

PDBCD 042 OV

Z-ZASA
-Evaluator

ZIMBABWE AGRICULTURAL SECTOR ASSESSMENT PROGRAM

613-0209

PROJECT EVALUATION SUMMARY (PES)

SEPTEMBER 19, 1986

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CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

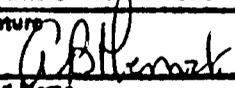
1. PROJECT TITLE Zimbabwe Agricultural Sector Assistance Program	2. PROJECT NUMBER 613-0209	3. MISSION/AID/W OFFICE Zimbabwe
4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 86-01		
<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION		

5. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent FY <u>82</u> B. Final Obligation Expected FY <u>85</u> C. Final Input Delivery FY <u>89</u>	6. ESTIMATED PROJECT FUNDING A. Total \$ <u>45.0</u> B. U.S. \$ <u>45.0</u>	7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>6/20/85</u> To (month/yr.) <u>9/20/86</u> Date of Evaluation Review <u>9/19/86</u>
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8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., program, SPAR, PID, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Continue ZASA Program to PACD of March 1989 2. Develop final priorities for balance of local currency not yet sub-obligated	E. Witt/USAID C. Kanyuchi/GOZ	Ongoing April 1, 198

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS <input type="checkbox"/> Project Paper <input type="checkbox"/> Implementation Plan e.g., CPI Network <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Financial Plan <input type="checkbox"/> PID/T _____ <input type="checkbox"/> Logical Framework <input type="checkbox"/> PID/C <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Project Agreement <input type="checkbox"/> PID/P _____	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
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11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles) Eric N. Witt Agricultural Development Officer, USAID/Zim. Christopher Kanyuchi Chairman, ZASA Working Group Ministry of Finance, Economic Planning and Development	12. Mission/AID/W Office Director Approval Signature:  Typed Name: Allison B. Herrick Date: 23 Sept 1986
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13. SUMMARY

INTRODUCTION

The Zimbabwe Agricultural Sector Assistance Program (ZASA) is a controlled resource transfer in the form of budgetary support to the Government of Zimbabwe (GOZ). ZASA has as a primary objective - to support implementation of GOZ policies that will improve the economic status of the smallholder, viz. increase smallholder agricultural productivity and on-farm income.

ZASA is based on the assumption that the various Zimbabwe administrative organizations have the capacity to design and implement the programs necessary to attain the GOZ goal of "Growth with Equity" in the agricultural sector. The role of USAID is to supply financial support for activities in the agreed upon constraint areas.

As a sector program, success or failure is to be judged by sector performance. Consequently, regular program reviews/evaluation are required. These reviews/evaluations, are primarily: (1) to assess the implementing agencies continuing capability and actual progress in the implementation of GOZ agricultural sector programs; and (2) to evaluate GOZ progress toward sound sector objectives and policies. Decisions on whether and how to continue the sector support program will be based on these reviews.

The scope of work specifically requires the review of the current ZASA program in light of accomplishments to date and current conditions in Zimbabwe and a recommendation on whether the ZASA program should be continued through to the PACD.

In considering the continuation of the ZASA program, the evaluator applied the criteria specified in the PAAD and scope of work. Particular emphasis was given to:

- a. An evaluation of program activity as measured against the ten measures of progress;
- b. the action taken in response to the specific recommendations made in the last evaluation;

PRINCIPAL CONCLUSIONS

From his review of current capacities of principal implementing agencies and accomplishments to date, the evaluator has concluded that the criteria for continuation of the ZASA Program have been adequately met.

Analysis of the program indicates that ZASA support for activities is being planned or undertaken in all seven of the identified constraint areas. The ZASA Program activities have been examined in light of the five criteria upon which release of funds to the GOZ are contingent and all five have been satisfactorily met.

Zimbabwe continued to make significant progress in concentrating its institutional, human, and financial resources on the development of smallholder production.

The ZASA program was designed on the assumption that the various institutions principally involved in agricultural development had the capacity to effectively exercise their assigned responsibilities. A review of the various ministries and institutions involved in agricultural development in Zimbabwe would indicate that these institutions continue to grow in their ability to perform their assigned tasks.

Overall the ZASA program has been highly successful and well implemented by the GOZ and USAID/Harare. The only undesirable result concerns the issue of recurrent costs. At the beginning of the program a consensus decision was made by the GOZ to embark on an expansion program at University of Zimbabwe, and at Chibero and Gwebi Colleges. The expansion program, with its recurrent cost implication, has been discussed with GOZ officials who are aware of the issues involved.

PRINCIPAL RECOMMENDATION

Based on the discussions, analysis of program documents, and other secondary data, the evaluator recommends that the ZASA program be continued to the PACD.

RECOMMENDATIONS

1. Annual evaluations as provided for in the PAAD, should not be continued; a final evaluation should be conducted prior to the PACD.
2. In light of finite levels of non sub-obligated funding available between now and the PACD, it is recommended that
 - (a) the ZASA working group pause and re-evaluate its priorities to be certain that the projects approved gain maximum advantage from the remaining funds and ensure previously obligated projects are adequately funded;

(b) recurrent cost consideration be used as one of the highly weighted criteria in determining which project are included in the final list for sub obligation.

(c) A final list of projects be identified by the ZASA working group by April, 1987.

2. As ZASA has as a primary objective "increase smallholder agriculture productivity," it is recommended that: USAID/Zimbabwe with the appropriate GOZ concurrence request the services of Mr. R.E. McCalaugh, REDSO/ESA to examine three inter-related PAAD measures of progress, (5) Research on crop and livestock systems (9) extension services (7) linkages between research, extension and education. This exercise would be of value in answering the Lessons Learned questions in PES Summary Part II.

