PN-AAU-110

UNCLASSIFIED

AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ZIMBABWE

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 83

BEST AVAILABLE

February 1981

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

UNCLASSIFIED

****

THIS STRATEGY STATEMENT HAS BEEN PREPARED BY THE A.I.D. FIELD MISSION. IT IS PREPARED ANNUALLY AND USED FOR PLANNING PURPOSES IN THE FIELD AND IN WASHINGTON. IT DOES NOT REPRESENT OFFICIAL AGENCY POLICY.

****

****

****

****

****

****

****

****

******

****

**

*

TABLE OF CONTENTS

TABLE OF CONTENTS	1
GLOSSARY	iii
PART I - ANALYSIS	1
A. INTRODUCTION	1
1. POLITICAL OVERVIEW	1
2. HISTORICAL OVERVIEW	2
3. MACROECONOMIC OVERVIEW	4
B. ANALYTICAL DESCRIPTION OF THE POOR	6
1. IDENTIFICATION OF THE POOR	6
Small Scale Farmers on the TTL's	6
Agricultural Workers	8
The Urban Poor	8
Refugees and Displaced Persons	9
2. PROFILE OF THE POOR	10
Health and Nutrition Status	10
Educational Status	11
Housing	12
C. CAUSES OF POVERTY	12
1. LAND SCARCITY	12
2. LOW LEVELS OF LAND PRODUCTIVITY	14
Agricultural Research	14
Agricultural Extension	15
Input Deliveries	16
Crop Marketing	16
Agricultural Credit	17
Pricing Policies	18
3. UNEMPLOYMENT	18
Small-Scale Industry	18
Manpower Training	19
Modern Sector Employment	20
D. GOZ STRATEGY	20
1. OBJECTIVES	21
2. STRATEGY	21
3. CONSTRAINTS	22
4. CRITIQUE	23

E. PROGRESS AND COMMITMENT TO EQUITABLE GROWTH 23

1. MACROECONOMIC PERFORMANCE 24

2. EMPLOYMENT 24

3. ACCESS TO PRODUCTIVE ASSETS 24

4. GOVERNMENT ALLOCATIONS TO HEALTH AND EDUCATION 24

5. EFFECTIVENESS OF THE ADMINISTRATIVE SYSTEM 25

6. NATURAL RESOURCES 26

7. POPULATION PROGRAM 27

8. RESPONSIVENESS OF POLITICAL SYSTEM 29

9. SOCIAL MOBILITY 30

10. CONTROL OF INFORMATION FLOWS 31

PART II - STRATEGY 32

A. GOALS OF U.S. ASSISTANCE TO ZIMBABWE 32

B. A STRATEGY FOR U.S. ASSISTANCE TO ZIMBABWE 33

1. LEVELS OF U.S. ASSISTANCE 34

a) Macroeconomic Analysis of Resource Needs 34

b) Other Donors' Assistance 37

c) Levels of U.S. Assistance 38

2. THE MODES OF U.S. ASSISTANCE 39

3. THE PROGRAMMING OF U.S. ASSISTANCE 41

a) Addressing Administrative and Absorptive Capacity Bottlenecks 41

b) Sectoral Assistance Strategy 46

i) Increasing Agricultural Income 46

ii) Increasing Employment 52

iii) Expanding Social Service Delivery Systems 53

PART III - PROPOSED ASSISTANCE PLANNING LEVELS 57

A. PLANNING LEVELS 57

B. MANAGEMENT APPROACH 60

ANNEX A: STATISTICAL TABLES 62

ANNEX B: AID TO ZIMBABWE: A REVIEW OF LEGAL ISSUES 76

GLOSSARY

AFC	Agricultural Finance Corporation
AID	Agency for International Development
AMA	Agricultural Marketing Authority
APA	African Purchase Area
APL	African Purchase Land
CDSS	Country Development Strategy Statement
CIP	Commodity Import Program
CONEX	Department of Conservation and Extension
CSC	Cold Storage Commission
FEBCO	Fund for Emerging Business Corporation
DEVAG	Department of Agricultural Development
DFC	Development Finance Company
DMB	Dairy Marketing Board
DRSS	Department of Research and Specialist Services
FPA	Family Planning Association
GDP	Gross Domestic Product
GMB	Grain Marketing Board
GOZ	Government of Zimbabwe
HIG	Housing Investment Guaranty
IOBD	Institute of Business Development
JAO	Joint Administrative Organization
LDC	Less Developed Country
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOH	Ministry of Health
PF	Patriotic Front
PID	Project Identification Document
PP	Project Paper
PVO	Private Voluntary Organization
SIAS	Small Industry Advisory Services
TA	Technical Assistance
TILCOR	Tribal Trust Land Development Corporation
TMB	Tobacco Marketing Board
TTL	Tribal Trust Land

GLOSSARY

USAID	United States Agency for International Development
ZANLA	Zimbabwe African National Liberation Army
ZANU	Zimbabwe African National Union
ZAPU	Zimbabwe African People's Union
ZIMCORD	Zimbabwe Conference on Reconstruction and Development
ZIPRA	Zimbabwe People's Revolutionary Army

I - ANALYSIS

A - INTRODUCTION

1. POLITICAL OVERVIEW.

The independent state of Zimbabwe was created on April 18, 1980, in the wake of ninety years of settler colonial rule and seven years of bitter rural warfare. The instruments of government were transferred from a tiny white minority (less than four percent of the population) to a broad-based African majority led by the Zanu (PF) party of Robert Mugabe (who secured 65% of the black vote in the February, 1980 election). Independence marked the accession to power of a government committed to addressing the development needs of the poor majority. It also marked for the country the end of a fifteen year period of diplomatic and economic isolation from the international community and a re-establishment of ties with development assistance agencies.

The most striking political fact about the new Zimbabwe is the rapidity with which relative peace and stability have been restored throughout the country. At the end of 1979 the war was claiming 50 victims killed a day, but within a year, violence had been contained to occasional incidents of manageable proportions. Since independence, the locus of political conflict has shifted. Whereas the dispute between settlers and African Nationalists was once upper-most, the principal tension is now between ZANU (PF) and PF (ZAPU), the main African political parties. Conflict is felt most keenly over the issues of the distribution of Cabinet positions and the integration of separate guerrilla armies into a unified national force. The government has chosen to create a large army (numbering a regular force of about 60,000) rather than to attempt a general demobilization. For the foreseeable future military expenditures will considerably reduce the proportion of the national budget available for development. Moreover, the pace of military integration has been forced and the creation of new battalions has not occurred without friction. Nonetheless, the new national army proved itself capable of acting impartially and effectively in quelling the serious outbreak of interparty fighting in Bulawayo in November, 1980.

As far as economic development strategy is concerned, a different set of political cross-pressures comes into play. On one hand, rising expectations are expressed by the mass of the population that the government will improve basic standards of living. Response to these popular demands has been made

with the institution of a minimum wage in the sectors where most blacks are employed, and with the provision of primary education for all and free health care for low-income groups. On the other hand, the structure of the Zimbabwe economy is such that the ownership of productive assets, such as land and industry, is vested principally in the hands of settlers and international companies. The country has a unique endowment of capital and skills that could easily be jeopardized by rash or hasty asset redistribution. Those settlers who are both productive and willing to adjust to non-racial social norms have thus been urged to stay. Investors have been welcomed. The task facing the government is that of meeting aspirations for immediate improvements in black standards of living while at the same time retaining the confidence and support of skilled whites and private capital.

To date, the strategy adopted by government has been to widen access to social services rather than to undertake a major redistribution of assets. The development policies announced in the first year of independence were marked by moderation and flexibility. They reflect an attempt on the part of government to balance competing political interests. The government's rhetoric has been more radical than its actions. Whether the government continues to pursue pragmatic policies, or opts for more radical policies will depend principally on the strength of demands from its mass constituency. The shortages of land in the subsistence sector, for example, and the highly politicized nature of the land issue, mean that a substantial land reform program is unavoidable and essential. In the industrial sector, the government appears to be relying on private capital to create employment opportunities and, as such, has shelved plans for nationalization. In sum, the government has committed itself to redress the severe social inequities inherited from the past, but has decided, at least at the outset, to reach these goals through a pragmatic rather than a doctrinaire approach.

2. HISTORICAL OVERVIEW

In order to adequately analyze the Zimbabwe economy and the propects for its growth and transformation, a brief historical background is required.

Zimbabwe's colonial past is unique in that the settler minority was not only sizable and influential but, since 1923, possessed of de facto self-government. The unilateral declaration of independence in 1965 represented an unsuccessful attempt by the minority to win de jure sovereignty. However, control of the instruments of government did allow the settlers to structure the economy to their own advantage by means of broad state intervention.

Government policies in the colonial period were protective of white economic interests and worked to undermine the interests of the blacks. The Land Apportionment Act of 1930 and Land Tenure Act of 1969, for example, divided the country roughly in half, despite the fact that blacks always outnumbered whites in a ratio of at least 25:1. The prime farm acreage and all major industrial and infrastural installations were in the white half. Whites controlled 77% of the best farming land (agro-ecologic zones I and II) while 75% of the lands reserved for blacks were in the worst regions, Zones IV and V. (cf Table A - 1). Thus the African population was crowded into largely fragile and infertile lands. Government legislation was also introduced to boost the productivity of white farmers and to reduce competition from their African counterparts. The Maize Control Act of 1934 and various other regulations for the grading of crops and livestock were used to limit access to market for the small peasant farmer. Agricultural credit and extension services were structured to serve commercial farmers and the marketing infrastructure of collection depots and road and rail links was built with little concern for the black farmers. The result was declining food production per capita in the subsistence sector, both absolutely and relative to commercial agriculture.* Finally, mention should be made of the Industrial Conciliation Act and Master and Servants Act which served to keep wages down. The former placed limits on the formation and bargaining powers of black trade unions. The latter restricted the legal rights of domestic and agricultural workers.

The period of economic sanctions and war (1965 - 1979) saw the most extensive state intervention to date. The government introduced import and exchange regulations to control manufacturing and established quotas for agricultural production. Subsidies were extended to white commercial farmers

* E.G. Cross, Rhodesian Science News, 1977

to encourage diversification away from tobacco, to provide drought relief, and to finance security installations on farms. At the same time the agricultural productivity of the TTLs was further cut by the movement of peasant populations into "protected villages", the loss of cattle to disease and the destruction of standing crops by the security forces for fear that they could be used to feed guerrillas. In sum, economic sanctions and war tended to reinforce the structure of the economy by boosting state supports for commercial activities and further reducing the capacity of subsistence cultivators to support themselves.

The main purpose of past land and labor policies was to pry loose agricultural cultivators from the land and to create a labor force for the industrialization of the economy. These policies gave rise to a highly differentiated economic structure. A high productivity wage sector and low productivity subsistence sector stand side by side and are linked together by labor and cash flows. The differentiation in employment opportunities, wage levels and asset ownership was so severe however, that it ultimately proved politically unsustainable. Nonetheless, the inherited economic structure is the foundation from which the Zimbabwean government will have to begin when formulating its development strategy. Any politically feasible approach in the long run, must include the following: (1) the transfer of resources from the modern sector to productive investment in the wage sector, including selected small-scale industrialization at rural locations; (3) the reorientation of public services to accommodate and respond to needs of the rural and urban poor. The challenge for policymakers will be to balance competing demands for scarce investment resources between the two sectors of the economy.

3. MACROECONOMIC OVERVIEW

As stated above, there are two Zimbabwean economies - the wage economy which includes the industrial sector, commercial agriculture, and government and private services, and the subsistence economy made up largely of small-scale agriculture as well as most informal sector activities. Thus, while overall per capita income in 1979 was $US 530, per capita income in the wage economy, where 40% of the labor force is employed, was approximately $1,260, while for the subsistence economy it was about $US 44.*

---

* Zimbabwe uses the dollar as its currency measure. To avoid confusion only US dollar figures will be used. The current exchange rate converts US$ 1.00 to Z$0.65.

The wage economy is highly diversified with important agricultural (12.4% of GDP), mining (7.9% of GDP), and manufacturing (25% of GDP) sectors (cf. Table A - 2). Each of these sectors is, in turn, divided into a variety of sub-sectors. The major agricultural crops are tobacco, cotton, maize, sugar, wheat, beef, dairy products, groundnuts, tea and coffee. The mining industry produces a number of products including gold, asbestos, nickel, copper, chrome, and coal. The main manufacturing industries are iron, steel, and metal fabrication; chemicals and petro-chemicals; food and beverage processing; tobacco manufacturing; and textiles. The industrial sectors of the economy (manufacturing, mining, construction, and utilities) provided 38.8% of GDP in 1979, a figure matched by few LDCs. The wage economy employed approximately 989,000 workers in 1979, of whom some 46% worked in the relatively low-skilled and low-paying agricultural and domestic service industries. (cf. Table A - 3).

The subsistence economy which produces but 4% of GDP is largely made up of small-scale farmers in the Tribal Trust Lands (TTLs). These farmers produce maize, sorghum, millet, beef, cotton, groundnuts, and a small amount of tobacco. In 1978, TTL farmers marketed approximately 18% of their maize production, 8% of their groundnuts, and 3% of their sorghum, as well as the cash crops of cotton and tobacco.* In 1979, TTL farmers sold $16 million worth of produce.**

Between 1969 and 1974, the wage economy experienced a rate of growth of real GDP of 7.4% per annum. From the end of 1974, however, the economy experienced a significant downturn which lasted until the middle of 1978. Between 1975 and 1978, GDP, in real terms, fell by 12.1% (cf. Table A - 4). Private consumption fell by 12.4%, and gross fixed capital formation by 50.2%, whereas net government expenditures, fueled by the war, rose by 34.3%.

The subsistence economy has strong links to the wage economy, particularly through the remittance of wages in exchange for food. Thus the recession which led to a drop in modern sector employment of 63,000 in the face of a growing labor force reduced the remittance flow. More importantly, the war, along with a severe drought, reduced total output in the subsistence sector by 44%, and per capita output by more than half between 1974 and 1979.

* E. Cross, "Agriculture: Development and Equity"

** GOZ, Monthly Digest of Statistics (Dec. 1980)

With the end of the war, the removal of sanctions, and the accession to office of the Mugabe government, economic performance has turned around. Real output in the wage sector is estimated to have grown by 10% in 1980, and wage employment has probably returned to 1974 levels. Increases in agricultural prices, the return of peace in rural areas, the reconstruction of rural infrastructure, and good weather, lead observers to expect a bumper crop in 1981, with the TTLs as well as the commercial farms expected to market quantities well in excess of recent levels.

B - ANALYTICAL DESCRIPTION OF THE POOR.

1. IDENTIFICATION OF THE POOR.

Data currently available in Zimbabwe about poor rural and urban dwellers are both scanty and contradictory. The last complete census was conducted in 1969, and war conditions made field studies in rural areas difficult or impossible in recent years. Therefore, the generalizations which follow should be taken as best estimates in the absence of a reliable data base. There are no recent studies which provide information on socio-economic status by ethnic group or geographical region.

The rural population of Zimbabwe in 1978 included 3,680,000 blacks in Tribal Trust Lands (TTLs) and African Purchase Areas combined, with a further 1,500,000 estimated as resident in white commercial farming areas. This represents 5,180,700 out of a total estimated black population in the same year of 6,980,000.

Small-scale Farmers on TTLs. Firm estimates of the proportion of the black population resident in TTLs as against other rural areas vary, but the percentage is currently between 50 and 60%, or approximately 700,000 households with an average household size of 5 - 6. (Some proportion of households are polygamous). These estimates are further complicated by the fact that there is continual and fluctuating migration between urban areas and TTLs and between TTLs and white commercial farming areas.

Slightly over 50% of the TTL residents are under the age of 15, with about 20% under the age of 5. Given patterns of male labor migration, one-half to two-thirds of TTL households are de facto women-headed, with men returning on a seasonal basis for land preparation and planting. About 15% of married and unmarried women in densely populated areas also migrate for

employment. The typical TTL household depends on the proceeds of some wage labor either in urban centers, mines, or paid agricultural work on white-owned commercial farms; and average household income is $240 per annum. Women, the elderly, and youth continue to farm for subsistence, with some surplus production when this is possible, and some cash crop production, particularly groundnuts, and cotton in certain areas. Older people rely on subsistence farming in the TTLs for old-age security, but apparently are the least productive farmers. Children assist with crop production and herding, but are becoming less available due both to educational opportunities, and to the fact that young men now seek work off the TTLs after about the age of 15. This, together with the widespread absence of adult men, implies a growing labor constraint to crop production, at peak seasons.

Traditionally, all adult men had land use rights, which were allocated by chiefs and ward headmen on the basis of need under a pattern of shifting cultivation. Increasingly, men retain these rights while working off the TTLs by maintaining their families on the land, and returning for longer or shorter periods when they are unemployed. In the 1950s and 1960s it was estimated that men only sought employment off the TTLs for brief periods, when they were between 20 and 45 years of age. This pattern is changing, and men remain off the land as workers for longer periods of time, seeking work earlier and continuing to work until they are in their sixties, if possible. Additionally, in those TTLs where there is severe population pressure, a significant proportion of young men are landless. In the majority of TTLs, shifting cultivation is no longer possible, and land is becoming exhausted. Land rights in these situations tend to be inherited in one family, rather than being redistributed.

These generalizations apply primarily to Shona-speakers, who constitute about 70% of the black population. Ndebele-speakers, who predominate in the western third of the country, and form about 16% of the black population, also practice mixed farming, but tend to migrate less to towns, and to focus more on cattle than on crop production. Tenure patterns among the Ndebele are similar to those of the Shona described above. The small tribes such as the Tonga are the poorest groups in the population.

Agricultural Workers. Estimates of the number of workers employed in the white-owned commercial farming sector and on black-owned African purchase farms vary considerably. The current minimum wage for agricultural workers is $42 a month, and there are an estimated 350,000 permanent and casual workers. The quality of life of agricultural workers has varied considerably from region to region and from farm to farm. Wages were formerly paid both in cash and in kind, and workers' dependents were also given food rations. Apparently some commercial farmers devoted effort and resources to provide schooling and health care for workers, as well as housing and small plots for individual cultivation. Others, and especially smaller farmers, provided few if any benefits of this kind. With the advent of the minimum wage, cash incomes should improve, but living conditions may remain the same, and it is possible that there will be over-all cutbacks in the employment of agricultural workers, given the conjunction of minimum wage requirements and shifts to maize production from tobacco production, which is more labor-intensive. Agricultural employment for the first quarter of 1980, however, was 13,000 more than for the same period in 1979. In general, incomes of agricultural workers are now twice those of the average subsistence farmer.

