The continuing lag in private investment means that a fair degree of liquidity remains in the economy. The difficulty is the much higher cost caused by the higher interest rates. Combined with the projected aid inflows, the GOZ should be able to finance its deficit without recourse to large levels of commercial borrowing. Much, of course, depends on whether such assistance will be tied to increased levels of government programs or whether it can be used to substitute for allocations already programmed.

At the moment, it appears that the budget problem is being brought under control. The budgetary gap now seems likely to be a less important constraint than the balance of payments problem.

D. Conclusions

The problem facing Zimbabwe must be viewed from two perspectives - one looking over the near term (one to three years) and the other over a longer horizon (ten to twenty years). In the near term, the Government of Zimbabwe must instill a feeling of confidence in two separate constituencies: the commercial and business community, both domestic and foreign: and the African majority both smallholders and wage-earners.

The long-term problem, restructuring the economy to provide growth with equity, can be dealt with if a firm base is provided, both politically and economically over the next few years. Zimbabwe can become a regional economic growth pole for all of Southern Africa if transport constraints are overcome and if the economy is managed correctly. If the near-term problems are overcome, the future should see substantial private capital inflows which will generate employment and provide savings for rural development. But the critical period is the next two-three years.

In the near-term several problems loom large. Growth since Independence has been demand-led, largely due to increased private consumption and government expenditures. So far the economy has been able to supply the goods demanded because the economy had substantial excess capacity. However, two supply constraints are becoming increasingly binding - foreign exchange and skilled labor.

In the short-term, the ability of Zimbabwe to borrow needed foreign exchange appears limited. Up to 1979, Zimbabwe was substantially underborrowed. However, by the end of 1981 this picture had changed dramatically. Public debt increased from U.S.$154 million in 1977 to roughly U.S.$1,275 million in 1981, and debt service increased from $6.1 million to $116 million, or 8.0% of exports of goods and services. Because much of the recent borrowing is short-term, it appears likely that the debt service ratio may rise to about 14 percent in the next 2-3 years, a level considered to be the maximum sustainable by many experts. Given the current debt structure, this ratio could decrease to about 10% by 1984 if borrowing is restrained. Therefore, foreign borrowing, particularly on a short-term, non-concessional basis, is not a likely avenue for expanding foreign exchange availabilities over the next two to three years. Short-term prospects are gloomy.

Similarly, the skilled labor problem is not likely to be solved in the near term. Net loss of skilled manpower continued during 1981, totalling 4,709 including 516 in the higher professional and technical occupations and 924 production/technical workers. While the GOZ has moved quickly to expand training capacity within the country since Independence, nearly doubling enrollment in the agricultural and technical colleges and the university from 1980 to 1982, these efforts will only reverse the negative decline after three to four years. At that point, there will still exist a considerable backlog of vacancies in the mid-level technical, administrative and production level. Thus, it is critically important that efforts to expand training capacity not be inhibited.

At the same time, black aspirations for a greater share of national income must be met in the near term, or the political situation could become increasingly unstable. The critical time for Zimbabwe, both economically and politically, is the near term.

PROGRAM IMPLEMENTATION

A. Annual GOZ Planning/Budget Process

The GOZ fiscal year (ZFY) runs from July 1 through June 30. Ministries usually begin to prepare their capital budgets, based upon plans and programs developed by their various operating units, in November of the preceding ZFY. Recurrent budgets are normally prepared in January. The proposed budgets, which typically contain new as well as expanded ongoing activities (a "wish list" of sorts), are then submitted to Treasury which prepares revised budgets based on resources actually available (exclusive of unobligated and unearmarked aid pledges) and submits these in unofficial form back to the originating ministries, usually in April/May. Treasury's revised budgets may be further revised during MEPD's overall budgetary review in May/June. The parliamentary approval process is completed in October and is essentially a ratification of the Treasury - MEPD exercise. Recurrent expenses and ongoing projects are funded between June 30 and October through an unallocated reserve called a "vote of credit", similar to AID's "continuing resolution". "New" projects generally cannot be funded until Parliament votes the budget in October. However, expanded ongoing projects can receive limited interim funding through the "vote of credit". If additional funds become available to the GOZ after the budget is finalized, these can be appropriated to designated ministries for specified purposes via either "supplementary estimate", which requires parliamentary action, or "Presidential Warrant", a simpler procedure used for augmenting ongoing projects.