14. EVALUATION METHODOLOGY AND SCOPE OF WORK

The current evaluation was conducted during the period of September 13 -20, 1986 by Dr. Robert Armstrong of REDSO/ESA; assisted by Mr. J. Mushauri and Ms. J. Buchmiller of USAID/Harare.

The evaluation work has been greatly facilitated by the cooperation received from Zimbabweans at all levels in the various ministries, cooperatives, parastatals and private entities and from personnel in USAID/Zimbabwe.

STATEMENT OF WORK

BACKGROUND:

As (ZASA) is a controlled resource transfer in the form of budgetary support to the Government of Zimbabwe (GOZ), the program is targeted to meet resource gaps to expand smallholder output in seven constraint areas:

- (1) agricultural research
- (2) agricultural extension
- (3) agricultural credit
- (4) marketing and input supply
- (5) land and water use
- (6) agricultural manpower training, and
- (7) policy planning.

Resource allocations are made by an inter-ministerial ZASA Working Group. Actual releases of funds to the GOZ are contingent upon satisfaction of general criteria that program

resources: (1) are directed at relieving the identified constraints; (2) have the potential to, or will directly, improve the welfare of Zimbabwean smallholders; (3) are reasonable in terms of the types of activities to be funded; (4) will help meet an identified budgetary shortfall; and (5) will not impose an unacceptable recurrent cost burden.

As specified in the Program Assistance Approval Document (PAAD), regular reviews to evaluate sector performance are to be conducted and shall specifically: (1) assess the implementing agencies' continuing capability and actual progress in the implementation of GOZ agricultural sector programs; and (2) evaluate GOZ performance towards sound sector objectives and policies. Because the emphasis of the program is on smallholder performance, the reviews must examine GOZ performance in meeting the needs of this group.

OBJECTIVE

SCOPE OF WORK

The evaluation shall address:

1. Overall performance of the sector.
2. Progress of the GOZ toward (as specified in the PAAD):
 - a. allocation of a greater share of total GOZ resources to programs which beneficially affect low income smallholders;
 - b. reduction and eventual elimination of consumer subsidies resulting from fixed producer and consumer prices;
 - c. a land resettlement policy which recognizes availability, competing smallholder assistance requirements, and production export goals;
 - d. application of commercial rates of interest in lending to smallholders;
 - e. an increase in research on crops and integrated crop/livestock systems directed specifically to traditional/small farm conditions;
 - f. extension of price stimuli, now applied to major commercial crops, to some present and new small farm crops;

- g. 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;
- h. adequate government support of rural savings clubs as a mechanism for mobilizing rural savings for smallholder credit and for channeling loan funds at lower costs through groups to small-scale farmers;
- i. development and adoption of measures to increase cooperation and linkages between research, extension, and university education; and
- j. reduction of the costs of essential inputs by substituting lower cost items and more efficient methods of use, thereby easing the elimination of subsidies.

3. Actual and expected impact of GOZ programs on smallholders.

4. The continuing capability of the GOZ to plan and implement programs in the agricultural sector.

D. REQUIRED REPORTS

The evaluator team will provide a report complete with recommendations. The report must cover each item identified in the scope of work. The report must be provided in draft prior to his departure from Zimbabwe.

15. EXTERNAL FACTORS

Last year's evaluation made recommendations as to the future directions which should be taken under a ZASA Phase II program. The decision by the US government not to put additional funding into any bilateral USAID/Zimbabwe program will affect not only the programming approach taken during the remaining 30 months of ZASA I but will nullify the proposed ZASA Phase II activity. Recommendations as to alternative programming approaches are made under recommendations.

16. INPUTS

On September 23, 1982, the grant under the PAAD was approved for US\$45 million, to be obligated over the 3 years, 1982-1984, at US\$15 million per year. The grant agreement was signed September 29, 1982. Of this total of US\$45 million, approximately US\$31 million

is to be utilized to generate local currency through a CIP for the purchase of agriculture-related commodities from the U.S. (As of August, 1986, US\$30 million had been obligated). The US\$14 million balance of the grant will be available to meet some of the projected direct foreign exchange costs of the activities related to the constraint areas. (At the time of this evaluation US\$2.4 million remained to be programmed).

The actual sub-obligation of ZASA funds has progressed very well. Sub-obligations now total US\$11.6 million of the US\$14 million and Z\$28.8 million of CIP regeneration local currencies reserved specifically for ZASA. The CIP local currency has approximately Z\$19.5 million available for program use.

17. OUTPUTS

ZASA ALLOCATIONS

In reality, the outputs of the ZASA Program are those things that will enable the GOZ to successfully implement its overall goal of "growth with equity" and to enable the agricultural support systems to better serve smallholders. The following table summarizes allocations to date and approved proposals. All proposals meet the established criteria.

