UNCLASSIFIED

COUNTRY PROGRAM STRATEGIC PLAN

FY 1994 - 1998

ZIMBABWE

MAY 1993

Agency for International Development
Washington, D.C. 20523

UNCLASSIFIED

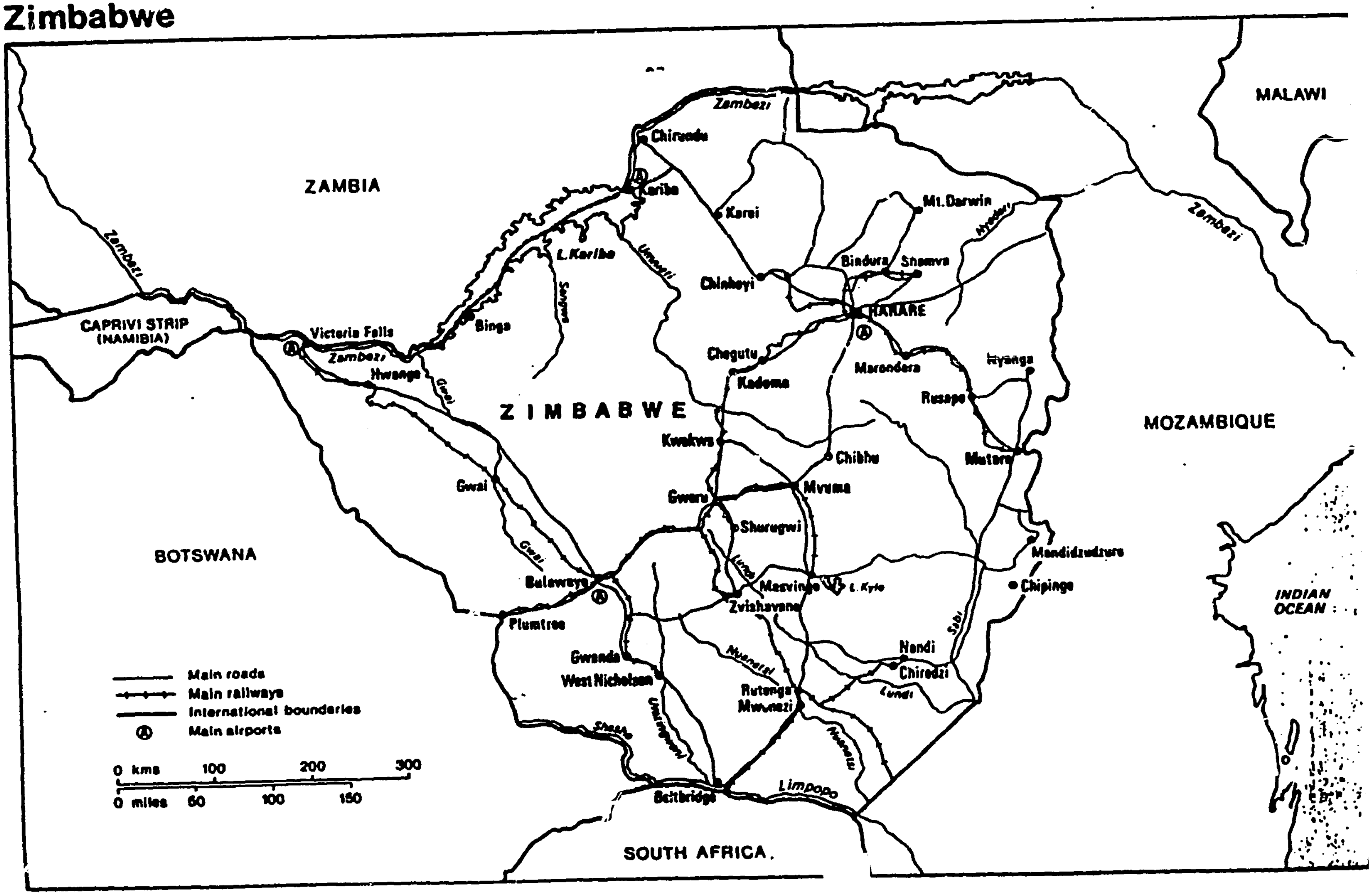
U.S. Agency for International Development
Bureau for Africa

ZIMBABWE COUNTRY PROGRAM STRATEGIC PLAN

FY 1994-1998

USAID/Zimbabwe
Harare, Zimbabwe
Approved May 1993

Zimbabwe



ZAMBIA
MALAWI
MOZAMBIQUE
BOTSWANA
SOUTH AFRICA.
CAPRIVI STRIP (NAMIBIA)
INDIAN OCEAN
Z I M B A B W E
Zambezi
L. Kariba
Victoria Falls
Hwange
Binga
Kariba
Chirundu
Karoi
Chinhoyi
Mt. Darwin
Bindura
Shamva
HARARE
Chegutu
Kadoma
Marondera
Nyanga
Rusape
Mutare
Kwekwe
Chibhu
Gweru
Mvuma
Shurugwi
Gwai
Bulawayo
Plumtree
Masvingo
L. Kyle
Zvishavane
Mandidzudzure
Chipinge
Gwanda
West Nicholson
Rutenga
Mwenezi
Nandi
Chiredzi
Beitbridge
Limpopo
Sabi
Lundi
Shashe
Umzingwani
Mwenezi
Nyadiri
Umniati
Main roads
Main railways
International boundaries
Main airports
0 kms 100 200 300
0 miles 50 100 150

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

Source:
Population Data: Zimbabwe 1992 Census
Other Information: UNICEF *The State of the World's Children, 1993*