B. Implementation Plan

(1) Normal Scenario

Given the GOZ budget cycle, as outlined above, it is anticipated that USAID/Z and the GOZ will participate in an annual program development process as follows:

(a) November - January: participating ministries prepare proposals and budgets for activities in the priority constraint areas; proposals based on realistic implementation/absorptive capacity of GOZ entities involved (USAID/Z may participate in discussions of constraint-area activities and programs at this stage);

(b) April - May: ministries receive informal guidance from Treasury on anticipated budget levels; a constraint-area budgetary "gap" can now be estimated;

(c) April - May: USAID/Z and the Technical Review Team (see Section 3 below) meet with the ZASA Working Group (see below) to (i) examine and evaluate prior year performance and progress against targets, (ii) assess current planning and implementation capabilities and (iii) discuss future program requirements, the funding "gaps" in ministries' budgets and the priority ranking of activities within the constraint areas;

(d) April - May: the ZASA Working Group liaises with MEPD to ensure that Treasury's revised budget estimates covering proposed constraint area programs and activities are not adversely revised further;

(e) April - May: MEPD makes its input into general budget allocations prior to submission to parliament for approval; USAID/Z confirms that proposed allocations to budgets covering constraint areas remain firm;

(f) May - June: funding proposals in the constraint areas formally submitted to USAID/Z for concurrence and release of funds; USAID/Z concurrence to be based on a review of proposed allocations utilizing the criteria outlined in Section V.D., Disbursement Approval (page 50(a) of the PAAD); AID will not examine specific design details and inputs for each proposal except to assure that scarce budgetary resources will not be utilized for inappropriate procurements; concurrence and disbursements will be keyed to identified budgetary shortfalls rather than against expeditures for specific activities;

(g) October: Parliament approves budget; USAID/Z reviews budgets with ministries to confirm agreed upon funding levels; USAID/Z concurs in the annual program via a countersigned implementation letter; funds are released;

(h) October: if final budget levels differ significantly from previously planned and agreed-upon levels, USAID/Z will retain the option of withholding or reallocating funds among the activities and programs in the constraint areas;

(i) October - November: GOZ allocates via Presidential Warrant.

(2) <u>Scenario for Year 1</u>

On the assumption that funds will be obligated in August-September 1982, USAID/Z has initiated discussions with the relevant ministries (pending formalization of the ZASA Working Group) concerning the submission of constraint-area proposals, including budgets, by September 30. Proposals will be based on current proposed GOZ budgets for ZFY 1982-83, which are now reasonably well established in the constraint areas. After Parliament confirms the GOZ budget in October, USAID/Z can concur with the first-year allocation to constraint area budgets. TDY technical support to the Mission in reviewing and evaluating the first-year proposals will not be necessary. The specialists on the ZASA design team, in collaboration with their GOZ counterparts, have reviewed and identified activities and programs which would be suitable for funding allocations in the first year. A countersigned Implementation Letter will denote the GOZ-USAID agreement on budgets , allocations, and disbursements for the first year.

After USAID/Z has concurred in first-year allocations, the implementation steps will include:

(a) General CIP - type procurement to generate local currency for the ZASA program will commence (see Section D below);

(b) If local currency is required immediately, pending receipt of longer-term CIP generations, a Special Letter of Credit will be issued for the amount of "advance" required (see Section D below);

(c) Commodities required specifically for the constraint areas activities and programs will be procured on an expedited basis (see Section E.1.(b) below);

(d) Contracts for necessary technical services will be authorized and contracting procedures will be initiated (see Section E.2. below);

(3) Technical Review Team

The annual program/budget review and concurrence process, particularly during the April - June period will impose the heaviest workload on USAID/Z. The Mission is not staffed to handle either the quantity or technical variety of work required during this period. Therefore, it is proposed that a Technical Review Team assist the Mission in the evaluation and decision-making process which will occur over a 60-90 day period each year (year 1 excluded). The team, under the supervision of the USAID/Z Agricultural Development Officer, will evaluate the progress of ministries to date in addressing the constraint areas, assess on-going capabilities of participating GOZ entities, assist in reviewing annual activity proposals and plans, and generally assist USAID/Z during this most crucial annual period.