ZASA WORKING GROUP APPROVED ALLOCATIONS AS OF SEPTEMBER 17, 1986

<u>Activity</u>	<u>Agency</u>	<u>Amount</u>	
		<u>Z\$</u>	<u>US\$</u>
Higher Education (AGR)	Faculty of AGR UZ	5,252,987	5,100,000
Communication Radios	AGRITEX	1,041,881	2,321,957
S.T. Training Abroad	(General AGR)	-	725,000
Jojoba Feasibility	ARDA	-	76,900
Diploma Training	Chibero College	1,565,000	-
Irrigation Development	MLRRD	2,000,000	-
Cooperative Credit	Coop. Unions/APC	2,000,000	-
Cooperative Marketing and Supply	Dept. of Coops.	2,000	-
Open Wells Test	Dept. of Water Dev.	50,000	-
Rutenga Mapping	MLRRD	443,055	
Small Farmer Research	MINAG	107,800	
Underground Water	MWRD	400,000	
Nat.Res. Ext. Ed. Hard.	MNRT	100,000	1,240,000
Nat.Res. Ext. Ed. Soft.	MNRT	1,390,000	
Nat.Res. Ext. & Monitoring	MNRT	69,800	91,218
Forestry Commission	PC	150,000	

Ranching Scheme	ARDA/MINAG	500,000	
Heartwater Research	MINAG	904,903	1,119,468
Henderson Res. Stn.	MINAG	76,500	210,100
Animal Wastes Study	MINAG	68,600	12,500
Microfiche Libraries	MINAG/ARDA	-	12,600
Conservation Strategy	MNRT	32,000	
Murimi/Umlimi Magazine	MINAG	50,000	
Irrigation Dev. (Farm)	Faculty of Agr. UZ	205,000	
Tawona Irrigation Sch.	MLARR	360,000	
Zambezi Valley Tillage	MLARR	100,000	
Mutare Bag Depot	MLARR/GMB	1,350,000	
Coffee Storage (Chipinge)	MLARR/GMB	200,000	
Tsetse Control Camps	MLARR/Vet. Serv.	600,000	
Foot and Mouth Lab.	MLARR/Vet. Serv.	120,000	
Dip Tanks	MLARR/Vet. Serv.	500,000	
Mahuwe Multipurpose Depot.	MLARR/GMB/CMB	470,000	
GMB Stackers	MLARR/GMB	240,000	
GMB Inspan Sheds	MLARR/GMB	225,000	
Irrigation Support Fund	MLARR	2,000,000	
DECODE/FC Training	MLARR/DECODE	250,000	
GMB Rural Depots	MLARR/GMB	960,000	
Nenhowe/Nyanyadzi Irrig.	MLARR	1,876,000	
Soil Colour charts	MLARR/AGRITEX	-	20,000
Vet Toxicology Unit	MLARR/Vet Serv.	-	250,000
Coop. No. 2. Acc. Audit	MLARR/DECODE	200,000	-
Kapenta Fishing Coops	MLARR/DECODE	180,000	
AFC Internal Audit	MLARR/AFC	44,000	13,500
Castor Bean Growth	MLARR/R&SS	-	32,500
Gwebi College Expansion	MLARR	2,250,000	-
Agric. Data Analysis	AMA/MLARR	30,000	100,000
Mgmt of Indigenous Forests	FC	200,000	100,000
Norton Bag depot	MLARR/GMB	-	75,000
Forestry Research	FC	158,000	
Rotating Boom Rainfall Simulators	MLARR/AGRITEX	62,027	74,981
TOTAL ALLOCATIONS		28,784,553	11,575,724
		*****	*****
BALANCE TO PROGRAM		19,484,843	2,424,276
TOTAL AVAILABLE		48,269,396	14,000,000
		*****	*****

TABLE A

Counterpart Funds (ZASA)	
Counterpart Funds Deposited	30,358,749
Estimated Future Deposits*	<u>17,910,647</u>
Total Available	<u>48,269,396</u>

*Based on balance to be deposited under ZASA CIP of US\$10,746,173.65 converted to Z\$ at the exchange rate of US\$1 = Z\$1.6667.

TABLE B

ZASA PROGRAM ALLOCATIONS

<u>Constraint Areas</u>	<u>Funds Allocated</u>		
	<u>Z\$ '000</u>	<u>% Z\$ TOTAL</u>	<u>US\$ '000</u>
Agricultural Manpower Training	9,522	33	5,869
Marketing and Input Supply	3,827	13	
Agricultural Credit	2,000	7	14
Agricultural Research	1,230	4	1,610
Agricultural Extension	2,332	8	3,600
Land and Water Use	8,543	30	228
Policy/Planning	<u>1,329</u>	<u>5</u>	<u>179</u>
TOTAL ALLOCATED	28,783	100	11,575
Balance remaining to be programmed	19,486		2,425
Total Funds Available	<u>48,269</u> =====		<u>14,000</u> =====

SECTOR PERFORMANCE

Efforts Directed at Principal Smallholder Development Constraints

Zimbabwe continued to make significant progress in concentrating its institutional, human, and financial resources on the development of smallholder production.

Last year's Evaluation Team concluded the policies and the resultant actions taken by the government to reduce the identified constraints were successful. A review of the records of the GMB and other GOZ agencies indicates that the progress has continued over the last 15 months. The increase in the percentage of maize and cotton produced by the small scale sector continue to be proof positive of the success of the program. The expansion in the demand for credit and inputs by the small scale sector has increased steadily. In addition, a recent increase in the pricing of maize, sorghum and millet has resulted in surpluses being produced and the GMB is again exporting maize..

Although it could be argued that good weather is the principal reason for the great increase in output of the agricultural sector, it should also be pointed out that the inputs, know how, credit and infrastructure were also necessary for an increased production in the small scale sector. The comparative experience in many other parts of east and southern Africa would tend to confirm that the policies of the Zimbabwe government are on the right track in identifying and addressing smallholder constraints.