To a significant extent, the rural-urban distinction is less relevant for the poor in Zimbabwe than in some other agriculture-based LDCs. Urban-rural and rural-urban income flows are continual, with the proceeds of wage labor in towns, mines and on commercial farms supplementing income from small-scale farming in the TTLs. Conversely, TTL food production supplements the income of urban workers by providing them with food supplies and feeding their rural-based dependents. In a recent estimate, 60 - 70% of all TTL households depend for family income on some remittance from wages.*

The Urban Poor. In recent years despite the "influx control legislation" the population of Salisbury, and to a lesser extent other urban areas, has grown rapidly. According to the 1969 census the black population of Salisbury was 280,000; the estimate for December, 1979 was 627,000. A more realistic figure, given the recent influx of people into the urban areas, and as evidenced by the strain on services, is 1 million (cf. Table A - 5). Much of the increase in the black population of Salisbury has been attributed to "single" men

---

* Duncan Clarke, "Trends in Labour Supply" Whitsun Foundation, 1978

bringing their families into the Salisbury area because of the increasing insecurity of life in the rural areas over the last few years, owing to the war, and also due to returning refugees, many of whom have moved to Salisbury.

Employment and shelter are scarce in the urban areas and many urban dwellers must resort to eking out a meagre existence in the informal sector of the economy. Housing is short for those formally employed and often beyond their means so people either must lodge in grossly overcrowded conditions or resort to squatting. Urban squatters are estimated to number 70,000, the majority concentrated in the main urban areas and Salisbury, in particular. Attempts have been made in Salisbury to formalize the squatter settlements by marking out plots and providing basic communal services of water and latrines, and, in some instances, electricity, for which the inhabitants are then charged approximately $1.60 per week. These settlements are seen as purely temporary arrangements and it is government policy to move these people into conventional housing as soon as possible, or persuade them to return to the rural areas. A recent survey in a Salisbury squatter settlement revealed that approximately 25% were second generation urban dwellers and an estimated additional 45% had lived in Salisbury for 10 years or more. The majority of the adult population in the squatter settlements are between the ages of 25 and 35 years, with families of three to four children.*

It is estimated that approximately 50% of the urban households are dependent for their income on the informal sector of the economy, i.e. vegetable hawking, pirate taxi operators, bicycle and watch repairs, tailoring, etc. The present government has taken a more lenient attitude to the informal sector and tolerates their activities, although legislation still exists for prosecution of such operators.

Refugees and Displaced Persons. After the war there were an estimated 1.2 million displaced people and refugees requiring reinstallation and resettlement. A third of these people were considered to be able to return home to their areas of origin without assistance. For the others a massive program was instituted to reinstall them in areas of their choice. The

* D. Patel and Adams A. Chirambahuyo, "A Case Study of Low Income Housing" Mambo (forth-coming).

majority returned to the rural areas and were given assistance in the form of seed packs and feeding programs. Reconstruction of basic infrastructure was embarked upon and roads, clinics, schools, veterinary services, etc., were commissioned wherever possible.

Generally the aim of the reinstallation and resettlement exercise has been to integrate the displaced people and refugees into their areas of origin and to help them establish a living standard on a par with their neighbours, to create homogeneous socio-economic groups. Given the expected bumper crop this year, the GOZ intends to discontinue its feeding program in April, at the first harvest.

2. PROFILE OF THE POOR.

Health and Nutritional Status. The estimated vital statistics of Zimbabwe resemble those of other African countries, based on the 1969 census. The MOH estimates the annual population growth rate to be 3.6 per annum. Life expectancy at birth is about 54 years. Only micro-studies are available for infant mortality rates, known to be high in rural areas, (One writer stated that the rural figure lies between 120 and 220 per thousand).

Access to medical services in urban areas is good compared to other African countries. Large urban hospitals and urban clinics are well-staffed and relatively numerous. Smaller mission hospitals were closed down by the war and only three physicians remained of the entire prewar physician staff. Since most of the over 800 physicians are located in the urban areas, the population per physician in rural areas may exceed 1 per 100,000. The senior person in most clinics is a medical assistant - over 2,500 are on the register - who is assisted by state-registered nurses and/or midwives. A ratio of one nurse per 1,400 population reflects the satisfactory nursing situation in both urban and rural areas.

The disease patterns in Zimbabwe appear to resemble those of other developing countries; communicable and nutritional diseases leading to the highest rates of morbidity and mortality. Poor sanitary conditions in rural areas and inadequate urban housing have increased the rates of morbidity and mortality from faecally-transmitted and water-related diseases. Malaria and tuberculosis are the two most frequently occuring infectious diseases. The control program for malaria, endemic in the low-veld area, has suffered

greatly from the war, as have efforts to control bilharzia, another widespread and debilitating disease among rural children.

The war led to major destruction of primary health clinics in rural areas. The GOZ's reconstruction program is rebuilding physical structures but a critical bottleneck is qualified personnel to man the health facilities. There is a wide variation in the health status of agricultural laborers compared to the other groups. Access to health care services ranges from excellent on farms that have clinics with competent staff to non-existent where the nearest council clinic is too far away to reach. The nutritional status also varies. Some wage laborers on large farms receive rations as wages "in kind". The foodstuffs distributed are generally maize meal, beans and salt. Some farms supply adequate rations of protein (meat, groundnuts). Others give none.

The urban squatters suffer from health problems similar to small holders in rural areas but have easier access to health care. There are some indications that the nutritional status of those migrating to the urban centers (including refugees) was poorer than that of the rural population, due to low income levels and the necessity to purchase all food.

Educational Status. A recent estimate for adult literacy in Zimbabwe is 40%. Black children in urban and rural areas have had access to primary education for some years, especially through mission schools. However, many families were unable to pay the required school fees, and/or there were not enough locally available primary school places. In 1972, 725,000 black children attended primary school, of whom about 45% were girls. In 1979 the total number of primary school students had increased to only 819,128. By the 1980 school year, with the advent of free primary education and the return to normalcy in the countryside enrollments had increased to over 1,250,000. Actual attendance rates were probably significantly lower, and the drop-out rate has historically been severe.

The situation regarding secondary education has been substantially worse for blacks. Since the early 1970s the proportion of black students able to advance to the secondary level has steadily declined. In 1972, 26% of those who completed primary school were able to continue their education

while by 1976 the proportion had fallen to 21%. Of these who went on, most received less than two years of post-primary schooling, and less than 10% were able to finish form IV (11th grade). (The total number of secondary school places in 1979 was 73,540). Many people, therefore relied on correspondence courses from U.K. or South Africa, since the accumulation of "O" level passes was critical for skilled employment in government and the private sector. A major policy change undertaken by the new government has been to provide universal secondary school, beginning with Form I in 1981. As a result secondary school enrollments have more than doubled in 1981.

While the educational system has mostly expanded its outreach to the rural poor at all levels, quality of teaching staff and facilities has deteriorated. The main tasks of the new educational system will be to increase quality and quantity of teachers, introduce cost-saving methodologies, and reform the curriculum to make schooling more responsive to employment opportunities.

Housing. Present black housing in the main urban areas is primarily the responsibility of local and central government. The average size plots are 200 sq. meters and are supplied with mains for electricity and sewerage. The houses are built to standards specified by building bylaws, using conventional building materials. In the smaller urban areas the quality of the services provided is much lower with, in many instances, no electricity and only communal latrines. Housing in the rural areas is constructed with a variety of materials depending upon the resources of the home owner, varying from pole and mud with a thatched roof to a brick and mortar house with a tin or asbestos roof. There is no provision of electricity, potable water or waterborne sewerage. Instead people rely on river or well water and use pit latrines or the open bush.

The waiting list for housing in the Salisbury Municipality comprises some 20,000 families, a figure which gives some indication of backlog. However, this is a gross under-estimation of the demand for housing since only those men who are employed are eligible to join the waiting list. Women heads-of-household, regardless of their employment status, are not eligible. A more maaningful estimate may be that there is an excess demand in Zimbabwe of nearly 100,000 dwelling places.

C - CAUSES OF POVERTY.

1. Land Scarcity. The main cause of poverty is the low level of labor productivity

in the TTLs. This in turn is caused by two basic factors - (1) the lack of good quality land in sufficient quantities to enable farmers to get substantial returns to their labor; (2) the relatively low level of institutional and physical infrastructure - extension, roads, marketing facilities, transport equipment, irrigation works, credit, and technological packages available as complementary inputs. With limited and low quality land, high transport and marketing costs, little physical capital, and unproductive technologies, farmers on the TTLs are barely able to produce above subsistence. At the same time there are few alternatives to subsistence farming. The wage sector during the period of rapid economic growth (1969 - 1974) created 40,000 jobs a year. During the same period the labor force was growing by 70,000 workers per year. Thus, more and more workers were forced to choose between unemployment in the wage economy, or eking out minimal incomes in the traditional economy (both in the TTLs and in the informal sector).

Until independence, agricultural land was divided into three categories: (1) commercial farms with freehold tenure, limited to white ownership; (2) African Purchase Lands (APLs), also with freehold tenure, limited to black ownership, and (3) Tribal Trust Lands, with traditional tenure arrangements, also limited to black use. Within these groupings were lands of various agro-ecological potential ranging from those suitable to specialized and diversified farming to those only suitable for livestock ranching.

Three facts should be noted. First, despite the high productivity of commercial farming, Zimbabwe is not blessed with adequate quantities of land suitable for intensive farming. Only 20% of all land is zones I and II. The rest of the land is very fragile and is largely overfarmed and overgrazed. Secondly, the lands reserved for black farmers are substantially poorer than those reserved for commercial farmers. Lastly, the TTLs have been suffering from population pressure for over two decades, and are presently carrying 2½ times the population deemed possible without reducing soil, water, and forest reserves. Thus, any solution to the problems of poverty in the TTLs must, in the long run, be aimed at decreasing the population pressure.

The small-scale farmers in the TTLs can be divided into three general groups based largely on the size of the farm and the degree of linkage to the wage economy. The first group can be described as commercial farmers, who grow

food and cash crops in surplus of their own domestic needs. These farmers rely on agriculture for almost all of their income which was estimated at $450 per year per farm in 1976.* This group has been estimated to range from 15 to 25% of the TTL farmers. Within this group are 17,000 farmers who have been organized into the "Master Farmers Association." Member use improved production practices and purchase inputs in bulk.

The second group consists of farm families, the majority of which are headed by women, which derive a significant portion of their income from members working in the modern sector. This group may represent up to 60% of all farm families and its estimated farm income is $190 per year. Lastly, there are older farmers who have returned from the wage economy, or whose children have left them, who barely eke out a subsistence income from their farms (probably less that $70 per year).

The GOZ strategy for increasing incomes in the TTLs is to reduce the population by encouraging farmers in groups two and three to leave the land and become full-time urban dwellers, thus allowing those who remain to expand their holdings sufficiently to provide a reasonable standard of living. At the same time much must be done to provide the requisite services and infrastructure to make agriculture more productive.

2. LOW LEVELS OF LAND PRODUCTIVITY.

Crop yield statistics are not available for the TTLs although different observers have ventured guesses. It is estimated that maize yields are from 600 to 700 kilos per acre, one-tenth of that produced on commercial farms, and one-third of those produced on African commercial farms. (A recent estimate of yields on a new settlement scheme with ample provision on inputs and extension advice is over 3000 kilos per hectare).** Yields of other crops, such as groundnuts and cotton show similar patterns. It will require substantial investments in agricultural services to improve yields.

Agricultural Research. Agricultural Research is coordinated by a central statutory body, the Agricultural Research Council. Research financing is provided by the Ministry of Agriculture with contributions from the commercial farming sector. The MOA Department of Research and Specialist Services (DRSS) is the main research authority in the country. DRSS has a professional staff

* A Strategy for Rural Development - Data Bank 2; the Peasant Sector (Whitsun Foundation, 1978)

** Discussion with GOZ Extension Workers.

of about 300 scientists, with 16 stations in the research network ranging from large stations to small sub-stations. On-station research activities have primarily been directed toward investigation of production problems confronting the commercial farming sector.

Research emphasis has been placed on such crops as maize, cotton, wheat, tobacco, oilseeds, as well as on soils, soil conservation, and irrigation management. Very little research has been carried out on specific food crops that make up the major part of production of small-scale producers on TTLs. For example, bullrush and finger millets, dry beans, sorghum, and vegetable crops have received minimum investigation. There has been virtually no analysis of the current farming systems characteristic of small-scale producers. Pastoral management and the introduction of legumes in pastures is currently under investigation, but these current activities require expansion to address constraints found in TTL grazing lands.

Agricultural Extension. DEVAG is responsible for transfer of relevant agricultural technology to small-scale producers in the TTLs. Located in the Ministry of Lands, Resettlement and Rural Development, DEVAG has 1,000 field-level offices, 53 regional offices, 8 provincial offices, and headquarters in Salisbury. Of the 1,700 staff, about 1,350 are assigned at the provincial, regional and field levels. The limited number of field-level extension agents is a major constraint to transferring appropriate agricultural technologies to the small-scale producer. Total staff to farmer ratios are about 1:600 households in TTLs, while in commercial sector, which is served by CONEX for extension, the ratio is 1:40 farmers. Statistics on average per capita government expenditure on extension for different groups of farmers are not available, but a recent estimate is that the average expenditure for a commercial farmer is $350, while the average for TTL farmers is about $12.*

The five-year public sector development program assessed DEVAG's need as 198 agricultural officers, 395 extension agents, and 3,160 extension assistants in addition to present staff.** There is an additional plan for crash-training of village-level extension workers, and provision of village-level

* Zimbabwe, Food and Agricultural Sector, FAO Country Development Brief, 1980

** Zimbabwe-Rhodesia, Five Year Public Sector Development Program, 1979

extension training centers.

Input Deliveries. Black farmers have significantly less access to purchased inputs than do commercial farmers. As in commercial farming areas, co-operative societies purchase the majority of agricultural inputs for APA and TTL farmers. A farmer does not have to be a member of a cooperative to utilize its services. Currently there are 55 primary cooperative societies in the APAs and 273 in the TTLs, most of which are members of one of 12 co-operative unions. Total membership of cooperatives is currently 40,000 farmers. Volumes of inputs handled by black cooperative societies have been very low (averaging $7,680 per year per cooperative, although the median was $3,200) owing in significant part to the war and cash flow problems. This changed dramatically in 1980 when over $24 million worth of agricultural inputs were distributed, up from the previous annual average of $2.4 to $3.2 million. Furthermore, cooperative unions have received substantial overdraft facilities which have removed cash flow problems as a serious constraint.

The per unit operating costs of black cooperatives are higher than commercial farm cooperatives since APA and TTL farmers require more services (i.e. bags, bulking, weighing, transport, collection and payment distribution) and are generally further away from regional marketing centers or railway depots. Over 60% of the black farms are more than 80 km (by road) from a regional center, while roughly 40% were more than 80 km from rail access. This compares unfavourably to commercial farming where over 80% are within 80 km of a regional center and over 95% are within 80 km of a rail depot or siding. The black farming areas are much more dependent on truck transportation and small independent haulers than are commercial farming areas. For example, research in various African areas has shown transport costs three to four times higher than commercial farmers pay for the same distances. Rural roads are generally of poorer quality, although this has changed somewhat during the war. No data are available yet, but some sources estimate more roads were built during the last 5 years in these areas than in the previous 20 years. However, particularly in terms of all-weather spinal roads, and earthen feeder roads, the present road structure is still believed by many to be inadequate. The net result of the current situation is that TTL farmers must pay considerably more per unit of input than do commercial farmers.

Crop Marketing. The organization of marketing in Zimbabwe can be divided into uncontrolled and controlled systems of marketing, the former consisting of

auctions, wholesalers and small retailers, while the latter involves government marketing channels. The major agricultural commodities are marketed through a statutory marketing system. The list of products currently designated as controlled includes: maize, wheat, tobacco, beef, cotton, millet, groundnuts, sorghum, soybeans, and coffee. All the listed products are marketed through one or another of the various marketing boards: Tobacco Marketing Board (TMB), Grain Marketing Board (GMB), Cotton Marketing Board (CMB), Cold Storage Commission (CSC) and Dairy Marketing Board (DMB). These statutory boards, except the TMB are in turn controlled by the Agricultural Marketing Authority (AMA). This organization provides pricing guidance to the Ministry of Agriculture and also manages the short-term financial requirement of each Board.

As with agricultural inputs, commercial farmers have a distinct marketing advantage. For example, commercial farmers are generally closer to Board depots. Of the Grain Marketing Board's 37 marketing depots, over thirty are located in commercial farming areas. This imbalance is beginning to be redressed. All of the next 8 depots are being constructed in locations that will serve black farmers. However, the blacks' marketing system remains more costly due to the small loads a hauler can pick up while traversing over poor roads. Several studies have found that transport costs black farmers upwards of 45% of the price received at the GMB depot. In addition the TTLs are almost totally lacking in storage facilities and marketing institutions that can serve as the link between the farm-gate and the GMB marketing depots. Thus, for some farmers it is virtually impossible to sell surplus production through statutory channels.

Agricultural Credit. Production credit needs of African farmers and co-operatives have been poorly met by public and private sources, while the commercial farm sector remains reasonably well-financed. For example, in 1978 the government supplied $216 million to commercial farmers while allocating only $2.4 million to the black producers. The situation has improved since then. In 1980 the Small Farmer Credit Scheme of the Agricultural Finance Corporation (AFC) extended $8.0 million to roughly 18,000 farmers. However, it falls far short of serving the total African farmer population of over 700,000. Informal credit via private sources in

black areas remains insignificant. Since the end of the war, the credit problems of black cooperative unions have been reduced, through representations by government to the commercial banks. To obtain the credit, the cooperatives must remain firmly under government control (i.e. operating practices, release of funds). However, little is known of the credit needs of individual farmers as there are no recent studies.

Pricing Policies. Immediately after independence, the GOZ made a bold decision to raise substantially support prices for basic agricultural commodities, particularly maize. This contributed in a very major way to the expected all-time record maize crop this April. The increase in support prices, however, has not been matched by a corresponding increase in consumer prices, which are subsidized by the GOZ at an artificially low level. GOZ budget subsidies for agricultural commodities are estimated to cost more than $160 million this year, and will increase rapidly in the future if consumer prices are not brought more closely into line with production costs. The GOZ recognizes this problem and states that it plans to allow consumer prices to increase to reduce significantly subsidies. While this is necessary from a fiscal point of view, it presents a very real political problem to the GOZ in that the benefits will tend to accrue directly to the white farmer at the expense of the black consumer.

3. UNEMPLOYMENT.

The black labor force is increasing by 80,000 workers per year. Given the population pressure on the TTL's, it is absolutely necessary to increase the ability of the wage economy to generate jobs. This takes three forms: (1) increasing non-farm economic activity, particularly manufacturing in the rural economy; (2) stimulating labor-intensive growth in the modern sector; (3) manpower training to meet shortages in supply of critical skills. The first two policies represent interventions on the demand for labor, while the last one deals with supply constraints.

Small-scale Industry. Small-scale industry, loosely defined to include all levels of productive enterprise employing less than 100 people and catering to a specified perceived market, can be a useful means to partially alleviate the employment pressure. However, a program aimed at generating small rural enterprises must necessarily be long-term and must be closely allied with the

agriculture and education sectors. Increasing agricultural outputs will increase the rural cash supply and in turn stimulate demand for the types of agricultural inputs, consumer goods and services which are ideally suited for production by local entrepreneurs, or cooperatives. The education system must be depended upon to produce a continuing flow of school leavers and adults who are technically qualified to engage in small enterprise operations and management and who are disposed to doing so. The general constraints to rural small-enterprise development are lack of financing, no technical and management advisory services network in rural areas, inadequate physical infrastructure including factory and workshop shells, and lack of management experience among potential rural producers.