The technical skills which may be required on the team, depending on the constraint areas, could include: agricultural economics, agronomy, extension, marketing, training, proposal design, financial/budgetary, engineering, contracting and procurement and others. Much of the above expertise is available in AID/W, USAID/Z and/or REDSO. However, two considerations may argue against use of AID personnel: (1) the need for a consistent group over time; and (2) the need for the team's continuous and simultaneous presence during a 2-3 month period, (March through May), each year. Accordingly, a contractural arrangement (PSC, IQC or consultant firm) appears most appropriate.

The IQC mechanism may best meet the Mission's requirements. Based on Year 1 experience, a decision on the contracting mode to be employed will be made prior to commencement of the Year 2 budget/programming cycle.

C. Implementation Responsibilities

(1) Policy Dialogue

A basic, underlying feature of program implementation will be a policy dialogue with the GOZ, examining both macro- and micro-level policies. This dialogue, to be conducted on a continuing basis with both technical and economic ministries, will seek to: (a) expand mutual understanding of the implications of various policies for developmment; and (b) encourage the implementation of sound policies and the modification of policies which appear to be less well-conceived. A particular focus will be the continuation of current moderate policies which are directed toward narrowing the resource gap between commercial and smallholder agriculture while maintaining a sound, productive agricultural sector. The concerns identified in the sector evaluation criteria (see Section VI. A., Evaluation) will also be targets of the dialogue. A timetable for specific policy adjustments is not being put forward, although movement in the above areas will be the basis for continuing the program beyond the first year.

(2) Program Development

Responsibility for developing constraint area budgets and related programs and activities will rest with the GOZ, particularly the Ministry of Agriculture; the Ministry of Lands, Resettlement and Rural Development; and the University of Zimbabwe's Faculty of Agriculture.

(3) Program Coordination

Coordination between GOZ entities and with USAID/Z will be assured by a ZASA Working Group which will be established. Membership in the Group will include the deputy permanent secretaries or their designees from the operating ministries and the Deputy Secretary of MEPD or his designee. This Working Group will ensure consistency of funding proposals with overall Zimbabwean development strategy, assign priorities, finalize proposed budget levels and address implementation issues if and when they arise. The USAID/Z Agricultural Development Officer will serve as an *ex officio* member of the Group.

(4) Disbursement Approval

Final concurrence prior to release of all grant funds will rest with USAID/Z. The ZASA Grant Agreement will specify that funds may be released only with the concurrence of AID and the GOZ (MEPD in this case) as indicated in an Implementation Letter which will describe the GOZ budgets to be supported. USAID/Z concurrence will be based on a review of proposed allocations utilizing the following criteria as guidelines:

(1) do the GOZ proposals address the constraint areas?

(2) if so, how are the constraint areas being addressed, will smallholders be the principal beneficiaries (with quantification of numbers if possible) and within what timeframe?

(3) what is the GOZ's budgetary shortfall which indicates that constraint-area programs will not be adequately funded without ZASA resources?

(4) how will the complete portfolio contribute towards achieving overall macro-development objectives? and

(5) what are the recurrent cost implications of programs within the portfolio?

It should be noted that AID will not examine specific design details and inputs for each proposal except to assure that scarce budgetary resources will not be utilized for inappropriate procurements. AID concurrence and disbursements will be keyed to identified budgetary shortfalls rather than against expenditures for specific activities.