Institutional Capacity

The ZASA program was designed on the assumption that the various institutions principally involved in agricultural development had the capacity to effectively exercise their assigned responsibilities. A review of the various ministries and institutions involved in agricultural development in Zimbabwe would indicate that these institutions continue to grow in their ability to perform their assigned tasks. More importantly, the staffing patterns have stabilized in the last year and the various ministries and institutions are now in a much stronger position than they were a year ago. The University of Zimbabwe has benefited from a recent government decision to increase faculty salaries. The Faculty of Agriculture is now up to "full" staff strength, this is a marked improvement over the situation in June of 1985. Coordination among the various institutions and ministries has increased noticeably during the past year, to a great extent as a result of the merger of the Ministries of Lands and Agriculture, two of the key ministries that are responsible for agricultural development. The evaluation concludes that the implementing institutions are growing in strength and continue to have the capacity to effectively exercise their assigned responsibilities.

STATUS OF PRINCIPAL IMPLEMENTING AGENCIES

The agencies principally responsible for implementation of the ZASA program are discussed in the 1985 evaluation.

With the exception of the Ministries of Agriculture and the Ministry of Lands Resettlement and Rural Development, the analysis presented in the 1985 evaluation is still valid.

Appropriations to the Ministry of Lands, Agriculture, and Rural Resettlement decline 2 percent from the consolidated 1985/86 budget. The GOZ continues to control administrative expenses and staff expansion. The MLARR cuts largely came from a 6 percent reduction in Administration and General expenses. As a proportion of total costs for four operational departments, salaries and wages amounted to 57 percent in 1982/83 and 1983/84, 62 percent in 1984/85, and 61 percent in 1985/86.

The merger of the two ministries should not effect their functional goals and should increase efficiency and coordination.

18. PURPOSE

The Zimbabwe Agricultural Sector Assistance Program (ZASA) has a basic objective to support implementation of GOZ policies that will improve the economic status of the smallholder, viz. increase smallholder agricultural productivity and on-farm income. The ZASA program will impact on this process by supporting GOZ programs that provide small-scale farmers with greater access to and use of technologies that will enhance agricultural production and generate greater income.

ZASA makes two assumptions which differ from the traditional USAID Project approach:

- (1) that major policy changes are not required but only refinements and resources to enable implementation of adjustments already underway;
- (2) that the various Zimbabwe administrative organizations have the capacity to design and implement the projects necessary to obtain the GOZ goal of "growth with equity" in the agricultural sector.

THE ADMINISTRATIVE PROCESS

The overall administrative coordination for ZASA is the responsibility of the "ZASA Working Group". The group is chaired by a representative of MFEPD and is made up of representatives from the

Ministry of Lands, Agriculture and Rural Resettlement (MLARR), the University of Zimbabwe, the Ministry of Trade and Commerce (MTC) and USAID. This working group receives proposals and requests for funding from various organizations and ministries and measures these against the criteria for use of program funds as specified in the program agreements. If the working group approves the project and USAID concurs, the project is authorized for implementation by the proposing organization. Expatriate services contracted for come from traditional USAID sources.

The approach of using a controlled resource transfer to offset a financial resource gap to implement programs in the seven constraint areas places the major burden on the capacity of the individual implementing organizations in the various constraint areas. The MPEPD provides the secretariat for the Working Group and has the responsibility to ensure that allocations of ZASA resources are consistent with overall national policy and national directions.

19. GOALS

The ZASA Program is targeted to expand smallholder production by addressing seven identified constraint areas: agricultural research, extension, agricultural manpower training, credit, marketing and input supply, land and water use, and policy planning. These constraint areas were discussed in detail in 1985 evaluation and are still relevant. Measures of goal and purpose performance are discussed in the following sections.

MEASURES OF PROGRESS

The PAAD document identified ten criteria for progress, which were to be used to evaluate the Government's performance towards sound sector objectives and policies. Since the last evaluation, satisfactory progress has continued as measured by the group of performance criteria.

1. Allocation of GOZ Resources to Beneficially Affect Low Income SmallHolders

The Ministry of Agriculture and the Ministry of Lands, Resettlement and Rural Development were recently merged. Appropriations to the Ministry of Lands, Agriculture, and Rural Resettlement declined 2 percent from the consolidated 1985/86 budget. The GOZ continues to control administrative expenses and staff expansion. The MLARR cuts largely came from a 6 percent reduction in Administration and General expenses. As a proportion of total costs for the four operational departments, salaries and wages amounted to 57 percent in 1982/83 and 1983/84, 62 percent in 1984/85, and 61 percent in 1985/86.

AGRICULTURE AND RELATED BUDGET (Z\$ MILLION)

	1982/3	1983/4	1984/5	1985/6	1986/7*
DR&SE	8.2	9.2	10.9	14.2	15.1
Agritex	14.7	17.3	20.0	26.5	30.4
Veterinary Services	6.5	17.3	16.8	22.1	26.3
Tsetse Control	6.3	6.3	6.1	7.1	8.6
	<u>45.7</u>	<u>50.1</u>	<u>53.8</u>	<u>69.9</u>	<u>80.4</u>

*Expenditure estimates

Other ministries which hold relevance for the agricultural sector are the Ministry of Community Development and Women's Affairs, the Ministry of Local Government, Rural and Urban Development, the Ministry of Energy, Water Resources and Development, and the newly-created Ministry of Cooperative Development.

2. Reduction and Eventual Elimination of Consumer Subsidies Resulting from Fixed Producer and Consumer Prices

The GOZ establishes prices for producers and processors of major agricultural commodities and for consumers of basic foodstuffs. While producer prices have been set high to reflect production costs and to stimulate output, consumer prices have remained low. This set of policies has resulted in major subsidies for maize, beef, and dairy products and considerably smaller ones for other grains. GOZ is in the process of eliminating these subsidies.