Pre-independence (especially pre-war) history reflects a marked lack of government concern with enterprise of any type in the TTL's. In recent years however, a basic institutional infrastructure to encourage small enterprise has been developed. Included are the Fund for Emerging Businesses Corporation (FEBCO), Development Finance Company (DFC), Institute of Business Development (IOBD) and the Small Industry Advisory Service (SIAS). The Tribal Trust Land Development Corporation (TILCOR) is not included here since it was established in 1968 as a general development agency to generate growth points in the TTL's. Given the task at hand, all those institutions suffer from under-staffing and/or underfunding. In addition, FEBCO and the DFC, both financing institutions, are managed with little imagination and virtually no disposition toward or understanding of entrepreneurial risk or cooperative management. They do not function in a way to promote <u>new</u> enterprise and employment.

Nevertheless, given GOZ interest in the development of rural growth points, the resource base existant in Zimbabwe, and the talents and skills of the rural population, there is good reason to expect that a carefully designed and implemented small-scale industrial sector can be developed. This is critically important given current employment problems, as current estimates are that the small-scale sector can generate one job for every $2,300 invested, while per-job costs in the large modern sector range from $16,000 to $160,000.

<u>Manpower Training.</u> There is a widespread shortage of trained manpower in virtually every sector of the economy. For example the GOZ estimates that for every black artisan newly trained in the past three years, a white artisan

has emigrated.* In addition to the skilled manpower shortage of artisans, government service expansion (in health and education), and rural development will require substantial increases in the stock of mid-level and semi-skilled workers. This problem is already evident in agricultural extension, primary health care, and primary and secondary school instruction, and is becoming increasingly important in the middle levels of public administration. For example, GOZ estimates it will need 2,300 new primary teachers per year in the 1980s, while current expansion programs will produce only 1,300. Agricultural extension training facilities need to expand by 65%. Similarly the output of health workers must be more than doubled.

Modern Sector Employment. By the year 2000, the total labor force will probably increase by an additional 2.1 million to total 4.6 million workers. Even with land redistribution and improvement and intensification of agricultural practices it is unlikely that the agricultural sector (including commercial agriculture) can support more than 1,280,000 families if they are to be totally dependent on agricultural income and to live at some reasonable income level.** This represents approximately half the expected number of families in the year 2000. Thus, assuming that each family has 1.6 workers, the total number of jobs needed in the non-farm wage economy is 1,952,000 or 3½ times the current level of 550,000. Thus modern sector employment will have to increase by 6½% per year. Given an estimated employment elasticity of 0.7, wage sector output must grow at about 9% per year for each of the next twenty years if unemployment is to be eliminated. Even so, unemployment is likely to continue increasing for at least the next decade.

D - GOZ STRATEGY.

At present the major document outlining the GOZ's strategy for reconstruction and development is the documentation they have provided donors for ZIMCORD (the Zimbabwe Conference on Reconstruction and Development). While this is a transitional document, dealing largely with the three-year period needed to make broad institutional changes and replace war-damaged infrastructure, an outline of the objectives as well as the strategy of the

---

* GOZ, ZIMCORD Documents.

** Assuming a doubling of yields, carrying capacity in the TTLs could be 550,000 families. A slightly larger number could be settled in the commercial farming areas.

GOZ is clearly stated.

1. OBJECTIVES.

> "The central objectives are to foster rapid economic growth, full employment, dynamic efficiency in resource allocation, and an equitable distribution of the ensuing benefits. In particular Government intends to re-establish justice and equity in the ownership of land which should be a common heritage for Zimbabweans of all races".*

In order to increase equity while at the same time encouraging growth, the GOZ is planning a restructuring of the economy. There are three primary foci of this restructuring:

(1) Land Redistribution,
(2) Rural Development, and
(3) Employment Generation.

Each of these broad strategies requires a substantial amount of capital, and domestic resources are presently inadequate for the task. The three year interim plan calls for a total investment of US$6,237 million, of which US$2,771 million or 44% is to be raised from domestic resources. Of that total some US$2,754 million is to be raised by the public sector, of which US$1,795 million is to be in the form of grants or soft loans.** Thus the GOZ is requesting donors to provide US$600 million per year over the next three years, an average of $83 per person per year (Table A - 6).

> "Whilst the responsibility for the achievement of these objectives is essentially Zimbabwe's acting in the framwork of self-reliance and self-help, it is not the intention to act in isolation. We feel that we have strong and just claim on the resources of our friends in the international community in the light of the peculiar and urgent problems we face."***

2. STRATEGY.

Given the need to raise income levels and ease land pressure in the traditional economy, the GOZ has adopted a two-fold strategy with respect to rural economy. The first part of the strategy is to substantially

---

* ZIMCORD Documentation, 1981

** Ibid.

*** Ibid.

redistribute land in the commercial areas to settlers from the tribal areas. Current plans over the three year period are to purchase 2 million hectares of commercial land on a willing seller/willing buyer basis. Almost all of this land is currently underutilized and thus the settlement program is expected to have a positive effect on total agricultural output.

The second part of the strategy is to increase the productivity of traditional agriculture by massive investments in all areas previously neglected. This includes roads and transport, marketing, credit, irrigation, water supplies, extension, schools, and health care facilities. However, with the settlement schemes and the projected increases in agricultural productivity, population pressure is too great to permit farm sizes necessary for reasonable living standards for all present TTL inhabitants.

Therefore, there will be a substantive attempt to encourage families with urban ties to leave the land and become fully dependent on urban sources of income. As part of this effort substantial investments will be made in the development of small urban centers in the rural areas, some of which will have the potential for small-scale industrial development. In addition, the need to move substantial numbers of people to urban areas calls for a fairly large low-cost housing component.

The GOZ recognizes that the source of domestic resources in the near term will be the modern economy. Consequently, half the total investments proposed will be in the private sector, or in public investments which will directly benefit the modern economy. In addition, efforts will be made to ensure that private investments will tend to be capital saving so as to generate as much employment as possible.

3. CONSTRAINTS

The ZIMCORD documents point to the lack of domestic savings as the primary constraint inhibiting implementation of the reconstruction and development program. However, the GOZ notes that substantial bottlenecks exist in absorptive capacity. These bottlenecks lie in two areas - labor skills and administrative (particularly planning) capabilities. Consequently, the plan demands some US$19 million for technical assistance and an additional US$160 million for the capital costs of training programs, excluding the formal education sector.

4. CRITIQUE

In many ways this plan represents a "practical, realistic and honorable" agenda for Zimbabwe. It is undoubtedly extremely ambitious. If it is to work, the political climate must remain stable, the government must find some way to restrict growth of recurrent expenditures and the donor community must provide large quantities of assistance. While particular details of the plan are questionable (the assumption of a 12% rate of growth of agriculture output, for example) the overall strategy is sound and represents a balanced approach to the needs for both growth and equity.

E. - PROGRESS AND COMMITMENT TO EQUITABLE GROWTH.

Under the previous minority regime, economic growth was achieved at the expense of perhaps the greatest degree of inequality in the world. The 4% of the population who were white received 65% of the income. The commercial farming area reserved for whites was divided into 5,000 farms, while the half of the land in the TTLs supported 700,000 farmers. Blacks had no access to the political system. Per pupil expenditure in white schools was ten times that of black schools. Black farms received less than 1% of available credit. Extension workers had to cover 30 times as many farmers in the Tribal areas as in the commercial areas. Average white wage rates were eleven times average black wages.

The new government is dedicated to remedying that situation. It is not a process that can be changed overnight. The GOZ is attempting to walk a tightrope between greater equity and economic viability. Current plans seem well thought out, realistic responses to political needs, fair and magnanimous. However, whether these plans will be successful will not be know for several years. Only ten months after independence it is much too early to assess the performance of the new government in achieving equitable growth. But while the track record is brief, it is nevertheless impressive. The GOZ has expanded education to the rural poor. It has raised minimum wages. It has begun a program of Africanization. It has purchased the first 300,000 ha. for settlement. It has cared for and resettled most of the 600,000 refugees from the war. It has maintained democratic institutions. It has presided over an economy that is likely to grow 10% in real terms in 1980. It has rebuilt a large portion (30 - 50%) of the rural infrastructure destroyed during the war. It has, to a large extent, maintained domestic peace. It has presided over an agricultural sector that is likely to produce more than twice as much food as is required domestically. In fact, if the next five years are as successful as the first nine months, the future of Zimbabwe is bright indeed.

1. MACROECONOMIC PERFORMANCE

The Mugabe Government's macroeconomic performance has been excellent. Real growth coupled with reasonable inflation (10 - 15%) are the result of the first nine months in office. The problems of resource mobilization, balance of payments and fiscal policy are discussed elsewhere.
One area of great concern is the government recurrent budget. Foreign exchange prices and energy prices reflect real opportunity costs. Agricultural prices are somehwat high, particularly maize, while urban food prices are controlled, resulting in substantial budget strains. These prices are likely to converge in the near term and the government has intentions of removing subsidies throughout the economy. Sanctions led to the development of a number of import-substitution industries which may be inefficient. The GOZ is aware of this problem and intends to phase out controls which lead to misallocations of resources.

2. EMPLOYMENT

As noted above employment generation is a keystone of the government's program. The main strategy for increasing employment is a set of policies designed to provide growth in the modern sector. There will be some attempt to insure that this growth is labor-intensive, although specific policies have not yet been enumerated. There should be some concern with respect to the relative prices of capital and labor. Due to excess liquidity, interest rates are quite low, although they are expected to begin rising in the future. New minimum wage laws, aimed at redressing wage imbalances of the minority government, may depress employment, although some observers feel there is considerable slack in the wage structure. One evidence of this is the relatively large share of income going to profit earners (38%). During the recession employment decreased more slowly than output. However, during the period of growth (1964 - 1974) the rate of growth of the labor force in the modern sector was 40% slower than the rate of growth of modern sector output.

3. ACCESS TO PRODUCTIVE ASSETS

This topic fully covered in Analysis and Identification of Poor.

4. GOVERNMENT ALLOCATIONS TO HEALTH AND EDUCATION

One of the first priorities of the new majority government was to vastly expand medical and educational services to the rural poor. Educational and health expenditures have almost doubled since independence. While large portions of both budgets have traditionally been allocated to urban areas servicing white clientele,

almost all of the increase is in rural areas, servicing the poor majority. Educational and health expenditure makes up 26% of current government expenditure on goods and services and some 7% of GDP (cf. Table A - 7).

5. EFFECTIVENESS OF THE ADMINISTRATION

Zimbabwe has inherited a public service that is large, efficient and effective. In terms of capacity to implement, the administrative system is probably the best and least corrupt in Africa. For this reason Zimbabwe is attractive to donors who prefer to offer assistance through cash-grant programs rather than through technical assistance or other projects. Despite its evident strengths, however, the system has several shortcomings which recuire attention in the form of national administrative reforms and institutional strengthening by donors.

a) The administrative system has yet to prove itself capable of extending services to more than an elite clientele or of operating according to other than "top-down" procedures. The challenge facing the Zimbabwe government is to devise administrative structures that stand in a participatory rather than adversarial relationship to intended beneficiaries. The representative District Councils, which are intended to become the primary agencies of rural development in Zimbabwe, are in their infancy. If the government follows through with its intention to decentralize authority over development decison-making and adequate training opportunities are provided, then local institutions could come to constitute a "bottom-up" alternative.

b) Central government ministries are at or near full absorptive capacity. Since independence, the administrative system has been required to implement a wide range of new policies and to resuscitate programs suspended during the war years. At the same time, however, ministries have been undergoing reorganization and have experienced a significant turnover of personnel through Africanization at all levels. The speed and scope of implementation of certain policies (e.g., land redistribution, the training of village extension workers) have been limited, at least in part, by constraints of administrative capacity.

c) The leakage of administrative and technical skills from the public sector is gradual but incessant. The civil service has not experienced the mass resignations that characterized the military and police services after independence. White civil servants whose promotion prospects are now dubious, however, are finding employment in the private sector, and an unusually large crop of retirements is expected in the early 1980s. While their skills are not always up-to-date or relevant to Zimbabwe's new development directions, their experience in organizing public sector activities will in the short run be difficult to replace.

d) There is a data gap as large or larger than in other African countries. Because government activities have been focussed primarily on the modern sector, administrators have not amassed reliable information on production and service requirements in the TTLs. The availability of such data is a prerequisite to accurate development planning at national and local levels and the reorientation of administrative activities towards broad-based rural development.

6. NATURAL RESOURCES

Conservation has been a priority of successive governments in Zimbabwe. There is a civil service infrastructure which deals with natural resource management and conservation issues. Concern with these issues is reflected in the three-year plan for donor assistance of about $65 million. Natural resource depletion has been most significant in TTLs. A concern with alleviating land pressure in these areas forms an important basis for resettlement programs, which are designed to alleviate current soil erosion and soil exhaustion. There are also plans for significant reafforestation efforts, including one for community wood lots in TTLs, where fuel wood is a serious problem, and for conservation awareness programs. Water resources management, including irrigation schemes, is carefully controlled, which in some instances has led to a very top-down approach to irrigation development.

At present, 15% of domestic fossil fuel requirements are being met by ethanol produced from agricultural products, mostly sugar. This is the second largest program in the world. Energy prices for fuel are high and reflect opportunity costs. Energy imports through the first nine months of 1980 represented 24.2% of total imports, up from the 14.6% share in 1974. Given the fact that petroleum prices more than doubled during this period, it is clear that there has been a substantial degree of conservation. Electricity needs are currently met from hydro and coal-fired thermal sources, although 35% of total electricity and 10% of total energy consumption is imported. The ZIMCORD plan envisages substantial investments in a new thermal power plant dependent on Zimbabwe's ample coal reserves in order to increase the economy's self-sufficiency.

7. POPULATION PROGRAM

During the past three decades Zimbabwe's population has been growing at well over 3% per year. Government estimates for mid-1980 indicate a total population of 7,360,000, a crude birth rate of 50 per 1,000, a crude death rate of 14 per 1,000, and an annual population growth rate of about 3.6%. If there is no decline in fertility, the current population will double in just 19 years. This implies that the Government will have to double the number of schools, teachers, health services and jobs just to maintain the current standard of living and education.

The lack of access to land and employment opportunities in rural areas has caused many to migrate to Salisbury and other large urban areas. This urban growth is occurring at 6% annually, and the cities are experiencing major difficulties in providing for basic human needs. More marginal lands are being inhabited and cultivated causing serious environmental degradation. Excessive fertility (the average woman will have borne 6.7 living children by age 44) has also had its negative effects on maternal and child health. High parity women, who by definition fail to adequately space their pregnancies, have experienced elevated mortality and morbidity, and in so doing have placed a heavy financial burden on health care facilities.

If Zimbabwe's rapid population growth is to be resolved, then a major increase in the Population/Family Planning Program is required. Fortunately, there is a strong base to build upon, but the GOZ does not currently have the financial resources to expand the program.

The organized National Family Planning Program began in 1967 with the creation of the Family Planning Association (FPA), a non-profit social welfare organization. The FPA has a 10-member Board of Directors, one of whom is the Secretary of the Ministry of Health (ex-officio), which meets monthly. The GOZ, through the Ministry of Health (MOH), confers major responsibility for family planning in the FPA and provides 80% of the financial support to the FPA.

The FPA is responsible for the supply of all contraceptives to organizations for training of clinic personnel and serves as the central statistical center. All clinics send monthly clinic FP statistics to the FPA for recording and analysis.

In 1973, a new Director of the FPA was appointed, with a record of management excellence, and there has been steady and successful progress since then. The number of married couples participating in the national family planning program has increased from a handful in the early years to 168,800 at the end of 1980, representing 18.5% of married women of reproductive age (15 - 44). This coverage is the highest of any national family planning program in Africa. It is a tribute to the capability of Zimbabwe that they have been able to achieve so much without any international assistance. However, the major task still lies ahead. To go from a coverage of 18.5% of married women of reproductive age to one of 67% (the number that would be required to reach the two-child family and eventual stabilization of the population in the years 2050 - 2060) is a major undertaking, and will require a quadrupling of the FPA's human resources.

The success to date can be attributed to three key factors: The effective work of the FPA, strong Government of Zimbabwe support of the program, and finally, the population's need for an open acceptance of family planning (98% of the 168,800 couples in the program are black Zimbabweans).

In early 1981, there appears to be a generalized awareness of the country's population problem among Government and private sector leaders, and this has resulted in strong support of the FPA. Government support of the National Family Planning Program, and specifically of the FPA is manifested in recent letters to the FPA from the Ministers of Health; Lands, Resettlement and Rural Development; Local Government and Housing; Education and Culture; and the Director of the Central Statistical Office.

In summary, the population problem concerns both Zimbabwean leadership and the people, significant progress in extending family planning services has been achieved, but the major task still lies ahead. This CDSS identifies population growth as one of the major variables which will affect the possibility of success of Government of Zimbabwe and USAID development programs. Unless vigorous action is taken now, population growth will obviate the chances of a higher standard of living for most Zimbabweans.

8. RESPONSIVENESS OF THE POLITICAL SYSTEM

The government of Zimbabwe has a substantial electoral mandate and is atempting to incorporate popular views into the policy process. Judged both by its statements and actions, the government is disposed to provide access to political power and economic benefits to groups in society who have hitherto been excluded. Leadership and membership within the dominant party (ZANU PF) appear, however, to be emerging as key criteria for access to the political system and its benefits. Nonetheless, there also appears to be an initial willingness to accommodate popular views that do not accord with government's preferred policies and to allow for a pluralism in local institutional arrangements (e.g., three types of land settlement). To date, persuasion rather than force has been the instrument of policy implementation. Opportunities for the participation of the poor in decision-making

and planning of activities that affect them is best illustrated by reference to recent reforms in the institutions that touch them most directly, that is, in local government.

(a) A standardized local government system has been established for urban areas by unifying local authorities that were previously segregated along racial lines. Former "African Townships" have been incorporated into Municipal and Town Councils for purposes of political representation and delivery of services. By 1981, all urban areas (with the exception of Salisbury, Bulawayo and Chitungwiza, where the security situation did not permit the holding of elections) had elected councils with black majorities.

(b) In the former TTLs, a network of 55 District Councils has been created. Competititve elections were held for only a handful of District Councils. In most cases candidates were returned unopposed and the selection of candidates was made within the political party dominant in each region. In the Midlands and south, District Councils have come under the control of PF (ZAPU), a minority party.

(c) Rural dwellers had an opportunity to express preferences as to the form of local government to be set up in each area. Local government commissions, predominantly though not exclusively made up of party representatives, tested local opinion on such matters as the number of councillors, the disposition of traditional leaders vis-a-vis Councils, and the level of local government taxation to be levied. Local participation has resulted in variations in the size, composition and powers granted to different District Councils.