(5) Implementation

ZASA program implementation will rest with Treasury, MEPD and the operating GOZ entities which will receive budgetary support under the grant. However, if appropriate and feasible, USAID/Z may undertake limited tasks on behalf of and at the request of the GOZ.

(6) Monitoring and Reporting

USAID/Z will receive quarterly disbursement reports from the implementing ministries and Treasury. Ad hoc field visits to ensure that the various constraint-area programs are receiving agreed-uon funding will be made. In addition, the ZASA Working Group will meet on a quarterly basis to review the reports and on-the-ground progress. Finally, evaluations of GOZ general performance and on-going implementation capabilities will be conducted annually by USAID/Z through its Technical Review Team. These evaluations will be a central feature of this Sector Grant and its annual program development process.

It is important to note, however, that AID's monitoring responsibilities, including audit, must necessarily be related to the basic purpose of the ZASA Grant, which is to support GOZ budgets that (1) have been pre-determined to relate directly to the priority constraint areas affecting the small farmer and (2) would not have received adequate funding in the absence of the ZASA Grant. Once the budgetary "gap" is identified in a given constraint program-activity area, AID's responsibility is to assure itself to the extent practicable that all budgeted GOZ resources plus the amounts provided by AID are actually expended in the agreed-upon budget areas for the jointly approved programs and activities. Thus, GOZ progress and disbursement reports must reflect the level of accrued and actual expenditure in each approved budget area versus the agreed-upon allocation, and similar data must be provided regarding each approved program or activity. Progress reports on actual physical developments will be useful and important sources of data on achievement of GOZ goals and continuing capabilities, but are not essential to satisfy AID's actual monitoring responsibilities under this form of assistance since specific projectized outputs are not the purpose of the Grant.

D. Financing and Disbursement Mechanisms

Of the $45.0 million requested for the ZASA program, approximately $15.0 million will finance direct foreign exchange costs associated with procurement of technical services, participant training and specialized commodities. Generally speaking, AID's standard commodity import and Letter of Commitment financing procedures, which are more fully described in Section E below, will be followed.

The estimated $30.0 million in local currency (Zimbabwe dollars) requirements may be generated in two ways. The largest portion, and perhaps all, will be generated via the standard CIP mechanism, utilized in the FY1982 Zimbabwe CIP (613-0216). The second method of generating local currency which may be used, designed to meet immediate dispersing requirements in CY1982, is the AID Special

Letter of Credit (SLC) procedure. AID's Regulation 1 will be applicable to these foreign exchange transactions. All items listed as eligible in the A.I.D. Commodity Eligibility Listing - 1981 Edition will be eligible for financing although only items related to the agricultural sector will be funded. Implementation assistance will be provided by USAID/Z's Supply Management Officer.

Local currency generations will be deposited into a special account, or sub-account, administered by the GOZ Treasury. Disbursements from the special account to the operating ministries will be made in accordance with the GOZ's standard financial procedures, subject only to the restriction that funds be released only upon AID/GOZ concurrence on their allocation.

E. Procedures for Procurement of Commodities and Services

In order to maximize AID's flexibility in responding to sector requirements and administrative needs of the GOZ, several methods of procurement may be utilized over the five-year period of the program.

(1) Commodity Procurement

(a) Direct GOZ Procurement. It is expected that the GOZ will handle much of the activity-specific procurement (versus the general CIP-type procurement to generate local currency) utilizing its own procedures. Thus, for example, the University would directly procure required research equipment from the U.S. Foreign exchange for such GOZ or University procurement would be made available annually in a lump sum through AID letters of commitment corresponding to the agreed-upon GOZ budget line item or items. Procurement source/origin Code 935 would apply, subject to the order of precedence requirements stated in Section VI.C. below. Procedurally, AID would rely on the GOZ's procurement capabilities, which would be reassessed annually. Use of a competitively selected procurement services agent (U.S. or Zimbabwean) would be authorized.

(b) Procurement by Technical Contractor. If a technical services contract is financed under the ZASA program (see Section E.2. below), some or all commodity procurement to support constraint-area activities could be undertaken by the contractor, utilizing Handbook 11, Chapter 3 procedures. Again, use of a procurement services agent would be authorized.