The subsidies to processors paid through the Ministry of Trade and Commerce have been sharply reduced over the past four years. In 1982, MTC was offering subsidies totalling Z\$79.9 million for maize meal, wheat flour, edible oils, and opaque beer. Since 1983, it has only subsidized maize meal. MTC allocated Z\$15 million to this subsidy in 1986 and has an outstanding commitment of Z\$2.5 million from 1985/86 which will be carried over to 1986/87. It will not be providing any additional funds for subsidies.

GOZ AGRICULTURAL SUBSIDIES (Z\$ MILLION)

GOZ Fiscal year - ended June

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Ministry of Trade and Commerce ^{1/}						
Subsidy on:						
Maize Meal	64.8	52.0	28.0	22.0	15.0	2.5*
Wheat Flour	8.5					
Edible Oils	6.2					
Opaque Beer	0.4					
	<u>79.9</u>	<u>52.0</u>	<u>28.0</u>	<u>22.0</u>	<u>15.0</u>	<u>2.5</u>
Ministry of Lands, Agriculture, and Rural Resettlement ^{2/}						
AMA Subsidy on:						
Maize	20.4	43.6	17.0	42.6	41.1	
Wheat	9.3	12.1	10.2	2.8	4.4	
Sorghum	0.5	0.7	1.9	0.2	1.6	
Groundnuts	0.5	0.6	(0.2)	0.2	(0.1)	
Soybeans	2.1	5.7	3.6	(0.5)	1.8	
Other Grains	N/A	N/A	N/A	1.1	2.2	
TOTAL GMB	<u>32.8</u>	<u>62.7</u>	<u>32.5</u>	<u>54.5</u>	<u>51.0</u>	
Dairy (DMB)	18.3	35.7	38.7	46.3	50.0	
Beef (CSC)	<u>50.9</u>	<u>46.4</u>	<u>45.3</u>	<u>45.8</u>	<u>33.4</u>	
Ministry of Lands, Agriculture and Rural Resettlement	102.0	144.8	116.5	144.3	134.3	
TOTAL AGRICULTURAL SUBSIDY	181.9	196.8	144.5	166.3	149.3	

*Outstanding commitment from 1985/86

^{1/} Source: GOZ Estimates of Expenditure

^{2/} Source: AMA - Trading deficits of its constituent boards which fall with the GOZ financial year.

Meanwhile, the trading deficits incurred by the DMB for dairy products, the CSC for beef, and the GMB for maize account for 93 percent of MINAG's total subsidies. The DMB was confronted with shortages of dairy products as recently as 1982. Producer prices were subsequently increased while consumer prices remained relatively low. The DMB now has a surplus and has resumed exports. However, the export potential of Zimbabwe dairy products is quite limited due to the EEC's massive export subsidies for its own dairy surplus. The DMB has commissioned a study to make recommendations and direct its future pricing policies.

The CSC is encountering a number of disparate and complex problems. Currently, 62 percent of Zimbabwe's cattle are held in the communal sector. Three years of persistent drought induced greater cattle slaughter as communal farmers, in effect, liquidated their remaining assets. Since the end of the drought in 1985/86, the CSC has faced a shortage of slaughter stock and intense competition for slaughter stock from private abattoirs who sell beef at a higher price on the open market. Meanwhile, over-supply of beef and high stocks among major beef producers and exporters have depressed international prices and crowded out high cost and small producing countries. Benefits from trade accruing to small producers, such as Zimbabwe, result from concessionary trade agreements, particularly the Lome Convention. Due to shortages of slaughter stock and domestic beef shortages, Zimbabwe has had to withdraw from traditional export markets and has directed its exports to the EEC, which has its own beef surplus. The CSC is weighing several long-run approaches to its problems, but it appears doubtful that the CSC trade deficit will improve soon as it must resolve a wide range of supply and demand problems.

The GMB's trade deficit for maize increased 151% in 1984/85 from the previous year. The drought caused a serious shortfall in domestic maize production. Consequently, 268,395 tons of maize were imported at an average cost of Z\$299.14/ton, compared to an average local producer price of Z\$150.88/ton. The GMB refrained from raising consumer prices during time of drought and absorbed the difference in prime cost, which accounts for Z\$40.0 million of the deficit. The costs of short term financing to facilitate the purchase of maize imports exacerbated the trade deficit. As the ripple effects of the drought pass and surplus conditions return, the GMB expects to reduce and eventually eliminate its maize subsidy.

3. A Land Resettlement Policy Which Recognizes Availability, Competing Smallholder Assistance Requirements and Production/Export Goals

The Director of the Department of Rural Development (DERUDE), now responsible for the planning and administration of resettlement schemes, indicated that the target of resettling 162,000 families on

9 million hectares of land still remains. To date 38,000 families have been resettled under Model A (individual ownership), scheme and 3,000 members have been resettled under the Model B (collective farming) scheme. Total area resettled to date stands at 2,5 million hectares with 3,000 ha, mainly in the drier parts of the country, currently available for resettlement. The GOZ has managed to resettle an average of 6-7,000 families a year for the past 6 years at an average cost of Z\$3,000 per settler family.

The resettlement program itself has changed nature and emphasis. Essentially there is more time to plan and appraise projects. The GOZ is now embarking on reorganizing communal areas and opening up new areas for settlement.