(d) The effectiveness of the new local authorities in representing the interests of constituents in urban and rural areas is difficult to gauge at this early stage. Much will depend on (1) whether councillors are submitted to regular re-election in accordance with the law; (2)the political parties follow internally democratic procedures for selecting candidates;(3) councillors are of a caliber to promote vigorously local interests and (4) financial probity in Council operations is maintained. Only if those conditions are met (and some may be attainable through training) will the government of Zimbabwe be able to live up to its self-description as a "people's government."

9. SOCIAL MOBILITY

There has always been some social differentiation among blacks in Zimbabwe, but the previous political system did not allow upward mobility beyond defined levels. The present government, with its emphasis on equity, is attempting to improve the situation of the "broad masses" while de-emphasizing the creation of elites. Income and educational disparities inherited from the past do, however, mean that there are distinct differences among existing social strata, which approach

class distinctions. Increased opportunities in education, together with attempts at land redistribution, and the overall transformation of the rural sector, should allow for vastly increased social mobility among the majority of the population. Efforts to open employment opportunities for blacks and to decrease income disparities between blacks and whites in urban and industrial settings should also be beneficial.

Black women are still legal minors and cannot make contracts without guardians' consent. This has a deleterious impact in terms of employment, eligibility for government-provided housing, and access to credit. The new government has, however, recently established a new Ministry of Community Development and Women's Affairs, as well as the Zimbabwe National Women's Organization, both headed by women, and is asking for donor assistance in assessing the situation of rural women. Training for women is increasing, and the GOZ is committed to a 25% target for women extension workers working with small-scale producers. On the other hand, GOZ policy regarding female participation in the skilled labor force is still unclear. Some recent policy statements indicate that plans are for one formal-sector job per household to be held by the male, which would tend to take married women out of productive employment in urban settings, representing a loss to household income. In rural areas, women's participation in agricultural production is highly significant and yields them increased decision-making power and access to income.

10. CONTROL OF INFORMATION FLOWS

The GOZ has so far maintained a free press. It is too early to determine whether the establishment of the Mass Media Trust will entail media control, although none of the current members are associated with the political structure. There are plans for extensive rural radio and possibly for rural television utilization for development purposes. Government ministers spend most weekends out of Salisbury holding rallies and discussions with large groups to solicit their views and explain government policy to them. Each political party may be assumed to expose its members to varying interpretations of the news and its significance. Government has stressed the importance of producers having accurate and timely information concerning prices and other agriculture-related information necessary for decision-making.

II - STRATEGY

A. GOALS OF U.S. ASSISTANCE TO ZIMBABWE

The goals of the U.S. assistance to Zimbabwe are threefold:
(1) To help create a multiracial, democratic state which will provide stability in the Southern African region, and to support the present government's attempt to bring about such a society in a pragmatic and moderate fashion:
(2) To improve the quality of life for the poor black majority; and,
(3) To assist the Government of Zimbabwe to achieve self-sustained, equitable growth, thus ensuring that both of the above objectives are met in the long term.

Zimbabwe is of pivotal importance to U.S. interests in a vital region, both politically and economically. The Southern African area remains the last area of conflict between white-dominated minority Governments (Namibia and the Republic of South Africa) and black nationalist aspirations. The Zimbabwe model - democratic political processes and pragmatic economic policies - provides an important paradigm for peaceful resolution between these conflicting groups. As in Kenya fifteen years earlier, Zimbabwe offers hope for the creation of a multi-racial society, fairly representing the interests of the poor black majority while safeguarding the rights of the white minority.

As little as a year ago, few observers would have predicted that the transition to a majority government could have taken place through legitimate democratic elections, with a minimum of violence, or that the resulting government would have embarked upon a program of redressing the inequities of the past with so little bitterness or recrimination. The Mugabe government is dedicated to a restructuring of the economy, to a redistribution of land, to an increase in the opportunities and government services available to the black majority; but at the same time it has decided to use the capitalist sector as a means to this end and to encourage private investment. There are few countries in Africa with less state intervention in the economy than Zimbabwe. It is of vital interest to the U.S. that the Zimbabwe experiment succeed to provide a model of peaceful transition in Southern Africa.

U.S. economic interests in Zimbabwe are also important. At present, Zimbabwe is a major producer of important mining products and a leading exporter of chrome. Although the U.S. largely suspended trade with

Rhodesia during the period of sanctions, U.S. exports have become an important component of Zimbabwe's trade following independence. During August and September, 1980, the first months for which data are available, U.S. exports to Zimbabwe were at an annualized level of $96 million, 8% of Zimbabwe's total non-oil imports, and fourth behind South Africa, U.K., and Germany. (cf. Table A-8). In addition, U.S. investments in Zimbabwe, particularly in the mining and agricultural sectors, are substantial and will be growing, given the GOZ's encouragement of private overseas investment.

However, there are numerous pressures, both internal and external, which threaten the stability of the Mugabe government. There is every indication that the two opposing parties ZANU (PF) and PF (ZAPU) are seeking a peaceful modus vivandi, although there are dangers inherent in the present situation, particularly with respect to the continued presence of their armed forces, ZANLA and ZIPRA. Nevertheless the main pressures on the government are likely to come from the high expectations of the black majority for a substantial change in their living standards. If this Government is to retain the confidence of its constituency it must move quickly and visibly in reconstructing infrastructures in the rural areas destroyed in the war, settlement of black farmers in underutilized areas of the commercial farming sector, development of new institutions and infrastructures to service the rural poor, and expansion of government services to the black population.

It is in the context of strong U.S. political and economic interests, combined with a political structure which is democratic and dedicated to equitable growth within a largely free enterprise economy, that U.S. assistance to Zimbabwe should be considered.

B. A STRATEGY FOR U.S. ASSISTANCE TO ZIMBABWE.

It is clear that our political goals and our developmental goals are largely congruent. Our stake in the continued stability of the political system in Zimbabwe implies a strategy that will ease the political pressures on the Mugabe government, and this, in turn is best achieved by assistance designed to enable the GOZ to raise the standard of living of the poor black majority.

Such a strategy must fulfil two requirements: (1) it must be directed toward increasing the capacity of the GOZ to direct domestic and foreign resources toward alleviating poverty, thus providing a firm basis for self-sustained development, and (2) it must be directed toward raising living standards directly through increasing agricultural incomes, increasing employment opportunities and improving the delivery of basic services.

1) LEVELS OF U.S. ASSISTANCE.

a) Macroeconomic Analysis of Resource Needs.

Savings Gap. Earlier in the CDSS we outlined the ZIMCORD documents, the first comprehensive statement of the GOZ strategy for developing the ZIMBABWE economy. Independent estimates of USAID agree with the general conclusion of that strategy that the GOZ is going to require at least $600 million in foreign assistance over each of the next three years. The GOZ strategy calls for 8% real growth of GDP over the next three years. Growth of this magnitude is likely to require investment of some 30% of GDP, especially considering the need to replace obsolete and worn-out equipment, which has largely been in place during most of the sanctions period. Especially critical are shortages of transport equipment and construction machinery. There are three possible sources of savings for this ambitious program - private domestic savings, foreign borrowing and foreign assistance.

The Zimbabwean economy should be able to marshall substantial resources for investment. Private consumption represented 61% of total GDP in 1978 leaving 39% for government service and gross investment (cf. Table A-9). This is a very high level by international standards and should allow for substantial increases in capital stock. However, recent increases in government services are likely to lead to substantial competition for domestic savings, and a reduction in the supply of resources available for private investment.

Probably 50% or more of required resources can be borrowed from commercial sources. The current debt to GDP ratio is very low (on the order of 14%) and extended borrowings of this magnitude (8% of GDP) should be possible, as by 1990 they would imply a debt/GDP ratio of 26%. The GOZ fiscal and monetary authorities have been very conservative, however, and need to be convinced of the efficacy of commercial borrowing in an inflationary setting. The resource needs and sources are presented in Table 1.

Balance of Payments Gap. In addition to the problems presented by lack of domestic savings, growth of the economy is likely to be inhibited by shortages of foreign exchange and government revenues. Given investment requirements of $2.7 billion per year and an average foreign exchange component of 40% of investment, the GOZ development cum redistribution program is likely to require $1 billion in imported capital goods per year. For the first nine months of 1980 capital equipment imports were 25% of total imports. It is not unreasonable to expect that the ratio will climb as investment increases, but probably to levels no more than 33% of the total. Therefore, Zimbabwe will have to import approximately $3 billion worth of goods per year during the transition period.

There is an enormous backlog of import demands. By the end of 1979 the ratio of real imports to real GDP had fallen to 41% of the 1964 level, indicating the tremendous amount of import substitution that had taken place in the economy. Foreign exchange licences are highly controlled, and GOZ estimates an additional $200 million US is needed to bring the manufacturing industry alone up to full capacity. Sources at the Reserve Bank of Zimbabwe estimate that demands for foreign exchange licences are three times current supply. Therefore, estimates of import needs are on the conservative side.

Being a land-locked country, Zimbabwe's invisible account has been highly negative, running on an average of 17% of merchandise imports. Thus the net balance on invisibles for the three year transition period should be on the order of $500 million per year. The other items on current account - investment income and transfers - are highly uncertain, given the emmigration of whites and the program of unblocking of assets of U.S., U.K., and Canadian firms (investment income of these companies were blocked during 1969 - 1979 because these countries respected international sanctions). The GOZ estimates that these items could amount to an additional $250 million per year.

On the credit side, exports are expected to grow rather quickly, by about 26% per year in current prices. The average export income for the period 1981/82 to 1983/84 is expected to be $2,650 million, leaving an average net deficit on current account of $1.1 billion per year. This is somewhat below the savings gap of $1.4 billion per year but both are substantial. That

TABLE I

RESOURCE NEEDS AND SOURCES

(millions US dollars)

	1981/82	1982/83	1983/84	Total
I Savings Gap				
1) Projected GDP (current prices, based on 10% real growth & 15% inflation)	7,266	9,082	11,352	-
2) Investment Needs (30% of GDP)	2,180	2,725	3,406	8,311
3) Domestic Savings & Taxes (39% of GDP)	2,834	3,542	4,427	10,803
4) Government Expenditure on Current Account (25% of GDP)	1,817	2,271	2,838	6,926
5) Net Saving Gap ((2) + (4) - (3))	1,163	1,453	1,816	4,432
II Balance of Payments Gap				
1) Imports of Goods	2,361	2,951	3,689	9,000
2) Imports of Services (Net)	393	492	615	1,500
3) Other Invisibles (Net)	197	246	308	751
4) Exports of Goods	2,066	2,603	3,280	6,322
5) Net Deficit Current Account	885	1,086	1,332	3,303
III Government Accounts and Budgeting Gap				
1) Expenditures on Current Account	1,817	2,271	2,838	6,926
2) Expenditures on Capital Account	945	1,181	1,476	3,602
3) Transfer Payments	872	1,090	1,362	3,324
4) Total Government Outlays	3,634	4,542	5,676	13,852
5) Revenues	1,817	2,271	2,838	6,926
6) Net Government Budget Deficit	1,817	2,271	2,838	6,926
7) Domestic Borrowings	605	757	946	2,308
8) Budgetary Gap to be Financed from Foreign Sources	1,212	1,514	1,892	4,618

is, the first $550 million of annual assistance is needed to meet foreign exchange constraints, and assistance in addition to this $550 million is needed to allow growth of the magnitude required.

GOZ Budgetary Gap. Equally important are the severe budgetary constraints facing the GOZ. The restructuring of the economy proposed in the GOZ economic policy requires a funneling of resources from the wage sector to the subsistence sector. The main agency for this transfer must be the government. In addition to the needs posed by investments in rural development and settlement, will be the continued and increasing share of resources earmarked for government services, especially education, health and defence. Current plans call for an established army of 60,000 men, free universal primary and secondary education and free primary health care. The development proposals are likely to generate substantial new recurrent cost burdens in extension, public administration, and capital maintenance. It will take careful management indeed to limit recurrent expenditures to 25% of GDP. In addition to these real expenditures, the government is committed to substantial transfers (interest payments, subsidies, grants to local governments and private schools and hospitals, pension payments and repayment obligations) of more than 10% of GDP. If we then add the proportion of fixed capital formation to be channeled through the government, the GOZ will need to lay claim on at least 50% of GDP. Taxes and other sources of revenue, though showing substantial bouyancy, cannot be expected to exceed half of the total requirements, leaving the government to borrow approximately half of its needs, or $2.3 billion per year on average. Perhaps a third of this can be borrowed from domestic sources, leaving a budgetry gap of $1.5 billion per year, an amount equal to the projected savings gap.

The results of these calculations are summarized in Table I. The savings gap is estimated at $1,400 million per year, the balance of payments gap $1,100 million per year, and the budgetary gap at $1,500 million per year. All of these are substantial, but clearly the first and third constraints are the most binding. The GOZ will probably be able to borrow half the required amount from commercial sources leaving some $750 million per year to be financed by development assistance. This is somewhat in excess of the GOZ's own projections, largely because USAID believes that the capital output ratio is larger than that implicit in the ZIMCORD plan. In other words, growth rates of the magnitude projected will require a higher rate of investment than that estimated by the GOZ.

b) Other Donors' Assistance. It is difficult to estimate the position of other donors to Zimbabwe at this point since commitments are likely to be revised

as a consequence of the donors' conference scheduled for late March. Nevertheless, the best present estimate of total assistance over the next three years from all donors is approximately $1 billion U.S., divided roughly 50/50 with respect to multilateral and bilateral donors. If the exact amounts are subject to some uncertainty, the sectoral distribution is even more uncertain, although it seems clear that a substantial portion, at least 40%, will be in the form of program assistance, largely as commodity import programs.

The largest donors are likely to be the World Bank ($300 million), the EEC ($85 million) and the U.K. ($180 million), representing some 56% of the total (cf Table A-10). The U.K. program is somewhat larger than the aid figures suggest, since they are also rescheduling some $150 million in debt, part on very generous terms, as well as spending some $25 million to complete the education of the approximately 2,000 Zimbabwean students currently in the U.K. Approximately two-thirds of the U.K. assistance has been programmed, including $84 million for settlement, $29 million for reconstruction, and $24 million for commodity imports, particularly of transport equipment. The World Bank program is far from finalised but is likely to include a $65 million loan or grant as a C.I.P., $35 million loan to the transport sector, $40 million in small farm credit, $45 million for roads, and $25 million for power.

c) Levels of U.S. Assistance.

The macroeconomic constraints to equitable growth were presented earlier. That analysis indicated a resource gap of $2 billion over the next three years. Current estimates of other donor commitments are on the order of one-half this total, leaving $1 billion in unmet requirements. We believe that the proposed U.S. assistance program of $275 million over three years should be the minimal U.S. contribution to meeting that shortfall. The Mugabe government and the people of Zimbabwe believe that the West (especially the U.S. and U.K.) entered certain commitments at Lancaster House, and there will likely be a very strong sense of reneging on promises and betrayal if fairly large levels of assistance are not promised and provided. Given the underlying strength of the economy there is good reason to hope that Zimbabwe can move to almost complete dependence on commercial credits in as little as five years' time.

2. MODES OF US ASSISTANCE.

The political and economic context in which US aid programs must operate over the coming months has a critical bearing on the way we propose to program US assistance to Zimbabwe. Less than a year after independence, the GOZ is still grappling with a large number of management and policy problems, as it attempts to improve equity among the poor majority while avoiding alienating the very productive but disproportionately rich white minority. It is a fluid policy situation, in which the GOZ has shown itself generally pragmatic in policies adopted - - although probably biased towards more radical solutions - - and generally open to sound policy suggestions from outside donors for more effective approaches to their problems.

During this same period, most donors have been very slow in getting their programs underway and their funds obligated and disbursed. Whereas the US has already disbursed some two-thirds of the aid it has provided since independence, most other donors have not even defined their programs. Of the two largest donors, the British have disbursed less than 10% of their planned program, and the World Bank has yet to have its first project approved. The US is unique in having moved quickly and flexibly with a substantial program of cash grants which have generated local currency for support of selected GOZ development and reconstruction programs. This form of assistance has permitted AID to engage the GOZ in substantive policy dialogues both in the negotiation of the cash grant as well as in the programming of the local currencies. In several instances, we believe AID has had a significant impact in influencing GOZ policy and programming priorities.

GOZ policies are likely to be articulated over the coming year in a number of areas critical to the future development of Zimbabwe, including resettlement, land tenure, basic education, rural health, and private investment. The scheduled donors meeting in Zimbabwe in late March will be followed by preparation of the government's three year plan. Programs will be getting underway which either explicitly or implicitly will require major policy decisions by the GOZ. This means that the present fairly fluid policy situation will gradually solidify in coming months.

This presents an unusual opportunity for a donor who can move quickly and flexibly with substantial aid resources. It will enable such a donor to have access to the higher levels of government and to engage in policy discussions concerning those areas in which it is interested. The process of

programming these resources and monitoring implementation would afford further opportunities to the aid donor to influence development policy.

But the key to such donor influence is the ability to move quickly and flexibly in the coming year. We believe that the program grant assistance provided by AID over the past ten months has been an ideal instrument. We plan to rely heavily on this mode of assistance in the coming months as we make the transition to a longer term AID strategy based on a more focused sector approach.

There are other compelling reasons why we believe it is essential for US interests that US assistance continue to be programmed quickly and flexibly. The first concerns the magnitude and immediacy of GOZ requirements. Unless Zimbabwe is provided substantial foreign assistance quickly, it will be unable to realize its development program, with potentially serious economic and political consequences. The second reason relates to USAID staffing. There is simply no realistic way that the projected USAID staff of six - - of which three are on board - - could undertake to program funds of the magnitude planned using normal AID project procedures. In principle, AID staffing decisions should flow from the program and not vice versa; nevertheless, realism requires recognition of the fact that the continued presence of a small AID mission requires a more streamlined approach to AID programming if US goals are to be realized.

For these reasons we propose to continue during FY 1982 with program grants, supplemented by a commodity import program grant to finance critically needed US equipment in support of AID areas of interest. We will also initiate immediately a technical assistance and manpower development project grant, modeled after the Southern African Manpower Development Projects which have been successfully used by other AID missions in the region. This will provide the Mission with the capacity to respond quickly and flexibly to short and long term technical assistance needs, fund studies where information gaps exist, provide for consultants and fund participant training. In selected instances, namely family planning and regional transport, a more customary project approach will be followed as conditions make this more appropriate.

By FY 1983 we will have the information, analyses and staff to move from program grants to sector grants. By this time other aid donors will have marked out their programs and areas of interest, and basic GOZ policies will have been more clearly defined and established. The importance of

being able to act immediately and flexibly will have diminished and AID can move away from program grants to more normal AID programming procedures.

3. PROGRAMMING OF U.S. ASSISTANCE.

This is the first CDSS for Zimbabwe and is submitted at a time of great political and economic fluidity in Zimbabwe. The GOZ's own interim development plan is not expected before June, and other donor's program intentions will not become clear until after the ZIMCORD Conference in March. For the present, USAID's strategy must remain somewhat tentative and indicative.

We describe below a range of potential areas for US assistance, all of which would furtherour aid objectives. We expect that many of these areas will subsequently prove inappropriate for USAID assistance due to lack of GOZ interest, GOZ ability to address successfully problems without outside assistance, other donor involvement, etc. So while the areas of possible AID involvement discussed below are too broad, they do indicate the kinds of activities in which AII plans to become involved. It is our intention in the coming months to narrow further our program focus in order to achieve both better program concentration and management efficiency.

a) Addressing Administrative and Absorptive Capacity Bottlenecks.