(c) CIP-Type Procurement. At least some of the specific activity-related commodities (e.g., heavy equipment such as drilling rigs) will be procured under the CIP mechanism. Except for any local currency which may be generated by the SLC, most of the local currency will be generated through the standard CIP financing device. Other procedures (e.g. disbursement, source/

origin, L/Comm. financing, etc.) established under the FY1982 CIP would also apply, although a separate account will be opened for the LC generations. To ensure that the imported commodities contribute generally to the sector program, the list of eligible items will be restricted to categories of commodities (such as fertilizer and farm equipment) which can be used in the agricultural sector. However, it must be emphasized that most commodities which will be imported under the CIP mechanism will be in excess of the commodity requirements in the constraint areas. Their import, therefore, will be relevant to the sector program primarily because of the local currency which they will generate. Accordingly, AID will not impose restrictions on their end-use except for compliance with the AID Commodity Eligibility listing.

(2) Procurement of Services

As discussed elsewhere in the PAAD, it is anticipated that outside technical assistance will be needed in one or more of the constraint areas expected to receive funding under the sector grant. These short and long-term technical assistance requirements can most effectively be provided under a single contract with a U.S. university or consulting firm which has a good performance record in Africa.

A direct AID contract is proposed because the GOZ has indicated its strong preference to minimize its involvement in contract administration. Nonetheless, the GOZ will play a major role in developing selection criteria and in contractor selection. Once an acceptable TA contract has been negotiated, necessary funding will be provided via an AID direct Letter of Commitment. Given USAID/Z's limited staff, all support functions will be the responsibility of the contractor.

F. Participant Training

It is expected that constraint-area proposals will include funding to support various types of participant training, i.e., long- and short-term training in the U.S. and third countries and short-term in-country training. Financing will be arranged through the most appropriate of two mechanisms, through either the ZIMMAN project (613-0215) or this ZASA program. As designed, up to 35 percent of the ZIMMAN project budget may support training within the agricultural sector. Therefore, U.S., third country and in-country training to develop the staffs of the UZ Faculty of Agriculture and the MOA agricultural colleges and institutes will be charged to the ZIMMAN project and handled by the ZIMMAN contractor. Training which falls outside the scope of the ZIMMAN project, such as training for research, cooperative and extension personnel, will be charged to the ZASA program. Participant training placements will nevertheless be arranged through the ZIMMAN contractor, with the contractor's placement fee, etc. charged to the ZASA program. Payment of U.S. dollar training costs will be made directly through USAID/Z. Payment of all local currency training costs will be handled by the appropriate GOZ ministry or agency, drawing upon the allocation approved for that specific constraint-area activity or program.

G. Implementation Schedule

The following schedule indicates the major implementation actions under this ZASA program.

Date	Action	Responsibility
CY 1982		
April-June	PAAD design team in Zimbabwe	AID
Aug-Sept	PAAD reviewed and approved	GOZ and AID/W
Aug-Sept	Negotiation and execution of sector program Grant Agreement obligating FY 82 funds (U.S. Dols. 15,000,000)	GOZ and USAID/Z
October	L/Comm issued for general Sector commodity procurement to begin L/C generations	AID/W USAID/Z
Sept-October	RFP for major T.A. contract issued	AID/W and USAID/Z
Sept-October	Ministry constraint area plans/budgets finalized with gaps indentified	GOZ and USAID/Z
October	GOZ budget approved; and grant levels "locked in" USAID/Z - GOZ agree on ZASA budgetary allocations for Year 1	GOZ and USAID/Z
Oct-November	SLC issued to finance immediate L/C costs; special account established; L/C and F/X released	AID/W USAID/Z GOZ
November	Specific constraint-area commodity procurement commences	GOZ USAID/Z
1983		
January	CIP generations from general sector procurement begin to flow into special account. Second SLS issued if more L/C required.	USAID/Z
Jan-February	Proposals for major T.A. contract received, reviewed and ranked	AID/W USAID/Z GOZ