4. The Application of Commercial Rates of Interest in Lending to the Smallholders

Based on the provisions of the 1982 World Bank supplement to the Small Farmer Credit Scheme, interest rates to smallholders were to be increased by 2% per year until they equaled the standard commercial rates. They were raised to the level of 13% on April 1, 1984 and equate to those charged to large scale clients. Rates are the same for short, medium, and long term loans; this policy is under review. AFC lending rates are about 1.5% below commercial bank rates, but are being reviewed by GOZ at the request of AFC. Building society mortgages on residential property are 13.25%. Hire purchase rates of finance houses were 20% to 24% in mid 1985.

5. An Increase in Research on Crops and Integrated Crop/Livestock Systems Directed Specifically to Small Scale Farm Conditions

On Farm Research (OFR) under the Department of Research and Specialist Services (DR&SS) still remains the all important research program for the small scale sector. DR&SS has made substantial progress with OFR programs during the 1985/86 season with 40-50% of its budget going to small scale crops. Specifically, progress has been made in developing and testing particular innovations, identifying the real constraints and opportunities to improve crop and livestock production systems, and in demonstrating relevant technological improvements to extension workers, Communal Area (CA) farmers and groups. This work has been particularly useful in designing more relevant on station research based on farmer requirements.

The OFR activities during the 1985/86 season demonstrate a steady progress on the crop research and a noticeable increase on livestock related research. Out of a total of 476 trial sites in CAs in the 1985/86 season, 90% were related to crop production. On the livestock side, the trials are divided into two main categories of forage legume and feeding regimes. Henderson Research Station is

doing work aimed at improving the diets of indigenous cows to evaluate their milk producing potential under the CA environment.

The FSR unit is currently focussing its attention on integrated crop/livestock systems. The linkages between the FSR unit and Agritex continues to strengthen. In addition to assisting with supervision of FSR trials, Agritex is now keen to establish a systems approach to extension. The UZ also has an important socio-economic input into DR&SS's FSR program through their Department of Agricultural Economics and Extension.

6. Extension of Price Stimuli as Applied to Major Commercial Crops to Present and New Small Farm Crops

The GOZ continues to provide price stimuli for several crops traditionally produced by the smallscale sector. These crops include sorghum and millet. The GMB is currently experiencing difficulty in the disposal of these crops. Both domestic and foreign demand are low, and huge stocks remain on hand. The AMA's Grain Situation and Outlook Report indicates that the GMB has set producer prices too high to sell millet on the depressed international market. Meanwhile, the AMA's Oilseed Situation and Outlook Report indicates that producer prices for groundnuts are unrealistically low and that corrective measures are required; some, including the Bulking Up Scheme, have already been implemented. Producer prices for sunflowerseed were increased 12.3 percent for the 1985/86 year. Sunflowerseed is sold mostly on the international market, where it commands a premium over soybeans. It is becoming increasingly popular among communal farmers who recognize its drought resisting capacity and its value as a cash crop.

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

In addition to the GOZ efforts, private organizations are taking an increasing role to carry out this function especially in the small scale sector. Agritex continues to be the leading organization planning the activities and coordinating the various inputs by other government and non-governmental organizations, and in some cases, assisting other organizations to implement their programs.

Agritex has started operating the methodology for group development in the communal areas. This has gone a long way to alleviate the problem of their otherwise poor farmer to extension worker ratio. The existing "master farmer" program is used as the core of this strategy, and Agritex reports that this new strategy is working very well and has resulted in greater efficiencies. The Agritex bi-monthly magazine, Kunzwa Uku zwa, published in the two local

languages of Shona and Ndebele, is proving to be an invaluable source of information to the CA farmers.

Most of the equipment for the Department of Natural Resources's Extension Education Program has been purchased and the mobile units are expected to be assembled in the near future. An additional allocation has been made under ZASA to provide the required software package for this project. This will involve production of local conservation and related films, tapes, printed materials and other related mass communication materials.

Private sector companies in Zimbabwe have realized the production potential in the CA and are making deliberate efforts to expand their marketing efforts into this sub-sector. A USAID sponsored study on "Agriculture and the Private Sector" indicates that agricultural machinery dealers and manufacturers, irrigation specialists, fertilizer and crop chemical companies are not just scaling down technology developed for large farms but are adapting and designing technologies to the distinct requirements of the smallholder producers. With assistance from USAID a private company, Cattle World is publishing a monthly magazine, Farming World with Murimi/Umlimi. The magazine has both an English and Shona/Ndebele version carrying agricultural extension news, current circulation is 9,000 copies per month. The Commercial Farmers Union (CFU) with its various affiliated commodity association, continues to offer assistance to the small scale farmers through various means. The Commercial Cotton Growers' Association, with assistance from USAID and other donors, continues to offer training in cotton production to CA farmers at its training center in Kadoma. The Commercial Coffee Growers' Association is assisting small scale growers in the Honde Valley with the intensive management training required by this crop.

On the whole, the excellent cooperation between the GOZ and private sector organizations is ensuring the expansion and utilization of innovative new methods for the dissemination of information especially to the bulk of the small scale farmers throughout the country.

8. Adequate Government Support of Rural Savings Clubs as a Mechanism for Mobilising Rural Savings for Smallholder Credit and for Channelling Loan Funds at Lower Costs through Groups to Smallscale Farmers

Interest has been expressed in promoting government support for rural savings club in order to mobilize rural savings for smallholder credit and to channel loan funds at lower costs to groups of smallscale farmers. Although the AFC continues to increase the supply to credit to the peasant sector, rural savings clubs reduce dependency upon formal agricultural financing for

inputs by creating autonomous, decentralized sources of credit with relatively simple and quick administrative procedures.