GOZ Administrative Capabilities and Absorptive Capacity. Mention has already been made of the strengths and capabilities of the GOZ. It would be useful however to reiterate these briefly. The central administration of the GOZ is probably the most efficient and most capable in Africa and perhaps in the developing world. There is little evidence of corruption or malfeasance. Even with the expected exodus of white civil servants, there is a substantial stock of well-trained black Zimbabweans (over 12,000 university graduates) who in time can take their place. The political structure is broadly democratic and oriented toward the same equitable growth objectives that form the basis of AID's "New Directives". The GOZ is seeking pragmatic means to achieve these objectives, and is generally supportive of a free market approach, although recognizing that substantial resources have to be channeled through the government into the traditional economy.

The GOZ does, however, have substantial need for institution building and strengthening. For too long, the bureaucracy dealt with the TTL's like a colonial metropole, distant and uncaring. The Ministry of Economic Planning and Development was only formed after April 1980, and the Ministry of Agriculture has been almost entirely oriented to the commercial sector. There is a total lack of information on the traditional subsistence economy. Nevertheless, the overall picture is one of a government desirous of raising the quality of life of the poor, and a bureaucracy uniquely capable of doing so.

An investment package of the size currently considered will undoubtedly lead to absorptive capacity constraints of various types. Detailed planning capacity is espeically scarce and particular needs are described below. This is also true of training needs.

In the near term, shortages of skilled manpower of almost every type are likely to inhibit growth of the economy at the levels suggested here. Output of the construction sector in a $2,700 million investment program is likely to be on the order of $1,620 million. There is some evidence of excess capacity in the industry, but a program four times current levels will undoubtedly require investment in capital equipment for the construction sector, as well as in skills training. There is apparently a widespread shortage of artisans, exacerbated by emmigration of Europeans.

Finally, growth of this magnitude is inextricably involved with increased external trade - it is likely that the volume of trade will increase by 20% next year, given current maize production estimates. Zimbabwe's future lies in becoming a regional center of both food and manufactured goods for the Southern African region. Ultimately, much of the growth must be exported. Consequently, it is of great importance to improve transport networks with Zimbabwe's trading partners, as well as improving transport links to the Indian Ocean. Transport costs are now 7.5% of total export earnings, and are likely to continue increasing. This burden of being land-locked has inhibited the development of almost every country in Africa which has no direct link to the sea, and the development of efficient transport links within the region are a necessary condition for growth.

AID's Response. USAID's strategy is to rely heavily on GOZ capabilities for planning and implementation of their own development program. Accordingly we intend to provide support to increase the capacity of the GOZ to plan, design, and implement programs in sectors of concern to AID. These include general administration and economic planning, settlement and rural development, and delivery of health, education and population services. Three areas are of particular concern - planning and data gathering, training, and development of local institutions for implementing a participatory rural development strategy.

The efficiency and effectiveness of the Zimbabwe public service can be enhanced above existing high standards in two ways. First, capacity of central government ministries to engage in planning, project identification and evaluation research for the rural sector can be strengthened. There is need to assemble a reliable and comprehensive set of statistics on the TTLs. Basic information is needed on all elements of farming systems, e.g., a) the production of non-marketed or informally marketed agricultural commodities; b) the cash incomes of various categories of peasant farmers; c) the range of size of TTL landholdings and extent of landlessness; d) the distribution of TTL populations in relation to existing services; e) the attitudes of peasants on development priorities.

These data can be gleaned from sources "buried" in various ministries and from original research programs. The institutional location for these activities might be best in a separate governmental or non-governmental unit devoted exclusively to research and analysis (e.g., Research Unit, University of Zimbabwe; Studies and evaluation Unit, Ministry of Lands). Such a unit could service all or several ministries, at national and local levels. Area planning for integrated rural development would be thus facilitated.

Second, the capacity of central government to deliver services in remote areas would be enhanced by recruitment and training programs for field officers at district level and below. Possible programs will be discussed under the various technical sections below (agriculture, health, education). What is at issue here is style of implementation. Interventions by government should allow for participation of beneficiaries (e.g., along the lines of the farming systems approach) and training of field officers should include components on sensitization and communication with clients. In this way the approach the new government takes to rural dwellers would be distinguished from the paternalistic procedures of the previous regime.

In the aftermath of the war, local institutions had either collapsed (African Councils) or stood in poor repute among peasants (marketing cooperatives, chieftancy). The government is trying to build local authorities anew in the form of District Councils, and to rehabilitate cooperatives. The task is large, comprising no less than the filling of an institutional vacuum at the local level that is presently occupied only by the loose and weak organizational structures of the nationalist political parties.

District Councils need to be strengthened since these are intended to become the hub of rural development activities in the locality. There is an urgent need for an extensive and sustained training program for elected councillors, all of whom are without previous experience in local government. This training should focus on imparting simple knowledge and skills in the areas of communication, planning and fiscal management. Ultimately, it might be expanded to include training of ward and village council members at sub-district level. The cadre of local government promotion officers (originally recruited from party ranks) would be professionalized and would work at district level and below with training

officers appointed by central government. Plans are mooted or underway within the Ministry of Local Government and Housing for training in all these areas. Longer-term involvement in local government training should aim at expanding the infrastructure of provincial and district training centers and increasing the number and capacity of mobile training units. Training of staff and membership of marketing cooperatives is also necessary with special attention to peasant misperceptions of the performance and costs of these institutions.

Finally, GOZ plans to direct development resources through District Councils should be supported. Institution-building occurs when clear and limited tasks are identified and resources are made available to undertake them. The Works Committee of District Councils will be capable, for example, of directing construction projects (marketing depots, schools, bridges) and mobilizing contributions (labor, brickmaking, cash) from local communities. Since there are slack periods of employment in the agricultural cycle, the organization of collective public works would seem to be a task well-suited to local authorities. Ultimately, District Councils may wish to undertake directly productive activities and the formation of an Agricultural Committee of each Council which would work closely with local marketing cooperatives, would be a first step in this direction. By welding together the resources of central government and local communities, District Councils can serve to encourage a participatory and increasingly self-reliant mode of rural development. To this end, AID plans to earmark some of the funds committed for agricultural and social service delivery specifically for the use of District Councils.

Whether the capacity exists in Zimbabwe to build participatory institutions at the local level is still in question. Without donor support for new District Councils and reorganized marketing cooperatives, however, local organizations are likely to founder in their infancy and an opportunity to involve rural dwellers in their own development will be lost.

Equipment and Transport Constraints. The ability of the GOZ to make investments on the scale contemplated may be severely hampered by shortages of construction equipment, particularly graders, bulldozers, and other forms of road-making machinery. There are persistent reports of shortages in these areas. In addition, the government is now facing a severe shortage

of trucks and transport equipment. USAID intends to investigate this problem further in order to assess needs and design a commodity import program that will help ease these constraints.

Regional Program. The nine Southern African States have formed an association aimed at developing means for closer economic cooperation with the ultimate aim of integrating the regional economy, and relieving current dependencies on South Africa. In the regional development conference held in Maputo, the U.S. agreed to provide substantial assistance to the regional development program. Current plans with respect to Zimbabwe include upgrading the main Salisbury/Lusaka road, developing a regional railway training centre in Bulawayo, and creating an early warning system to predict agricultural production during a crop year so as to enable planning for a regional food security system. With Zimbabwe likely to be the keystone of a future regional system, since it is a food exporter as well as a manufacturing centre, regional development is of great importance to Zimbabwe's future.

b) Sectoral Assistance Strategy.

The three principal objectives toward which USAID/Zimbabwe assistance will be directed are

- - increasing agricultural incomes,
- - employment generation, and
- - expanding social service delivery systems.

These three principal objectives match the stated objectives of the GOZ as expressed in the ZIMCORD documentation. "Gross disparity in incomes and quality of life persist today, which the new Government is determined to correct..... The central objectives are to foster rapid economic growth, full employment, dynamic efficiency in resource allocation, and an equitable distribution of the ensuing benefits..... Strategies are directed primarily to the amelioration of the quality of life for the rural population who are the majority and have suffered the greatest discrimination and endured the lowest standard of incomes and serivce."

The USAID/Zimbabwe strategy to attain the three major development objectives outlined above entails three areas of emphasis. Each of these areas includes a variety of components, which are interrelated and which together should increase the impact of our assistance in attaining the specified objective. This reflects an attempt to avoid a scattered approach while, at the same time, allowing AID to be the major donor in several key development areas to increase effective and coherent policy and implementation. All of these components are stressed in the GOZ three-year plan as described in the ZIMCORD documentation, but they by no means exhaust the list of assistance requests enumerated there.

i) Increasing Agricultural Incomes:

Settlement. Resettlement schemes are a key component in the GOZ strategy for asset redistribution and raising incomes in agriculture. There are a number of varieties of such schemes, but the basic outline is to provide a specified number of households with access to sufficient arable and grazing land to obtain, through agricultural production, net household income ranging from about $560 to $900 per year (pegged more or less to the agricultural minimum wage). It is

anticipated that these schemes will include a substantial provision of infrastructure - roads, schools, clinics, boreholes and soil conservation technologies - as well as concerted agricultural extension and provision of credit. The GOZ envisions production on these schemes - - both dryland and irrigated - - as being substantially higher than is presently the case on TTL farms, so that participant farmers become essentially small commercial producers. It is frequently reiterated that the intention is definitely not to create additional TTLs.

The success of all such schemes depends on the GOZ's ability to purchase on a willing-buyer-willing-seller basis presently abandoned, or underutilized commercial farms. To date, 390,000 ha. of such land has been purchased, and the GOZ anticipates purchasing a total of some 2 million hectares of commercial farming land over the next three years for dryland settlement.

The estimated costs of dryland resettlement schemes break down into 50% for land purchase and 50% for infrastructure development and provision of services. While both are critical, the AID strategy will be to assist the GOZ in the latter 50% of costs rather than in land purchase. There are a number of problems associated with resettlement programs, of which the major one is the question of tenure, and this will have to be addressed.

The Ministry of Lands, Resettlement, and Rural Development has indicated to USAID that it presently has sufficient funds to purchase lands for the initial 3 year phase of the settlement program. What it lacks is full capacity to implement the resettlement schemes fast enough to meet pressing demands upon the government by the landless and unemployed and to utilize the full amount of land being made available to the government by willing European sellers of underutilized land. The Ministry needs more staff to plan the schemes, to conduct feasibility studies of alternative models of resettlement particularly in connection with irrigation schemes, and to fully administer the schemes on the ground. Presently, the Ministry has staff to implement only nine schemes rather than the 20 envisaged. Moreover, it lacks the staff to train Africans to fill existing staff positions being vacated by departing European civil servants. While there are a large number of well educated Zimbabweans among the returning exiles, there appear to be considerably fewer with the requisite technical skills and experience for these middle management positions. AID's proposal is to provide such training as well as possible technical assistance in the short term until such trained staff are on line. In so doing AID hopes to introduce more participatory, "bottom-up" approaches to the

planning and implementation of resettlement. In addition USAID intends in FY 82 and beyond to provide financial assistance for the development of infrastructure in settlement areas.

Small-scale Agricultural Production (TTLs). The major constraints to increased agricultural production and increased incomes among small-scale producers on TTLs are 1) lack of relevant production technologies for the main food crops grown; 2) poor extension agent-producer ratios; 3) poor input delivery services and constrained credit availability and 4) limited market facilities which lower producer prices sufficiently to decrease incentives for surplus production. Relieving these constraints requires a strategy that addresses problems in agricultural research, extension and agricultural delivery systems for inputs and outputs. The AID strategy in the short-term will not include provision of credit (since the World Bank will probably be heavily involved in the area) but may include manpower training for the AFC which administers the Small Farmer Credit Scheme, and some related technical assistance.

Research/Extension Technology. Small-scale producers are operating in a production environment that places a number of constraints on their ability to increase production and participate more fully in the economic and social development of the country. Relatively low levels of food crop production can be partially explained by the scarcity of available relevant technology for the majority of food crops grown - - sorghum, millets, dry beans etc. The quality of research on maize, groundnuts, wheat and cotton has been very high, but oriented toward the needs of large-scale commercial producers. The Zimbabwe research institution has the best program in Africa for these commercial producers, but the small-scale producer must take the relatively sophisticated technology and adapt it to a farming system on 2 to 10 hectares. Even with the high level of maize technology, small producer yields are only about 10% of yields received by commercial farmers.

In part, these low yields can be attributed to the inadequate numbers of extension officer to work with the 700,000 smal-scale producer households. While on the whole DEVAG is a high quality and well-organized extension instituion, with experienced and well trained staff operating effectively in concentrated areas, it must be expanded. The result of the present thin coverage - one agent to about 600 households - is that the relevant technology is probably reaching only about 10 - 15% of the TTL producers. With the research institutions only working on a few food crops and the thin distribution of extension centers to serve these producers, low productivity will

continue, even given price incentives and improved marketing facilities.

AID will target its assistance on the research and extension institutions so as to 1) strengthen professional skills through various levels of training; 2) expand the network of extension centers to serve a larger number of producers, and 3) expand the training facility network to provide more opportunities for inservice training of village-level officers. The proposed strategy for research will aid the strong research institution to expand its scientific staff through TA and senior-level training programs and participant training to allow greater focus on problems of ITL and re-settlement scheme farmers. The growing attention in the research establishment to farming systems research problems will allow development and dissemination of a wider range of low-cost technologies to help overcome small-scale producers' constraints.

A key constraint in the research, extension and cooperative areas is the departure from government service of experienced scientists, specialists and management-level professionals who plan, design and implement agricultural programs. For example, the MOA Crops Research Division had a staff of 49 scientists; today, through retirements and transfers, the staff has been reduced to 26. Other MOA departments are also experiencing a gradual erosion of specialists and professionals serving in leadership positions. Existing training institutions are not currently equipped to cope with providing the required numbers and levels of competence needed to replace the departing staff. The Faculty of Agriculture at the University of Zimbabwe graduates about 20-25 B.Sc. holders annually. The demand for these graduates in the public and private sectors far exceeds the supply. The GOZ is now in the process of employing expatriates to fill some critical positions, but this is only a second-best, stop-gap measure.

To obtain a better assessment of the constraints in training senior level scientists and professionals, AID will undertake an assessment of the Faculty of Agriculture, so a determination can be made of the appropriate AID role in strengthening it so enrollments can be increased to more nearly meet the demands of the public and private sectors.

Regarding extension, AID will emphasize equipping various training centers where in-service workshops can be conducted for field-level staff and their clienteles. TA will also be provided to DEVAG and to CONEX as required, to improve the planning of training programs and the delivery of

relevant technology on the TTL's and in the resettlement schemes. It should be noted that the GOZ has established a target for extension training that will lead to 25% of extension agents being women. AID has, under the last program grant, made funds available for expansion of training facilities so that women students can be included. This emphasis will help to meet the need created by the fact that the majority of agricultural production activities on TTL's are in the hands of women. This emphasis will be continued.

Marketing and Cooperatives. Commercial farmers have access to a number of input delivery services. Small-scale producers can buy inputs through local traders, by obtaining credit which is delivered in kind in the form of inputs, or through the cooperative movement, which at present also handles the AFC credit in kind. Presently, input deliveries are centrally planned, and frequently deliveries are not made on time or in appropriate amounts. Further, the small producer has to indicate up to six months in advance of planting what he will plant and how much, so that his/her order can be placed for delivery six months later, drastically reducing flexibility in coping with seasonal changes and other factors that would influence cropping and farm management decisions.

The cooperative movement is presently responsible for most of the input delivery taking place. With technical assistance, training and capital support - especially for warehousing - this institution could expand its services so that inputs can be made available locally over several months in advance of the planting season, thus providing decision-making flexibility to producers and easing the tremendous bottleneck which now exists every year just before planting.

AID support could also enable the cooperative movement to expand its marketing facilities, since locally based warehouses and smaller collection points could serve marketing and input delivery functions at the same time. While some small scale producers can market their surplus food and cash crops directly to the depots of the statutory marketing board - for "controlled" crops - many do not, either because the distance is too great, or because they do not have a large enough quantity to warrant the expense of transport and the delay in payment, which is made by check after all stoporders for credit have been deducted. Most producers choose to market through the cooperative movement, whether or not they are themselves members, or on the informal local market, where prices are lowest of all.

AID's strategy would support the Marketing and Cooperatives Services section of the Ministry of Agriculture which assists the black cooperative movement, and is presently responsible for administrative and auditing services, as well as transport, and arranging contracts for the resale of uncontrolled crops purchased from member societies.

Cooperative extension training and training for cooperative society and union committees are recognized priorities. Various donors have already approached the GOZ with offers in this area. AID will provide training assistance as appropriate, given other donor involvement.

Transport assistance, in terms of rolling stock and feeder roads, should also be provided for marketing and input delivery. AID's strategy would support a technical plan for expanding the network of feeder roads in TTLs and resettlement areas, as well as to provide funds for building of rural feeder roads once the needs are documented, and to provide more rolling stock through a CIP.

Irrigation. Irrigation cross-cuts the needs of producers on the TTLs and those in the new resettlement areas; both groups are attempting to increase agricultural productivity on land in regions which have low and erratic rainfall, and on which there may be a drought in two out of every five years. Heretofore, even on small-scale irrigation schemes, management has been top-down, with decisions on plot size, crop rotation and water management being made by government officials without consultation with the plot-holders.

Additionally, plot-holders have not been able to gain title to their plots, and thus had no security of tenure, leading to high levels of dissatisfaction and drifting away from the schemes. Under the GOZ however, other management styles are possible, which would include the creating of participatory water management associations, and when the overall policy on land tenure is finalized, it is likely that long term leasehold or freehold tenure arrangements can be made available to irrigation scheme participants.

The AID strategy for irrigation schemes will focus on assistance to the well organized DEVAG irrigation office in expanding its capabilities in planning and designing small scale irrigation schemes. Our assistance would

be directed to help the government in the construction of small earthen dams and catchment basins and the placing of pumping units on rivers which will provide a dependable source of irrigation water. A major thrust will be to expand the small schemes of 50 - 100 hectares and to develop schemes ranging from 200 - 300 hectares. These small schemes are designed to provide supplemental irrigation during periods of drought as well as to enable small producers to grow a second crop. Provisions will be made to provide technical assistance to DEVAG and CONEX as required to develop plans and designs for such schemes. The strategy also provides for training for extension officers in irrigation practices and water management.

(ii) Increasing Employment.

The GOZ places very high priority on overcoming inequities in the access of blacks to modern sector employment. This priority was reflected in the establishment of the new Ministry of Manpower Development and Planning, which has responsibility for skills training programs in the modern sector. It also has jurisdiction over the apprenticeship system and the two existing post-secondary technical colleges.

Given the present rate of population growth, 80,000 persons enter the labor force every year. The need for job creation is extreme and will become even more severe in coming years. Clearly, not all of these jobs will be for skilled workers. Jobs must be created for semi-skilled and unskilled workers in greater numbers. The AID strategy will include skills training, and also an emphasis on the creation of labor-intensive, small enterprises.