February	Major T.A. contract executed	AID/REDSO Contractor GOZ (concurrence)
Jan-February	First quarterly reports on constraint-area expenditures received	GOZ
Jan-March	USAID/Z works informally with GOZ in developing ZFY 84 constraint area funding program	GOZ USAID/Z
March-April	Short-term technical advisors arrive in Zimbabwe	TA Contractor
March-April	GOZ Ministries receive guidance from GOZ Treasury on ZFY 83-87 budget availabilities	GOZ
April	First funding amendment obligating additional U.S.A. $15,000,000 in FY 83 funds. General CIP procurement continues to generate required L.C.	AID USAID/Z GOZ
April	Second Quarterly reports received	GOZ
April-May	USAID/Z and technical review team meet with ZASA working group to evaluate past performance and plan ZFY 84 program	USAID/Z GOZ
April-May	EPD budgetary input known	GOZ
May-June	Long-term technical advisors arrive in Zimbabwe	TA Contractor
May-June	GOZ ministries submit to USAID constraint area funding proposals for ZFY 83-84	GOZ
June	USAID/Z with technical review team concurs in areas/programs to receive funding allocations	USAID/Z
July	Annual budgetary report on GOZ expenditures provided	GOZ
October	GOZ parliament approves budget; USAID/Z confirms agreed levels with operating ministries and agreement reached on allocation	GOZ USAID/Z
Octo-Nov	Funds released to GOZ	USAID/Z
1984-87	Cycle repeats	USAID/GOZ
October 1987	End of program evaluation and report	AID USAID GOZ

H. Evaluation

An annual review/evaluation is an integral part of the yearly programming cycle under this sector grant. These annual reviews/evaluations will be conducted by USAID/Z and its Technical Review Team, which may include external contract personnel, in April or May of each year. The terms of reference include an assessment of the implementing agencies' continuing capabilities and actual progress in implementation of GOZ agricultural sector programs.

More importantly, however, these evaluations will form the basis for determining whether or not the ZASA program is succeeding in achieving its objective - the implementation of GOZ policies and programs which improve the economic status of the smallholder - and in deciding whether or not additional ZASA resources should be provided. In making these determinations, the evaluations will necessarily examine the overall development environment. More specifically, the evaluations will examine progress of the GOZ towards:

(1) allocation of a greater share of total GOZ resources to programs which beneficially affect low-income smallholders;

(2) reduction and eventual elimination of consumer subsidies resulting from fixed producer and consumer prices;

(3) a land resettlement policy which recognizes availability, competing smallholder assistance requirements and production/export goals;

(4) application of commercial rates of interest in lending to smallholders;

(5) an increase in research on crops and integrated crop/livestock systems directed specifically to communal farm conditions;

(6) extension of price stimuli, now applied to major commercial crops, to some present and new small farm crops;

(7) employment of market news and other innovative measures to extend technical information on production and marketing to smallholders, thus serving a large number of farmers with the number of available extension workers;

(8) adequate government support of rural savings clubs as a mechanism for mobilizing rural savings for smallholder credit and for channelling loan funds at lower costs through groups to small-scale farmers;

(9) development and adoption of measures to increase cooperation and linkages between research, extension and university education;

(10) reduction of the costs of essential inputs by substituting lower cost items and more efficient methods of use, thereby easing the elimination of subsidies; and

(11) other areas, as appropriate.

Obviously movement and progress will vary between areas and between years, but it will be the responsibility of the evaluation team to weigh the factors and to develop a recommendation on whether or not to continue the ZASA program.

A mid-term, independent evaluation will be conducted after 18 months of program implementation, utilizing AID/W, REDSO/EA and contract personnel. The summative, end-of-program evaluation will be conducted in October 1987, again utilizing AID/W, REDSO/EA and contract personnel. The scopes of work for these evaluations should reflect the fact that specific, project-type outputs are not encompassed within the purpose of the sector grant.