Recent discussions with AFC officials indicate that they are moving to support the role of rural saving clubs by becoming a full service agricultural bank. As of last year, such support did not fall within the AFC's legislative mandate. Funds from rural savings clubs are moving into government channels through the Post Office Savings Bank and are supplementing sources of credit in rural areas.

9. Development and Adoption of Measures to Increase Cooperation and Linkages Between Research, Extension, and University Education

Program linkages between Research, Extension and University education continue to be developed. The ZASA program continues to contribute, in a very meaningful way, to this development of a working relationships among the institutions concerned.

The University has developed a practical cost-effective postgraduate program for staff from the respective service departments. The program involves theoretical training in the U.S. and/or international agricultural research centres and practical role in Zimbabwe. The University is continuing the integration of the Faculty of Agriculture into the National agricultural research and extension system, with an increasing emphasis on small-scale communal agriculture. The Faculty of Agriculture also participates in visiting lecturer program assisting the two agricultural colleges, Chibero and Gwebi.

Healthy relationships and cooperation between the University and MLARR particularly with DR&SS and Agritex, continue to develop in the areas of research and extension. A committee of unit heads/leaders was formed to jointly organize all OFR on a provincial basis and to offer Agritex provincial staff an opportunity to participate and contribute to the research proposals for their respective provinces. Conversely, DR&SS will also participate and contribute to the design of Agritex demonstrations. A formal meeting of research and extension officers will be held for each province in order to establish those much needed technical and operational linkages at the field level. The UZ continues to provide its socio-economic input into the FSR program and assist with processing and evaluating data obtained from trials.

There is a noticeable increase in cooperation between the public and private sectors. CFU has contributed more than Z\$1,5 million to DR&SS since 1980 for commodity related research.

Most of the cooperation and linkages thus far have tended to be informal, especially between the private and public sector. However, within the public sector itself these linkages continue to

be developed and formalized especially between Agritex, DR&SS and the University. The evident result is the ease by which relevant research results and new technologies from either UZ or DR&SS is passed on to the small scale farmers through Agritex while at the same time Agritex finds it much easier to feed in CA farmer problems constraints to form part of the extension and research agenda.

10. Reduction in the Costs of Essential Inputs by Substituting Lower Cost Items and More Efficient Methods of use, Thereby Easing Elimination of Subsidies

Rising input costs continue to be a serious production problem in both the small scale and large scale farming areas. The GOZ has encouraged any activities that result in reduction in costs of production especially in the CA's where farmers have severe cash flow problems and difficult access to inputs. One such activity has been the promotion of cooperatives to address supply input and output marketing problems especially in the communal areas. Currently there are 14 cooperative unions who own approximately 40 major warehouses and 282 distribution centres funded by USAID. The advantages accruing to owner/members are substantial bulk purchasing discounts, consolidated ordering and coordinated delivery, all of which substantially reduce input costs.

Until recently most of the cooperative facilities were significantly under-utilized. Through ZASA funding, DECODE has managed to contract the services of Farmer's Coop (Pvt) Ltd to carry out a training program for the cooperative managers. Fields of training included improving store layout and product display, housekeeping, quality and control staffing, ordering and purchasing procedures and pricing policies. The result has been a marked increase in turnover and reduced costs of inputs to the members concerned.

As a result of Z\$7 million ZASA funding moving through the AFC to the Co-ops, the Co-op were able to reduce their Commerical Bank Overdraft facilities from Z\$8.9 million in 1984/85 to Z\$2 million 1985/6. The effective 6% reduction in interest cost on Z\$7 million should have a marked effect on the cost of inputs in the smallscale farming sector.

Agritex is currently working with the Rodale Research Institute in the U.S. to set up pilot organic/regenerative agricultural trails in the CAs to evaluate possible cost impact of organic farming. The Department of Research and Specialist Services has on the drawing board a soil testing laboratory at Marondera Research Station. This has been necessitated by increasing soil samples coming from CA's. After establishment of this laboratory, more accurate soil analyses for CA will be available, hopefully reducing fertilizer application in this sector.

20. BENEFICIARIES

The evidence available to the evaluator shows that the ZASA program is fulfilling its stated intention to support GOZ activities to develop the small scale farming sector. GOZ program directions are having beneficial impact, as shown by national statistics.

INDICATORS OF PERFORMANCE

ZASA is designed to support a number of projects and activities which, taken together, are to bring about broad, beneficial change throughout the sector. Since the primary indicator of success is overall sector performance, analysis of benefits and beneficiaries of ZASA support must be more indirect and inferential than the type of beneficiary analysis usually undertaken for projects. Categories benefitting include farmers and their households; individuals in staff positions in a number of government institutions; students and trainees; and others, including small businesses.

Evidence elsewhere in this report and in the 1984 and 1985 evaluations documents the reorientation of policies to meet smallholder needs, in particular the allocation of a greater share of institutional, human and financial resources since the beginning of the Program to the development of smallholder agriculture.

Some nationwide program and production statistics can serve as indicators to document progress in meeting the needs of smallholders. The level of credit disbursed and GMB/CMB intake of maize and cotton have been employed as key indicators to measure this success. Similar measures might be cited for increases in volume of fertilizer sales to smallholders.