Skills Training. In the past, access to skilled jobs was highly skewed, and a number of measures were taken to exclude most blacks from such positions. One of these measures was the apprenticeship system. The GOZ is taking steps to change that system and to test persons who are probably already qualified through other kinds of work experience. At the same time, it is attempting to accelerate and expand training in a variety of skills for the modern sector. Assistance in this effort will continue to be a part of the AID strategy for employment generation, with special emphasis on skills training for women, either through direct support to training institutions or through support to PVOs.

Small Enterprise Development. The GOZ has expressed considerable interest in small enterprise development, as have the several existing black business organizations. Currently, there are several parastatal organizations which are new, and which are supposed to provide advisory services and loan funds to new small entrepreneurs and small scale cooperative enterprises. However, they suffer from organizational, manpower and funding constraints.

Small enterprise development in Zimbabwe can provide job places at and average cost per place of $2,300, whereas the cost of jobs in large scale industry is from $16,000 - $160,000. The AID strategy will emphasize assistance for small-enterprise-based job creation in growth centers in rural areas, and the focus will be on productive enterprises rather than commercial ones, which are more common in Zimbabwe at present.

The AID strategy aims at the creation of 8,000 job places in five years, given the absorptive capacity of the organizations involved in this sector. It calls for provision of funding for a revolving credit scheme, expansion of advisory services, assessment, design and implementation of programs of existing institutions, and the training of trainers and managers through short-term technical assistance and some study tours. This assistance will be channeled through quasi-public institutions into the private sector. Direct assistance to the private sector may be possible as the strategy evolves, and GOZ policy on small private enterprise becomes clearer.

(iii) Expanding Social Service Delivery Systems.

The provision of improved services to the majority of the population is a key priority of the GOZ. Its efforts to date have been primarily and most visibly in this area, and have been a response to keen popular demand generated by the previous sharp inequities in access to social services, particularly health and education. The government plans call for universal free primary education, universal access to secondary education, free primary health care for low-income families, increased access to family planning education and commodities, and increased access to low-cost housing.

The overall AID strategy in assisting the GOZ to meet this set of objectives, to which it is publicly committed, is to provide support primarily in the areas of planning and manpower training.

Health. The Health system faces two major constraints in expanding its rural health services: financial and manpower bottlenecks. AID will assist in meeting the Ministry of Health target of 300 new medical assistants trained in three years by supporting the construction of new training schools. In-service training for all levels of rural paramedical manpower will have to be carried out to increase their emphasis on preventive as opposed to curative medicine, and AID will assist in the construction of eight provincial training schools.

Some additional short-term training support in curriculum development, educational materials and short-term teacher salaries may be required.

At the central level, the MOH needs to create a planning unit to consider policy options, develop strategies to deal with their priority areas, and collect adequate data for future planning and improved management. AID will provide technical assistance to strengthen staff at both the MOH and Department of Community Medicine at the Medical School. A cadre of competent health planners and managers will be trained to meet future needs at both central and provincial levels.

Decreasing Population Growth. If the GOZ is to meet its targets for increasing the incomes of, and providing social services to, its entire population, a decrease in population growth is mandatory. USAID and the FPA have recently designed a five-year project (the PID has been completed and will be submitted to AID/W in February 1981). The project's goal is to assist the Government of Zimbabwe, through the Family Planning Association, to reduce the birth rate from 50 per 1000 to 30 per 1000 in 1985. The project's purpose is to assure the availability of family planning information and services to 326,000 married women of reproductive age by 1985. The project will cost $32,069,000. The Government of Zimbabwe will provide $14,096,000; Family Planning International Assistance $1,712,000; and AID $16,262,000.

AID assistance will assist the Family Planning Association (1) to expand its community-based distribution project to achieve nationwide coverage, and (2) to expand its Youth Advisory Service program in the Ministry of Education's primary and secondary schools. It will also create a research and evaluation capacity and carry out a national mass media campaign. Finally it will provide approximately half of the contraceptives required in the P/FP program.

Housing. Under previous regimes, access of blacks to urban areas was stringently monitored through "unflux controls", and the basic premise was that all blacks should have their main residence in the TTL's. Only those who could prove that they were employed in town could have permission to live there, and in most cases, this only allowed for urban "township" residence for the employed person himself, and not for his family. This policy of creating townships with detached houses for families and barracks for single persons

allowed rational town planning, but did not provide adequate amounts of housing. There was a great backlog of housing [illegible].

The GOZ is committed to providing adequate and relatively high-standard housing in urban places. This is especially important as the GOZ seeks to alleviate land pressure through increased urban and rural off-farm employment. The increase in migration of persons to towns since the war means that the GOZ is shouldering a considerable burden in trying to provide standard housing for all. There are an estimated 70,000 urban squatters in Salisbury alone, and in addition there are large numbers of persons lodging with those who have houses in townships at high rents and in overcrowded conditions. The AID strategy will be, if possible, to negotiate a HIG with the GOZ. At present, negotiations have ceased, since the GOZ is concerned about the borrowing rates implied by the HIG, and also by the nature of the sites and services plans. It is anticipated that as the GOZ gains more experience with donors in this area, a HIG may appear more acceptable.

Basic Formal Education:

AID will consider assistance to the GOZ to meet its commitment to universal primary education by focusing its strategy on (1) improving MOE's capacity to plan and allocate resources efficiently and (2) on identifying and testing viable alternatives in teacher education and use of teachers in the classroom. The strengthening of planning and resource allocation capacity will involve technical assistance and training in both macro and micro planning.

The assistance in macro planning will be aimed at the design of rational national development plans for attaining GOZ objectives in primary education. The assistance in micro planning will be directed at problems of resource utilization and allocation at the school level. In this area, AID proposes to assist the MOE in school mapping and the equitable and efficient allocation of teachers and learning materials.

Since the GOZ's capacity to experiment with alternate delivery systems will be greatly handicapped by the necessity of directing most of its attention and resources at a rapid expansion of the educational system, AID proposes to assist the GOZ to identify and test alternate modes for delivering primary education. The danger inherent in the GOZ's strategy of focusing on short-

run objectives is the tremendous recurrent cost burden which it will impose on itself over the long run unless it begins now to explore and test more cost-effective ways to delivery primary education.

III PROPOSED ASSISTANCE PLANNING LEVELS

A. PLANNING LEVELS

The question of levels of assistance has been covered in the Strategy Section. Because of Zimbabwe's unique political and economic importance and because of its substantial resource needs, we have proposed high levels of assistance to Zimbabwe relative to its population and overall per capita income. The bulk of this money is expected to come from ESF funds.

Exact sectoral allocations of these funds can not be determined at this time. There are still too many political and economic unknowns, inadequate data on the rural areas, and too much flux in institutional arrangements to predict needs and absorptive capabilities with any certainty. Thus, the sectoral allocations presented in Table II represent best current estimates of the USAID program and are subject to modification.

Table III presents the program mode of U.S. assistance. Considerable emphasis is given to non-project forms of assistance (program grants, sector grants, block grants for technical assistance, and commodity import programs). USAID also intends to use P.V.O.'s wherever possible. The justification for a program mix of this sort is present in the Strategy Section.

TABLE II

PROPOSED ASSISTANCE PLANNING HEADS - SECTORAL ALLOCATIONS

(US millions of Dollars)

		FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
(1)	Increasing Agricultural Incomes	39	60	60	40	30	-	229
	(a) Rural Development	29	40	40	20	15	-	144
	(b) Settlement	10	20	20	20	15	-	85
(2)	Employment Generation	8	10	10	8	6	-	42
	(a) Skills Training	3	5	5	4	3	-	20
	(b) Small Scale Industry	5	5	5	4	3	-	22
(3)	Improved Service Delivery	8	10	10	7	4	-	39
	(a) Health	4	4	4	3	2	-	17
	(b) Population*	2	3	5	5	-	-	15
	(c) Education	4	6	6	4	2	-	22
	(d) Housing*	25	25	25	25	25	-	125
(4)	Regional Transport & Food Security	20	20	20	20	10	-	90
	Total	75	100	100	75	50	-	400

* These amounts are not added to sub-totals and totals since they represent centrally funded projects.

TABLE III

PROPOSED ASSISTANCE PLANNING LEVELS - PROGRAM MODE

		FY82	FY83	FY84	FY85	FY86	FY87	Total
1.	Program Grant	37	-	-	-	-	-	37
11.	Sector Program Grant	-	32	52	36	26	-	146
111.	Commodity Import Program	10	20	20	15	10	-	75
1V.	Regional Projects	20	20	20	20	10	-	90
V.	Central Bureau-funded Projects*	2	3	5	5	-	-	15
V1.	Technical Assistance and Training Program	3	3	3	1	1	-	11
V11.	PVO's	5	5	5	3	3	-	21
V111.	HIG's*	25	25	25	25	25	-	125
	Total	75	100	100	75	50	-	400

* These amounts are not added to sub-totals and totals since they represent centrally funded projects.

MANAGEMENT APPROACH

The mission proposes to implement its program with a small staff of direct hire personnel both U.S. and local. Current AID policy emphasizes the necessity of doing more with less and sound management dictates no less of an approach. Reinforcing the need to face up to AID worldwide personnel and budgetary constraints, however, are the broader political advantages which accrue from a reduced U.S. official presence in foreign countries. U.S. Chiefs of Mission throughout the world, and this Embassy is no exception, believe that it is in our foreign policy interest to carry out assistance programs with substantially smaller AID staff.

The need for a large direct hire American staff is significantly reduced by the management approach adopted by the Mission. This approach has these characteristics:

- Maximum use of flexible AID program and project procedures such as substantial program and sector grants.
- Limiting functions performed by USAID staff to program and sector project design, monitoring and evaluation.
- Utilization of REDSO staff and selected experts from the U.S. on regular TDY basis to supplement Mission expertise and to assist USAID during peak workload periods.
- Reliance on Zimbabwean institutions and organizations to the extent feasible to perform background studies and analyses for AID's program.
- Utilization of the East African Accounting Centre (AID/Nairobi) to perform Mission's controller functions.
- Establishment of a Joint Administrative Organization (JAO) with the Embassy for the performance of most support functions.
- Making any contractors responsible for their own support services.

The mission believes that this approach to management will allow the limited mission staff to engage substantive policy dialogue with the government of Zimbabwe and free it from devoting an inordinate amount of time and energy to bureaucratic "red tape."

Mission staff requirements call for six U.S. direct-hire employees and eight local-hire employees. The U.S. direct-hire requirements are broken down into the following positions:

- Mission Director
- General Development Officer
- Human Resources Development Officer
- Agricultural/Rural Development Officer
- Housing Officer
- Administrative Secretary

The required local-hire staff positions are as follows:

- Two program assistants
- Accountant
- Two secretaries
- Driver-mechanic
- Two or three foreign nationals to assist the Joint Administrative Officer

At present the mission is functioning with a Director, Administrative Secretary, and Human Resources Development Officer. The Joint Administrative Officer is due to arrive shortly. Given the ongoing and planned program size, it is essential that the mission be able to complete its complement of direct-hire U.S. personnel without delay.

The mission is seriously concerned about the implications of the hiring freeze on its hiring of local staff. As a new mission with a substantial program in a country of major foreign policy interest to the U.S., it must be exempted from the restrictions on hiring local personnel if it is to meet its legislated responsibilities.

ANNEX A: STATISTICAL ANNEX

TABLES

A-1	Distribution of Farm Land, 1973
A-2	Domestic Product by Industry, 1975 - 1979
A-3	Employment and Farming of Blacks by Sector, 1966, 1971, 1977
A-4	Historical Trends in the Zimbabwe Economy
A-5	Black Population of Main Towns in Thousands
A-6	ZIMCORD CAPITAL FUNDING PROGRAM
A-7	Expenditure by Major Categories
A-8	Direction of Zimbabwe's NON Oil Trade, August & September, 1980
A-9	Expenditure on Gross Domestic Product
A-10	Other Donor Assistance

FIGURES

A-1	Land Tenure and Distribution, 1977
A-2	Land Pressure, 1976

Table A-1 Distribution of Farm Land, 1973

Natural Region	Suited to type of farming	Total Area		European		Tribal Trust Land		African Purchase Land	
		Ha '000	Per cent	Ha '000	Per cent	Ha '000	Per cent	Ha '000	Per cent
I	Specialized and diversified	606	1	494	2.3	106	0.7	6	0.3
II	Intensive	7,258	19	5,595	25.8	1,419	10.0	244	13.6
III	Semi-intensive	6,673	18	4,316	19.9	2,269	16.0	88	4.9
IV	Semi-intensive	12,808	34	6,710	30.9	5,348	37.7	750	41.9
V	Extensive	10,322	28	4,567	21.1	5,052	35.6	703	39.3
	Total	37,677	100	21,682	100.0	14,194	100.0	1,791	100.0

SOURCE: M. Nziramasanga, "The Agricultural Sector in Rhodesia" (1976).

Table A-2

DOMESTIC PRODUCT BY INDUSTRY
(Z$ million)

	1975	1976	1977	1978	1979
Subsistence Agriculture	85	98	96	84	72
Commercial Agriculture	238	252	238	221	233
Mining and Quarrying	126	149	145	156	193
Manufacturing	449	474	457	512	609
Electricity and Water	50	56	56	62	68
Construction	94	88	84	68	82
Finance, Insurance, Real Estate	130	139	149	154	163
Distribution	258	262	242	296	290
Transportation and Communication	159	172	184	191	210
Public Administration and Defense	130	163	204	241	270
Education	65	73	76	86	96
Other Services	129	141	149	159	173
Total	1,912	2,066	2,081	2,228	2,457

Percentage Distribution of Domestic Product by Industry

	1975	1976	1977	1978	1979
Subsistence Agriculture	4.4	4.7	4.6	3.8	2.9
Commercial Agriculture	12.4	12.2	11.4	9.9	9.5
Mining and Quarrying	6.6	7.2	7.0	7.0	7.9
Manufacturing	23.5	22.9	22.0	23.0	24.8
Electricity and Water	2.6	2.7	2.7	2.8	2.8
Construction	4.9	4.3	4.0	3.1	3.3
Finance, Insurance, Real Estate	6.8	6.7	7.2	6.9	6.6
Distribution	13.5	12.7	11.6	13.3	11.8
Transportation and Communication	8.3	8.3	8.8	8.6	8.5
Public Administration and Defense	6.8	7.9	9.8	10.8	11.0
Education	3.4	3.5	3.7	3.9	3.9
Other Services	6.7	6.8	7.2	7.1	7.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Reserve Bank of Zimbabwe, Quarterly Economic and Statistical Review (Sept. 1980)

Table A-3

EMPLOYMENT AND EARNINGS OF BLACKS

BY SECTOR, 1966, 1971, 1977

Sector	Number of Employees (thousands)			Real Average Earnings (Z$ 1974 prices)		
	1966	1971	1977	1966	1971	1977
Agriculture and Forestry	272.0	305.3	342.3	119	114	129
Mining and Quarrying	45.7	54.1	57.4	286	305	366
Manufacturing	68.5	104.3	126.9	406	417	510
Electricity & Water	3.8	4.1	4.7	350	421	497
Construction	29.4	40.9	41.4	350	408	411
Finance, Insurance, Real Estate	2.3	2.5	4.0	579	656	956
Distribution	38.7	46.3	52.4	332	408	449
Transport and Communication	15.5	25.3	31.3	595	635	644
Public Administration	21.5	27.3	43.3	372	449	611
Education	24.5	24.4	29.5	482	655	706
Health	6.6	7.9	10.2	461	535	659
Private Domestic Service	95.7	114.0	123.0	231	250	236
Other Services	19.8	26.6	34.1	312	364	414
Total/Average	644.0	783.0	901.0	248	282	327

Source: UNCTAD, Zimbabwe: Towards a New Order, UNCTAD/MFD/7, 1980

Table A-/1

HISTORICAL TRENDS IN THE ZIMBABWE ECONOMY

(1965 C$ 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	1,203	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	1,342	19.9	213	267	-4.5	9.5
1976	1,320	15.5	203	205	-4.7	9.3
1977	1,223	13.7	182	168	-10.3	10.4
1978	1,186	11.2	171	133	-4.9	8.8
1979	1,190	11.9	167	n.a.	-2.3	10.7

Source: Central Statistical Office, National Accounts of Zimbabwe Rhodesia, 1978

Table A-5

BLACK POPULATION OF MAIN TOWNS IN THOUSANDS

	Official figure as of 30 June 1979	Updated Estimate accounting for recent influx - January 1981
Bindura	17	18
Bulawayo	363	400
Fort Victoria	24	24
Gatooma	33	33
Gwelo	70	72
Hartley	15	15
Marandellas	23	23
Que Que	51	51
Redcliff	19	19
Salisbury	627	1,000
Shabani	20	21
Sinoia	27	28
Umtali	63	65
Wankie	33	33
	1,385	1,802

TABLE A - 6

ZIMCORD CAPITAL FUNDING PROGRAM

(THOUSANDS OF U.S. DOLLARS)

	1980/81	1981/82	1982/83	1983/84	TOTAL	PERCENTAGE DISTRIBUTION
REFUGEES	67,728	80,000	0	0	147,728	2.5
Food	38,787	0	0	0	38,787	0.6
Agricultural package	21,014	0	0	0	21,014	0.4
Other	7927	80,000	0	0	87,927	1.5
RECONSTRUCTION	90,558	100,694	67,382	0	258,634	4.3
Roads & Bridges	21,267	13,962	6,506	0	41,735	0.7
Water	8,181	11,675	3,982	0	23,838	0.4
Dipping Services	4,293	262	502	0	5,058	0.1
Schools	19,200	32,000	31,118	0	82,318	1.4
Health Facilities	3,787	1,600	237	0	5,624	0.1
Irrigation	1,400	1,320	0	0	2,720	-
Other	32,430	39,875	25,037	0	97,342	1.6
LAND SETTLEMENT & RURAL DEVELOPMENT	0	327,357	435,650	495,144	1,258,150	21.0
Dryland Resettlement	0	34,838	52,310	78,400	165,549	2.8
Irrigation Schemes	0	36,717	75,822	98,746	211,285	3.5
Urban Infrastructure	0	15,037	8,859	5,394	29,290	0.5
Small Scale Enterprises	0	11,597	11,893	11,979	35,467	0.6
Intensive Rural Development Areas	0	6,400	8,000	8,000	22,400	0.4
Credit	0	41,198	56,554	75,544	173,296	2.9
Agricultural Services	0	27,618	28,674	25,408	81,699	1.4
Forestry	0	18,050	17,467	20,789	56,306	0.9
Rural Health	0	15,674	32,589	42,605	90,867	1.5
Rural Schools	0	37,613	54,491	39,648	131,752	2.2
Rural Roads	0	47,421	56,907	55,451	159,779	2.7
Rural Water	0	20,475	21,603	26,104	68,182	1.1
Other	0	14,722	10,480	7,077	32,279	0.5

TABLE A - 6 (Page 2)

TRAINING PROGRAMS.	0	149,941	132,362	92,784	375.086	6.2
Formal Education	0	85,584	76,723	52,785	215,157	3.6
Technical Training	0	45,157	45,867	29,838	120,862	2.0
Non Formal Education	0	19,226	9,771	10,070	39,067	0.7
NATIONAL INFRASTRUCTURE	0	1,134,699	1,393,146	1,431,613	3,959,634	66.0
Energy	0	480,128	640,000	640,000	1,760,128	29.3
Transport & Communications	0	221,333	239,005	238,054	698,392	11.6
Other	0	433,238	514,141	553,559	1,500,938	25.0
TOTAL	158,286	1,792,691	2,033,339	2,019,557	6,003,874	100.0

Table A-7

EXPENDITURES BY MAJOR CATEGORY*
(thousands Zimbabwe dollars)

		(1) 1979/80	(2) 1980/81 (original estimate)	(3) 1980/81 (revised estimate)	(4) Ratio Column (3) to column (1)	1980/81 revised shar of budget (%
1.	National Security	384,655	315,985	362,985	0.94	23.6
2.	Settlement	2,521	8,301	8,301	3.58	0.5
3.	Reconstruction and Investment in TTLs	9,180	42,487	42,487	4.63	2.8
4.	Education	120,437	194,494	236,494	1.96	15.4
5.	Health	54,226	91,795	91,795	1.69	6.0
6.	Food Subsidies	37,729	68,700	68,700	1.82	4.5
7.	General Administration	111,495	124,083	124,083	1.11	8.1
8.	Economic Ministries	108,238	128,695	128,695	1.19	8.4
9.	Other Capital Budget	52,886	55,760	55,760	1.05	3.6
10.	Relatively Uncontrollable Outlays	250,523	305,964	305,964	1.22	19.9
11.	Other	30,383	103,720	114,720	3.78	7.4
12.	TOTAL	1,162,073	1,439,984	1,535,984	1.33	100.0

* Table II does not include the $114 million of grant assistance that has been earmarked for reconstruction and emergency feeding of refugees. These funds are placed in a special account and do not enter either the revenue or expenditure accounts.