AFC Agricultural Lendings to Smallscale Farmers

Table 3

Deliveries of Cotton from the Smallholder/Traditional Sector
Cotton Deliveries

<u>Harvest Year</u>	<u>MT ('000)</u>	<u>% Total Deliveries</u>
1978	43	27
1979	31	22
1980	33	22
1981	75	43
1982	99	32
1983	61	36
1984	112	45
1985	151	47
1986	113	50

Source: Cotton Marketing Board

Table 4

Deliveries of Maize from the Smallholder/Traditional Sector

<u>Harvest Year</u>	<u>Production MT</u> ('000)	<u>Deliveries</u> ('000)	<u>% Total Deliveries</u>
1979	877	64	7
1980	512	38	8
1981	815	86	11
1982	2,014	363	18
1983	1,391	369	27
1984	671	152	25
1985	942	390	41
1986 Est.	1,069	939	48

Source: Grain Marketing Board

AFC Small Farm Credit Scheme

Table 5

<u>Production Year</u>	<u>No. of Loans Granted</u> ('000)	<u>Value of Loans Granted</u> (\$ '000)
1982/83	41.8	17.7
1983/84	52.5	29.3
1984/85	70.6	33.3

Source: AFC 1985 Annual Report

21. UNPLANNED EFFECTS

The last criteria for the continuation of the ZASA program, "will not impose an unacceptable recurrent cost burden", will in all probability present the GOZ with the greatest potential danger, and should be seriously considered prior to final ZASA sub obligations.

Indications of Unacceptable Recurrent Costs

In order to determine whether or not a project's recurrent costs will prove to be "unacceptable, several criteria may be used. These criteria include:

- (1) the level of fixed costs in relation to variable costs;
- (2) the ability of project to sustain itself;
- (3) the willingness of the host or donor government to commit resources;
- (4) the ability of the host or donor government to commit resources, and;
- (5) the impact of exogenous elements on the project and, in turn, the impact of the project on related areas and sectors.

The first criterion provides the main hurdle in determining the acceptability of a project's recurrent costs. If fixed costs are relatively high and variable costs relatively low, then the donor can commit itself to covering the initial or fixed costs providing that the recipient is willing and able to cover the variable costs. The rural depots financed under the commodity import element of ZASA provide an example of projects which do not incur unacceptable recurrent costs. The cost of constructing the depots and providing important infrastructure are significantly higher than the operating costs of the depots. The GOZ may not be able to commit sizeable resources to construction of depots despite the importance it attaches to them. In this case, recurrent costs will not be a significant issue after the rural depots are constructed and the GOZ assumes responsibility for their operation.

The construction projects USAID has funded under ZASA for the expansion of Gwebi and Chibero Colleges and the University of Zimbabwe's Agricultural Faculty present another situation wherein USAID covers the fixed costs but the GOZ incurs significant variable costs. Chibero College is in the process of expanding from 80 students to 120 students. This 50 percent increase in the number of students enrolled will undoubtedly increase variable costs, such as the number of faculty and staff employed. Likewise, the construction of the University of Zimbabwe's Agricultural Faculty will precede an expansion in the number of students, faculty, staff, and greater maintenance costs. In the meantime, the GOZ is reducing the amount of funds allocated to the University. This reduction indicates that the GOZ is no longer willing or able to commit

resources commensurate with the University's expansion. Recurrent costs, therefore, are emerging as a significant issue. Tuition, fees, and other sources of income probably will not be able to meet variable and operating costs and thereby enable the project to sustain itself. The ZASA Working Group must monitor closely decisions and events which will undermine the expansion of educational facilities. Education projects have a significant and salutary impact on sustainable development in the long-term, but immediate problems may thwart their eventual success.

22. LESSONS LEARNED

1. A ZASA type controlled resource transfer program can be the basis of a successful program if the recipient country has the institutional capacity, financial stability and trained personnel necessary to permit the implementation of such a program.
2. Even with the economic and financial base of Zimbabwe recurrent costs caused by rapid expansion soon becomes a major constraint to future development.

23. SPECIAL COMMENTS

USAID Continuing Review of the ZASA Program

During the past year - since the last evaluation in June 1985 - USAID has undertaken a number of studies, audits and reports as part of its management oversight of the ZASA program. These include the following:

- AID Audit Report - Two auditors from RIG/A Nairobi spend a month in Harare during August and September 1985. Their purpose was to conduct a management audit of the ZASA program. The audit report listed one recommendation; to place additional local currency in an interest bearing account pending transfer to the implementing ministries. The Ministry of Finance analyzed the cash flow requirements of ZASA-funded activities and made the deposit. RIG/A cleared the audit recommendation.
- Price Waterhouse Audit Report - The local accounting firm, Price Waterhouse - undertook an audit of local currency activities with emphasis on USAID and Ministry of Finance allocation letters (PILs). This audit included the ZASA program. The report - which was not reviewed in draft - commented that four (4) ZASA funded activities were not supported by allocation or implementation letters. Upon receipt of the audit report, the agricultural division located the appropriate letters in the files.
- Irrigation Study - USAID requested a team from AID's Water Management Synthesis II project to review irrigation activities. This request was made because USAID is providing

Z\$11.2 million to the irrigation sub-sector. A two-person team spent the month of February 1986 in-country and spent 3 weeks travelling to irrigation sites. The team, which included the director of the WMS II project, concluded that Zimbabwe has a high level of sophistication in its irrigation technology. As a result, WMS II has proposed a joint field activity be undertaken in Zimbabwe early in 1987 to develop case studies for use in an African-wide workshop.

- Site Visit Reports - USAID's agriculture office has developed a form to summarize visits to ZASA funded activities. Over 25 site visits have been made this year.
- Agribusiness Study - USAID funded a study of private firms serving the agricultural sector in Zimbabwe. This has been used to help identify activities that could be funded from the ZASA program.
- Local Currency Study - USAID signed a contract in September 1986 with a local consulting firm to undertake a study of the impact USAID funded local currency activities. It is expected that among 10 activities to be evaluated the study will probably include 4-5 agricultural activities.