TABLE A - 8

DIRECTION OF ZIMBABWE'S NON-OIL TRADE - AUGUST & SEPTEMBER 1980

	IMPORTS FROM:		EXPORTS TO:	
	(Thousand U.S.$)	PERCENTAGE DISTRIBUTION	(Thousand U.S. $)	PERCENTAGE DISTRIBUTION
Belgium	3,358	1.7	8,445	4.3
Canada	1,544	0.8	-	-
France	5,878	3.0	4,232	2.1
Italy	4,550	2.4	10,213	5.2
Japan	11,981	6.2	6,624	3.3
Malawi	3,851	2.0	3,142	1.6
Netherlands	4,466	2.3	7,728	3.8
South Africa	69,293	35.9	38,674	19.5
U.K.	18,611	9.6	9,083	4.6
U.S.A.	16,056	8.3	4,710	2.4
West Germany	18.056	9.3	29,614	14.9
Zambia	9,136	4.7	1,658	0.8
Hong Kong	365	0.2	4,218	2,1
Iran	-	-	4,749	2.4
Portugal	-	-	6,325	3.2
Other	26,012	13.5	58,831	29.7
TOTAL	193,157	100.0	198,246	100,0

Table A-9

EXPENDITURE ON GROSS DOMESTIC PRODUCT

(ZS million)

	1975	1976	1977	1978
Private Consumption	1,206	1,294	1,339	1,406
Durables	118	103	94	n.a.
Non-Durables	771	815	830	n.a.
Services	363	401	412	n.a.
Net Government Current Expenditure	256	326	387	454
Gross Fixed Capital Formation	467	403	368	330
Private Sector	268	218	201	177
Personal Sector	51	32	35	27
Companies	199	166	143	129
Other	18	20	18	21
Public Sector	198	185	167	152
Central Government	59	72	70	70
Local Government	48	44	35	37
Public Corporations	81	69	63	45
Increase in Stocks	114	69	90	13
Statistical Discrepancy	26	1	-6	64
Gross Domestic Expenditure	2,069	2,093	2,174	2,267
Net Exports of Goods and Services	-61	75	36	64
Expenditures on Gross Domestic Product	2,008	2,168	2,210	2,331

Source: Reserve Bank of Zimbabwe, Quarterly Economic and Statistical Review, (Sept. 1980)

Central Statistics Office: National Accounts of Zimbabwe Rhodesia, 1978

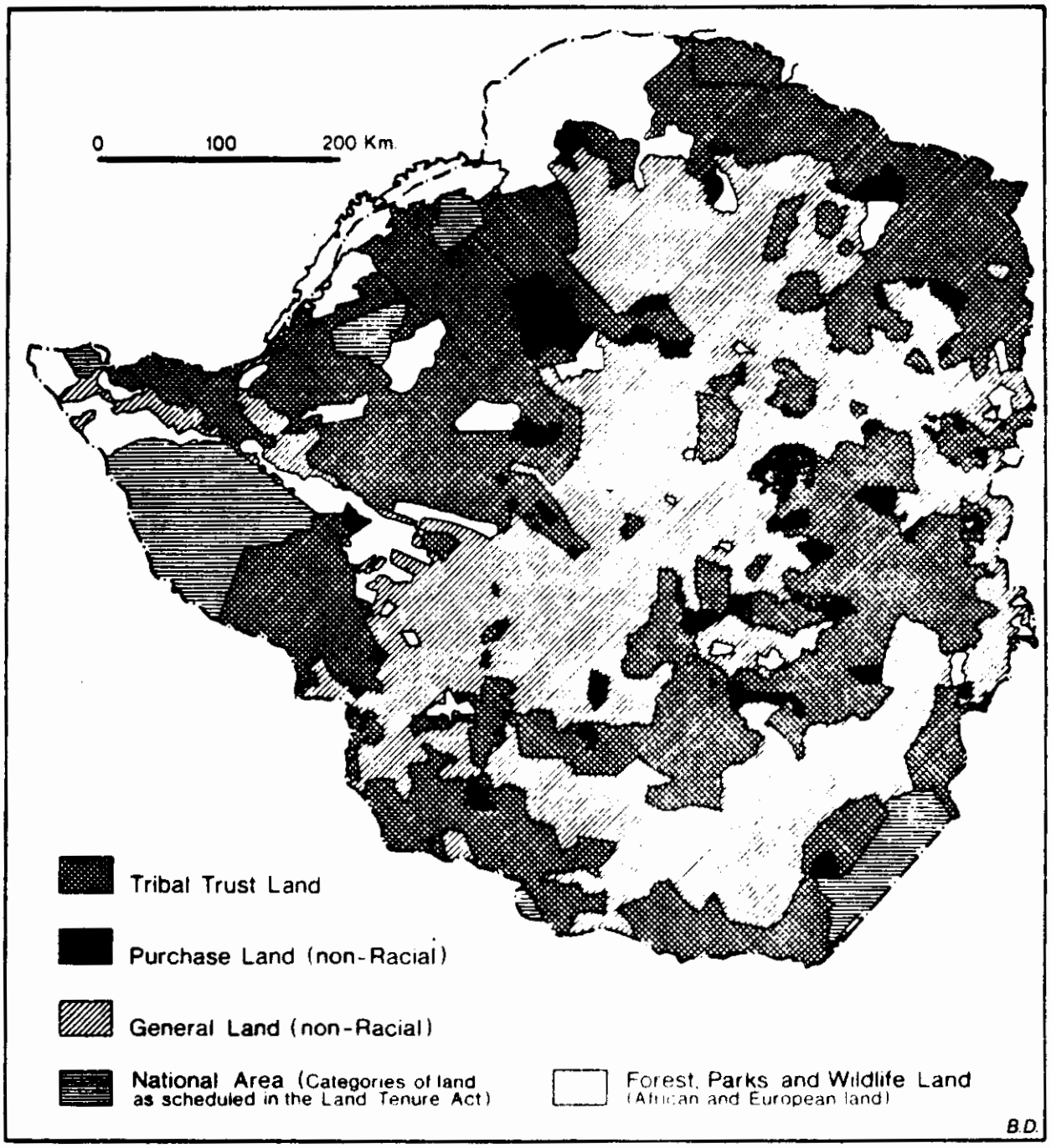
Table A-10

Other Donor Assistance
(Million Dollars U.S.)

Donor	Resettlement/ Reconstruction		Program Assistance		Other Largely Unspecified	Total
	Grant	Soft Loan	Grant	Soft Loan		
Bilateral						
Australia	12.72					12.72
Canada				44.40		44.40
China				28.00		28.00
Denmark		7.82		7.44		7.44
France	2.56					2.56
Finland	0.14			4.33	0.14	4.61
Germany	2.11	26.30			5.81	34.22
Iraq	3.00					3.00
Italy	4.00			12.00	2.00	18.00
Japan	3.40			25.00*		28.40
Netherlands	0.72	10.8				11.52
Nigeria	0.90				20.00	20.92
Norway	2.16				12.00	14.16
Sweden	3.84		10.8		1.20	15.14
UK	28.80		72.0		79.20	180.00
Total Bilateral Excluding US	64.35	45.02	82.8	121.17	120.35	433.69
Multilateral						
EC	16.73				6.48	23.21
EDF (Lome)					136.01	136.01
UNDP					5.6	5.6
UNHCR	1.99					1.99
UNICEF					2.0	2.00
WFP	2.00					2.00
WHO					1.4	1.40
ADB		12.0			18.0	30.00
World Bank				100.00	200.00	300.00
Total Multilateral	20.72	12.00	-	100.00	369.49	502.21
Grand Total	85.07	57.02	82.80	221.17	289.84	935.90

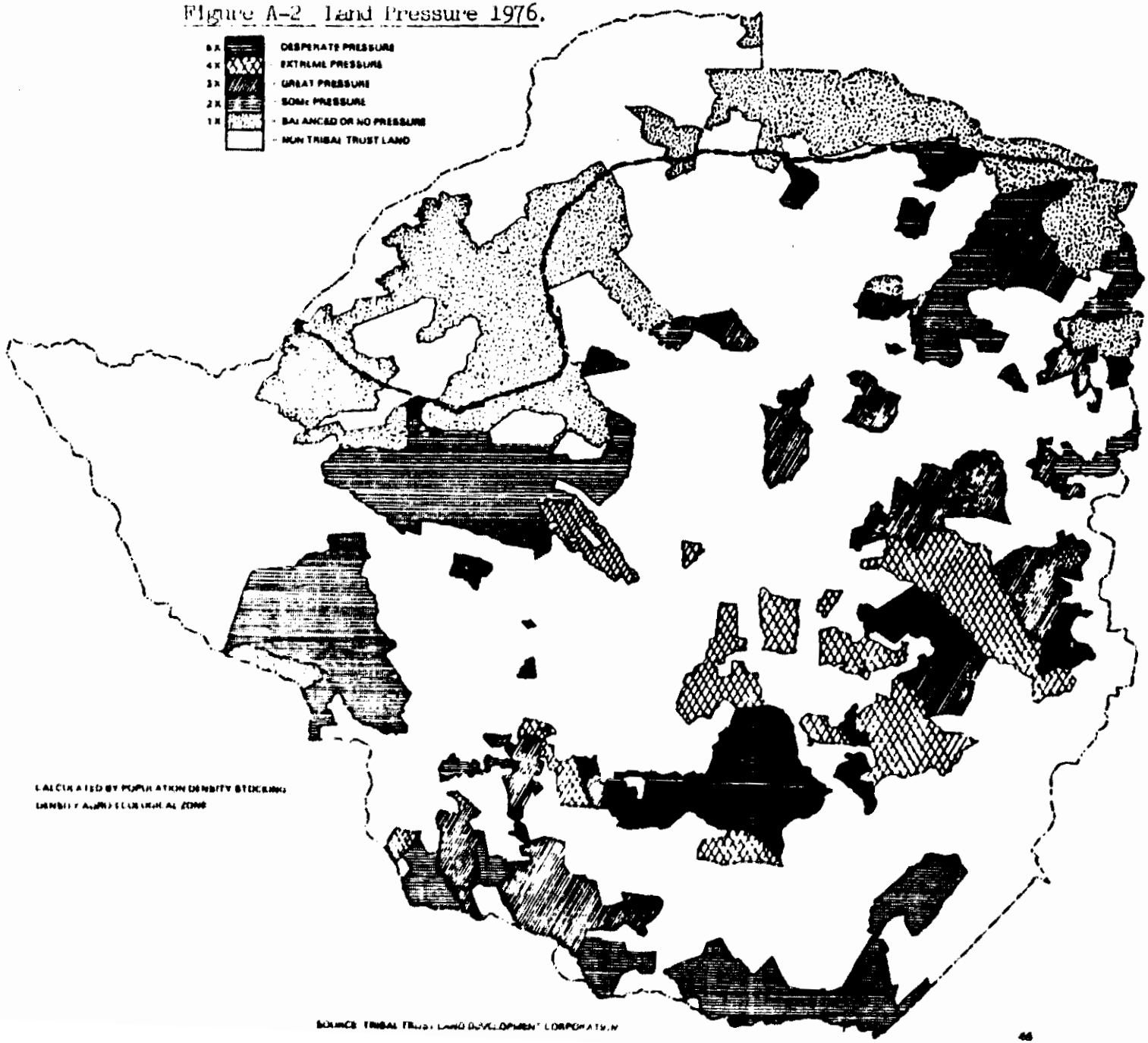
1/21/81

Figure A-1 Land Tenure and Distribution 1977



SOURCE: Derived from Whitsun Foundation

Figure A-2 Land Pressure 1976.



ANNEX B: AID TO ZIMBABWE: A REVIEW OF LEGAL ISSUES

Urgent post-war reconstruction needs and overriding political goals set the framework for USG assistance to Zimbabwe. The rehabilitation of rural health clinics, repair of other war-damaged infrastructure and provision of crop packs would not only promote the resettlement/reconstruction process but also help establish the new Government's own credibility. Politically, the prompt delivery of assistance would demonstrate strong USG support for an independent Government of Zimbabwe (GOZ) and its multi-racial experiment.

Impelled by these political and humanitarian concerns, AID responded with unaccustomed speed and flexibility. In particular:

- - it drastically abbreviated the documentation process. Authorizing in turn a $2 million project grant, a $13 million program grant and a $7 million program amendment, the Agency accomplished in weeks what usually takes from 6 to 18 months;
- - it eliminated most of the "strings" (such as conditions precedent (CPs) and tied procurement) normally associated with AID assistance;
- - it telescoped the formal negotiation - signing steps into a matter of days, instead of weeks. The fact that the project grant was signed on Independence Day clearly enhanced its political impact;
- - it accelerated dollar disbursements (made available to the GOZ essentially as free foreign exchange). Although the three month dollar advance for the Rural Health Services project proved insufficient due to the lead time required for obtaining subsequent payments from the U.S. Disbursing Office in Paris, payment of the advance itself, as well as Program Grant dollars, occured soon after obligation. These payments in turn generated local currency funds which were immediately available for the Rural Health Clinics and other reconstruction activities; and
- - it facilitated rapid implementation. The absence of conditions precedent and AID approval requirements, as well as general reliance on normal GOZ procedures for procurement and monitoring removed virtually all donor constraints.

Thus the Rural Health Service project grant and the Reconstruction/ Resettlement program grant, as amended, were characterized by speed (both in AID documentation and obligation) and flexibility (in the grant agreements

and in actual implementation).

Clearly, the financing modes as structured contributed to the cited goals. An evaluation of the FY 80 Reconstruction program grant should therefore include a legal review of the "cash transfer" mechanism as it was employed in Zimbabwe. Because the Rural Health project grant and the Reconstruction/Resettlement program grant, as amended represent two extreme forms of AID programming - authorized, obligated and implemented under identical circumstances of urgency - they invite comparative analysis. Accordingly, this paper will review legal issues for each grant, prospects for longer-range use of "cash transfer" programming and alternative financing modes.

1. The Grants.

A. Rural Health Services Project Grant (A.I.D. Project No. 613-0201)

The Hicks/Farnham team (February 1980) first recommended, among other activities, a grant to help restore basic health services in rural areas. (80 SALISBURY 0487). Although it was unclear at that time how the grant was to be apportioned "between private and government organizations", one point was strongly made: "the agreement will spell out the terms of implementation and reporting, keeping requirements to a minimum and simple as possible."

A month later the REDSO team endorsed rural health services, but recommended that U.S. assistance take the form of a "program cash grant" rather than a project. An "abbreviated project paper", the REDSO cable (80 SALISBURY 0700) favored concentrating project management in the Ministry of Health (MOH) rather than PVOs. It also endorsed strongly the capacity of the MOH to carry out the project.

With respect to procurement procedures, the cable pointed out that GOZ purchasing "is based on the competitive model". It concluded that the GOZ procurement system "appears to be efficiently run and its procedures are compatable with AID requirements". With respect to U.S. source and origin rules, REDSO recommended waivers to raise the imported shelf item limitation (for drugs, chemicals and medical equipment) up to $125,000.

Finally, the cable included the required FAA, Section 611 certifications and a negative environmental determination.

A companion message (80 SALISBURY 0711) argued strongly in favor of the cash grant mechanism; but AID/W opted for a project, apparently because the Congressional notification had already been submitted as a "project".

The Assistant Administrator for Africa authorized the project on April 7 and the grant agreement was signed on April 18, Zimbabwe's Independence Day. In accordance with the authorization ("Given the nature of the project and the need for expeditious disbursement of funds"), the grant agreement contained no conditions precedent. It did, however, include a covenant by the grantee to provide appropriate publicity.

The source and origin waiver, as set forth in the authorization, departed somewhat from REDSO's recommendation. It permitted Code 935 (Special Free World) procurement of drugs, medical supplies, furnishings and equipment up to $175,000 (instead of $125,000). But waiver was extended to off-the-shelf procurement ("We anticipate the normal imported shelf item allowance will be sufficient to meet additional requirements under the project. Should it not be sufficient, which would be determined as the project is implemented, we will request a waiver at a subsequent date.").

If one compares the Rural Health Services project grant agreement with the standard project grant agreement in AID HB 3, Part I, App. 9A-2, the several exceptions - - all obtained in accordance with AID procedures - - become apparent.

	Standard Project Grant Agreement	Rural Health Services Project Grant Agreement
CPs	legal opinion specimen signatures	waived
Procurement source	U.S. source and origin	waived
Disbursement	Bank L/comm or Direct L/comm	cash advance
	Standard Provisions Annex	
Shipping	U.S. shipping requirements and cargo preference	Treated in abbreviated form, see Annex B.A.
Insurance	Non-discrimination against U.S. firms	Not specifically treated; but see Annex A.C.2 and Annex B.A.

Clearly, this was not a typical AID project:

- - A single PP cable replaced the lengthy PID/PP dialogue between AID/W and the field.
- - The only element of the grant agreement requiring inter-governmental negotiation was the "project description," which itself was extremely flexible.
- - Management and monitoring rested with the GOZ. Although there

was no resident AID staff to provide regular project oversight, REDSO/Nairobi made occasional site visits.

- - The dollar grant was untied and the GOZ had AID's assurance that off-the-shelf procurement limitations would be waived if necessary.

- - Unlimited adjustments among individual budget line items were permitted without amendment.

As a result of the same political and emergency pressures which speeded the documentation process, the project format (adopted simply to avoid re-submission of a Congressional notification) imposed no more burden on the GOZ and Mission than the program grant and its amendment. Although a REDSO/Nairobi observor criticized the project format as having impeded speedy response by the Ministry of Health (A. Muskie, "Progress on Rural Clinic Reconstruction," November 15, 1980), the funding delay appears to have been caused by the inadequacy of the initial advance and the time required for subsequent payments, rather than the project format.

B. Reconstruction and Resettlement Program Grant, as amended (A.I.D. Agreement No. 613-K-601)

80 SALISBURY 1241 of May 12, 1980 summarized USG goals in follow-on aid:

> "We suggest our initial foreign aid goal should be to assist the GOZ meet immediate resettlement and rehabilitation needs in a way which:
>
> A) Meets immediate human needs, but in a manner which multiplies the impact of the aid for self-reliance - - individual and national.
>
> B) Helps GOZ demonstrate its effectiveness in helping its own people.
>
> C) Clearly identifies U.S. with the relief effort and peaceful transition being attempted by the GOZ."

To achieve these goals, the message established three criteria for programming:

- - address human needs which people perceive as most urgent;
- - focus on activities which have a multiplier effect or lead to self-sufficiency; and
- - support activities which are ready to be implemented.

After discussing a number of reconstruction activities which met programming

criteria, the message concluded with a strong recommendation for program (i.e. "cash transfer"), rather than project, assistance.

> "In the spirit of doing more with less, a direct grant to GOZ should be seriously considered. This approach also supports the folding of new political leadership with existing civil service technical programs. It should also be the speediest implementation approach and allows USG to focus on joint programming with GOZ".

A PAAD team completed its work in early June, 1980. 80 SALISBURY 1612 of June 9 contained the economic justification for a $13 million program grant. Arguing that Zimbabwe "needs massive assistance on both balance of payments and domestic budget support grounds," the team recommended a resource transfer program "to alleviate both budget deficit and balance of payments constraints to immediate refugee resettlement, rural reconstruction and economic recovery."

In a related program message (80 SALISBURY 1657) on June 13, the PAAD team urged that a $13 million program grant be disbursed in one tranche, with the GOZ depositing an equivalent amount of Zimbabwean dollars into a Special Account. The local currency would be allocated on the basis of U.S. $5.5 million for the resettlement program (e.g. summer and winter crop packs and related training) and U.S. $7.5 million for the physical reconstruction program (including dip tanks, water supplies, roads and bridges and schools). The GOZ Treasury would administer the Special Account in accordance with its own financial and administrative procedures "which the PAAD team considers satisfactory" and the GOZ would itself determine timing and amount of financing for the various reconstruction and resettlement activities.

The cable noted that "project assistance and other forms of non-project assistance are not considered appropriate or desirable in the context of the emergency timeframe of assistance, the nature of the program assisted and the complex intermixing of assistance from a multitude of external donors with varying criteria and conditions of assistance.

Having reviewed GOZ planning and implementation capability, the PAAD team was "fully satisfied L/C will be effectively used for high priority resettlement/reconstruction needs." Elsewhere it opined that "a continual high degree of capability remains in all GOZ ministries involved to plan and implement these programs." AID was to monitor the progress of reconstruction and resettlement activities through quarterly GOZ reports and to retain full

audit and inspection rights. Specific arrangements for suitable publicity were to be made on an ad hoc basis as the program developed.

On June 26, 1980 the AID Administrator authorized the original program grant in the amount of $13 million. Although the justification was based on "balance of payments and GOZ budget needs," the authorization document clearly identified AID with the reconstruction and resettlement activities to be funded by the local currency equivalent.

The $13 million program grant agreement was signed by the two Governments on July 10, 1980. It followed the essential lines advocated by the PAAD team: a single disbursement of untied U.S. dollars (upon GOZ request); a Special Account for equivalent local currency (computed at "the highest rate of exchange which is not unlawful on the date of dollar disbursement"); a description of reconstruction and resettlement activities to be financed under the Special Account; adoption of the GOZ's disbursement procedure (within a one year period for disbursement); quarterly GOZ reporting requirements, plus a final report to include achievements and an estimate of the number of individuals or families assisted.

In addition the GOZ made several modest undertakings:

- - to hold the agreement and funds granted thereunder "free from any taxation or fees imposed under any laws in effect in Zimbabwe".
- - to refrain from using grant funds, including the Special Account, to finance military or luxury items;
- - to maintain financial records "relating to the utilization of funds granted by A.I.D. and the funds deposited into the Special Account" for at least three years and to make them available to A.I.D. representatives for "examination and inspection";
- - to provide appropriate publicity with respect to the grant and activities carried out with Special Account funds: and
- - to provide AID with specimen signatures of its representatives.

The "Program Description" (Annex A to the agreement) identified in general terms resettlement and reconstruction activities eligible for grant funding. It also accorded to the Grantee the right to allocate Special Account funds "within the various activities in each general category." AID concurrence was required to use the Special Account for "programs and activities in areas other than those described...."

On September 11, 1980 the AID Administrator authorized a

$7 million amendment, increasing the FY 80 program grant to $20 million. Additional reconstruction activities (such as the purchase of locally produced farm and construction equipment and reconstruction of mission schools and clinics) were added to the list of eligible uses. The amendment was signed by both Governments on September 15, 1980. It was a simple one-page document which merely updated the original to account for the additional funds. It added no conditions or covenants.

The program grant is fully disbursed on the U.S. dollar side and largely disbursed on the local currency side. Although the evaluation has addressed performance and impact deficiencies in the field, it is fair to say that the cash transfer mechanism avoided constraints on GOZ implementation.

2. Legal Sufficiency.

Notwithstanding the documentation shortcuts, obligation haste and implementation freedom, there is no doubt that both the project grant and the program cash transfer grant were legally sufficient. The FAA, Sec. 531 authorizes Economic Support Fund (ESF) assistance "to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability."

Sec. 533 authorized funds "for the countries of Southern Africa and for a Southern Africa regional refugee support, training and economic planning program to address the problems caused by the economic dislocation resulting from the conflict in that region and for education and job training assistance." The section further provided that:

> "Such funds may be used to provide humanitarian assistance to African refugees and persons displaced by war and internal strife in Southern Africa, to improve transportation links interrupted or jeopardized by regional political conflicts, and to provide support to countries in that region."

Reflecting legal participation and clearance at every step of the authorization - obligation process, the two grants appear to have been administratively as well as legally sound. Waiver of U.S. source and origin requirements under the project grant was conferred in the authorization. Similarly, the absence of CPs derived from the authorization, which imposed no such conditions. In the program grant, as amended, much of the flexibility was automatic, deriving from the generally unrestricted nature of the cash transfer.

Finally, in reviewing legal sufficiency, one must take into account

the exceptional nature of the justifications. Overriding political and emergency conditions largely account for the speed and flexibility of both grants. The fact that the two agreements could be authorized, obligated and implemented in so short a time span is not only a tribute to dedicated AID officers, but a prime example of how AID regulations can be adjusted, when necessary, to meet emergency conditions. Since the "overriding political and emergency" case in Zimbabwe is likely to fade over time, it may be useful to consider various options for future AID programming.

3. Future Assistance.

In Zimbabwe, the need for speed and flexibility in AID programming stems from the relatively large ESF assistance level; USAID and Embassy preference for a small USAID presence; planning, management and monitoring capability in the GOZ and a need to achieve maximum political impact. A consideration of alternative financing modes may be equally relevant in other AID-recipient countries, such as Egypt, where the sheer size of the program precludes normal AID monitoring; or India, where a sophisticated bureaucracy resents AID handholding. With increased efforts to do "more with less", the Agency in general needs to consider its programming options - - both existing and new.

A. Existing Assistance Modes

AID assistance to host governments is either project or non-project. Several programmatic forms may be used to provide non-project assistance (other than food assistance): Commodity Import Program (CIP), Sector Assistance and Cash Transfer. In terms of the degree of required AID control and monitoring, the various assistance modes may be viewed along a spectrum as follows:

MORE AID CONTROL & MONITORING			LESS AID CONTROL & MONITORING
Project Assistance	Sector Assistance	CIP	Cash Transfer

(1) Project Assistance.

The Zimbabwe Rural Health Services project grant shows that projects can be as speedy and flexible as cash transfers. But it can take a herculean effort to obtain the necessary waivers, authorities and AID/W review priority, even for ESF. As noted above, a quick unencumbered project is not the norm.

AID HB 3 governs project assistance. Since projects identify AID with "a finite result directly related to a discrete development problem," the documentation process which defines and justifies AID's proposed intervention is both lengthy and thorough. As the Handbook frankly admits, "even streamlined, the process is not for emergencies and short term needs." HB 3, Ch. 2D. Fifteen months or more are required for "sound planning and budgetary processes." (See table at HB 3, p. 2-3 for major steps in the AID documentation process).

Because projects associate AID with specific developmental activities, they tend to attract more of the legislative and administrative mandates (e.g. FAA, Secs. 611 and 620; cost benefit analysis and women in development) than other forms of assistance.

Despite a general policy preference for using the project documentation system applicable to Development Assistance, HB 3 Ch. 6B.1 recognises that "there are numerous factors including political considerations, timing, etc., which are overriding in the case of Supporting Assistance funds which may not permit the appropriate Geographic Bureau to satisfy the basic documentation requirements." In such cases, "the PID or other justification in writing to the sponsoring Bureau and PPC should indicate what deviations are necessary."

2. Sector Assistance.

AID Handbook guidance on sector assistance is largely non-existent. The category seems to fall somewhere in the netherland between project and non-project aid. Nevertheless, AID HB 1, PartV-1 unequivocally asserts that "project and sector assistance are currently the preferred modes of Agency activity" (emphasis added). The policy statement continues with definitions of "project" and "sector" aid:

> "Both can provide materials, training, advice, and research, but project aid supports a more discreet activity than sector assistance. Aid to a specific number of interrelated activities within a particular LDC sector should be treated as project assistance; and if these activities are separately identifiable and sufficiently large to make separate consideration of them worthwhile, each should be treated as a separate project. If, however, in consideration of certain LDC commitments, the aid is made primarily to increase total resources devoted to a sector, it should be treated as non-project assistance."

Sector assistance can take either project or non-project form. HB 4 Ch. 1C provides that "sector assistance is designed, programmed and approved as project assistance in accordance with procedures described in Handbook 3." Thus where AID's primary focus is on particular activities in a sector, HB 3 documentation and rules apply. Where sector assistance includes significant commodity imports, however, non-project commodity financing procedures are prescribed.

Despite the lack of guidance (or perhaps because of it), sector assistance has taken various forms in AID. Under the Latin America model, the goal was policy reform in the sector. AID directly or indirectly supplemented the sectoral budget, but did not identify with specific activities. Another type of sectoral assistance focused on the expanded sector budget and tried to influence the mix of activities financed thereunder without involving AID in those activities. A third model for sector assistance called for AID participation in the activities themselves, but only in the context of larger sectoral goals.

Since speed and flexibility will largely depend upon whether project or non-project rules are applied, it is important that a Mission wishing to achieve fast results with minimum constraints should seek a determination that its proposal is non-project assistance. Alternatively it may wish to seek general exceptions. HB 3, Ch. 6A offers a procedure to obtain exceptions to general project system requirements (an "entire class of projects may be submitted by PPC with appropriate clearances to the Deputy Administrator for approval"). And as noted above, "political considerations are sometimes overriding determinants in regard to the programmatic form of assistance" HB 4, Ch. 2B.

3. Commodity Import Programs (CIP)

According to HB 1, Part V-1, CIP or "program" assistance was formerly used "when the LDC's primary need was for U.S. commodities to maintain or increase overall economic activities and when the LDC's economic policies were judged sound". It is now used "primarily for emergency (or near emergency) balance of payments or budget support, often justified on political/security grounds, or to focus aid on a particular sector requiring commodity inputs."

The CIP provides dollar exchange for the importation of "specific categories of commodities under grant or loan agreements." AID HB 4, Ch. 1B1. Thus commodities needed for development may be acquired without increasing balance of payment deficits. Under the FAA, Sec. 609, host governments which receive grant CIP must establish a special account for deposit of the local

currency equivalent of sale proceeds. The special account funds may then be jointly programmed by the two governments. Since the local currency is owned by the host government, AID controls - - beyond program approval - - are virtually nil. U.S. commercial interests are largely met through the tied procurement of dollar-funded commodities.

4. Cash Transfer

Cash Transfer is defined as "a form of non-project assistance used to purchase local currency for budget support or to provide balance of payments support on an emergency basis when the particular AID purpose cannot be accomplished through other instruments." HB 4 Ch. 1B3. Funds may be released to a cooperating government "in the absence of, or in advance of, requirements for documentation evidencing actual use of the funds." HB 4, Ch. 8A. AID documentation for cash transfer generally follows the requirements for non-project assistance. HB 4, Chs. 2 and 3.

Although cash transfer is clearly the speediest and most flexible AID instrument, it is also (under current AID policy) the hardest to justify. It is regarded as a last resort - - a financing mode which may only be used to meet emergency or U.S. political needs which cannot be met by other forms of assistance.

Significantly, the AID HB sections on "Dollar Financing of Local Costs" (HB 4, Ch. 6) and "Evaluation of Non-project Assistance" (HB 4 Ch.9) are "reserved".

Some conclusions may be drawn from the above survey of existing assistance modes:

- - If speed and flexibility are important (recognizing that they may not always be) the project track should be avoided;
- - A non-project format may be acceptable (even where political and emergency arguments are lacking) if the Mission can make a good case for it. Although a major fault of the AID Handbooks is their failure to articulate meaningful criteria for using the non-project format, a valid case for such use could be made on the following grounds:
  * Host country development plans and budgets are worthy of support.
  * Activities to be financed are technically sound.
  * Host country procurement, monitoring and evaluation systems in the areas to be assisted are trustworthy.

* Host country administration, in the areas to be assisted, is competent and reliable.
* Host country and/or U.S. Mission wish to avoid buildup of AID staff.
* AID assistance level is relatively large - - either in absolute terms or vis-a-vis current USAID staff.

On the basis of current guidance, a mission's "burden of proof" is probably less for ESF countries than for DA countries. HB 1, Ch. 6B 1. In an ESF program, one starts out with at least a measure of political push.

- - Sector assistance would seem to offer the greatest room for programmatic innovation, if only because there is so little guidance. The very absence of Handbook standards, however, tends to create bureaucratic inertia, if not paralysis.

- - A grant CIP approach may be appropriate if (1) the host country can absorb U.S. imports and (2) the generation of local currency counterpart (deposited into a Special Account) will occur fast enough to permit prompt joint programming of funds for development activities. Since U.S. commercial interests are satisfied by the tied nature of the U.S. dollar-financed commodities, and since the local currency counterpart is host government-owned, there are virtually no donor strings, beyond joint programming and reporting.

- - for both project and sector assistance, U.S. source and origin requirements are sticky. The Mission must either seek case-by-case procurement waivers under HB 1, Sup. B Ch. 5 (as was done in the Rural Health Clinic Services project) or obtain authorization to provide dollar financing of local costs (in effect what was done in the Reconstruction/Resettlement program). The latter course is much simpler, but it may need to be supplemented with a partial waiver of the shelf item limitation (which then requires certain host country and USAID monitoring) See HB 1 Sup.B, Ch.18.

- - Although the degree of legally required USG oversight is automatically less for cash transfer and CIP, sector and even project assistance may be so designed and authorized as to vest substantially all activity management, monitoring, evaluation and reporting in host government agencies. In other words, USAID intervention in AID-financed

activities may be reduced to general oversight if the host country's responsibilities are clearly established in the authorization and obligation documents.

- - the question of whether to include audit rights should depend on the extent to which AID identifies with particular development activities, as opposed to budget support to a sector.

- - cash advances, as evident from delays experienced in the Rural Health Services project, should be adequate to cover the time required to process subsequent payment requests through the appropriate USDO.

- - for any of the programmatic formats, a Mission should exercise prudence in framing any CPs and covenants. The tendency is to press for more than is realistic to expect and then to regret it after agreement signing.

All of this suggests that despite the inadequacies of AID's Handbook guidance (especially with respect to non-project forms of assistance), most of the documentation difficulties and implementation delays experienced by USAIDs are self-inflicted. To put it more positively, Missions could obtain faster AID/W approvals and greater implementing flexibility through a more careful articulation of their programmatic concerns. What is often needed is simply a strategy, based on both givens and goals (e.g. small staff, host-country capability in a given sector, importance (political or otherwise) of rapid provision of resources). In other words, even under existing assistance modes, a creative and persuasive USAID Director can improve his odds for achieving speed and flexibility.

B. New Assistance Modes.

As suggested above, AID policy expressed in the Handbooks is inadequate to cover existing assistance modes (especially sector assistance). Beyond this, one may argue that AID's modes themselves have become, for some country's programs, obsolete. In many AID-recipient countries (e.g. Egypt and India as well as Zimbabwe) both project and existing non-project formats are to some extent inappropriate. Projects tend to bog down in time-consuming documentation and incur heavy staff costs; while non-project assistance, in the forms discussed above, must overcome a heavy burden of proof at headquarters.

AID's current assistance modes are products of the last two decades. While they are still workable around the globe, they are ill-fitting garments in some countries - - especially those receiving the largest amounts of AID

funds. If AID were to remove its stated policy preference for project and sector assistance, new forms could be devised to balance USG interests with modern diplomatic, staffing and funding realities. Although legislative reforms would be desirable in the process, they are not indispensible.

For example, a new assistance mode (call it "comprehensive assistance") could be made available to any country program above a certain level (say $50 million). Here is how it would work:

(1) Documentation. Once a Mission established its eligible assistance level, it would employ "comprehensive assistance." A single "Request for Authorization" document would justify such assistance on the grounds of macroeconomic need, U.S. political interests, developmental merit of activities (in one or more sectors) to be funded and host country administrative capability. It would also contain a section on U.S. economic interests to be served. To the extent that U.S. procurement was not contemplated for the activities funded, the host country would be expected to make equivalent U.S. procurements during its first fiscal year after receiving the assistance. Additionality would be established by using the previous fiscal year's trade figures as a base.

(2) Obligation. Except for possible funding amendments, there would only be one formal obligation ("comprehensive agreement") for a country in a fiscal year. The agreement would specify engineering, financial and other plans in sufficient detail to satisfy FAA, Section 611, but would leave more detailed "activity descriptions" for separate "project agreements" (which would require AID/W approval only where Mission staffs lacked professional or technical expertise).

(3) Implementation. Normally AID would not involve itself in day-to-day activity management. Unless they were deemed deficient at the outset, the host country's own procedures would be used for procurement and monitoring. Because AID's source and origin rules would be applied to the country's annual trade balance with the United States, rather than to goods and services procured for AID-financed activities, a major implementation constraint would be removed. Freed from the burdens of "host country contracting," USAID Directors and their staffs could concentrate on:

- - policy discussions (at either the macro or sector levels);