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

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

1/ At end of year
2/ Interest Rate on 90 Day NCDs
3/ Percent of Exports of Goods and Nonfactor Services

LIST OF ACRONYMS

AALC	-	African American Labor Center
ADA	-	Agricultural Development Authority
AFC	-	Agricultural Finance Corporation
BCG	-	Beira Corridor Group
BESA	-	Business Extension and Advisory Services
BEST	-	Basic Education and Skills Training
CBO	-	Community Based Organization
CD-ROM	-	Compact Disc-Read Only Memory
CDIE	-	Center For Development Information and Evaluation
CFU	-	Commercial Farmers Union
CIDA	-	Canadian International Development Agency
CIO	-	Central Intelligence Organization
CIP	-	Commodity Import Program
CPR	-	Contraceptive Prevalence Rate
CPSP	-	Country Program Strategic Plan
CSC	-	Cold Storage Commission
DAC	-	Development Assistance Committee
DANIDA	-	Danish International Development Agency
DEL	-	Direct Exchange Line
DFA	-	Development Fund For Africa
DNPWLM	-	Department of National Parks and Wildlife Management
DR&SS	-	Depot of Research and Specialist Services
EC	-	European Community
EEC	-	European Economic Community
EFF	-	Extended Fund Financing
ENDA	-	Environment and Development Activities
EPZ	-	Export Processing Zone
ERS	-	Export Retention Scheme
ESAF	-	Extended Structural Adjustment Facility
ESAP	-	Economic Structural Adjustment Program
ESOP	-	Employee Stock Ownership Plan
FAA	-	Foreign Assistance Act
FAO	-	Food and Agricultural Organization
FEWS	-	Famine Early Warning System
FIAS	-	Foreign Investment Advisory Service
FLS	-	Front Line States
FSN	-	Foreign Service National
FSNPSC	-	Foreign Service National Personal Services Contract
FTE	-	Full Time Equivalent
GEMINI	-	Growth and Equity through Micro-enterprise Investments and Institutions
GMB	-	Grain Marketing Board
GOZ	-	Government of Zimbabwe
IBDC	-	Indigenous Business Development Center

IBRD	-	International Bank for Reconstruction and Development (World Bank)
IDRC	-	Institutional Development Research Center
IEC	-	Information, Education and Communication
IESC	-	International Executive Service Corps
IMF	-	International Monetary Fund
IUD	-	Intra-Uterine Device
JHPIEGO	-	Johns Hopkins Program of International Education in Gynecology and Obstetrics
LAN	-	Local Area Network
MACS	-	Management Accounting and Control System
MER	-	Monitoring, Evaluation & Reporting
MIGA	-	Multilateral Investment Guarantee Agency
MNR	-	Mozambique National Resistance
mw	-	mega watts
NAM	-	Non-Aligned Movement
NARS	-	National Agricultural Research System
NGO	-	Non Governmental Organization
NORAD	-	Norwegian Development Co-operation
NPA	-	Non Project Assistance
NPA	-	National Planning Agency
NR	-	Natural Region
NRM	-	Natural Resources Management
NRZ	-	National Railways of Zimbabwe
OAU	-	Organization of African Unity
ODA	-	Official Development Assistance
ODA	-	Overseas Development Administration
OGIL	-	Open General Import License
OYB	-	Operating Year Budget
PA	-	Program Assistance
PD&S	-	Project Development and Support
PRISM	-	Program Reporting Information for Strategic Management
PTA	-	Preferential Trade Agreement
PTC	-	Posts and Telecommunications Corporation
RHUDO	-	Regional Housing & Urban Development Office
SACCAR	-	Southern African Center for Cooperation in Agricultural Research
SADC	-	Southern Africa Development Community
SADCC	-	Southern African Development Coordination Conference
SAFER	-	Southern Africa Foundation for Economic Research
SAL	-	Structural Adjustment Loan
SARP	-	Southern Africa Regional Program
SEDCO	-	Small Enterprises Development Corporation
SIDA	-	Swedish International Development Agency
SMIP	-	Sorghum and Millet Improvement Program
SPR	-	Semi-Annual Portfolio Reviews
STD	-	Sexually Transmitted Disease
STEP	-	Southern Africa Development Community Transport Efficiency Project

STIPA	-	SADCC Transport Investment Prioritization Assessment
TFR	-	Total Fertility Rate
UDI	-	Unilateral Declaration of Independence
UNDP	-	United Nations Development Program
USDH	-	U.S. Direct Hire
USPSC	-	U.S. Personal Service Contract
VCCZ	-	Venture Capital Company of Zimbabwe Limited
WHO	-	World Health Organization
WILDAF	-	Women in Law and Development in Africa
ZANU	-	Zimbabwe African National Union
ZAPU	-	Zimbabwe African Peoples Union
ZASA	-	Zimbabwe Agricultural Sector Assistance Program
ZBD	-	Zimbabwe Business Development
ZDB	-	Zimbabwe Development Bank
ZESA	-	Zimbabwe Electricity Supply Authority
ZIC	-	Zimbabwe Investment Center
ZIMMAN II	-	Zimbabwe Manpower Development II
ZIMTA	-	Zimbabwe Teachers Union
ZINATHA	-	Zimbabwe National Traditional Healers Association
ZISCO	-	Zimbabwe Iron and Steel Company
ZNACP	-	Zimbabwe National Aids Coordination Program
ZNCC	-	Zimbabwe National Chamber of Commerce
ZNFPC	-	Zimbabwe National Family Planing Council
ZSE	-	Zimbabwe Stock Exchange

ZIMBABWE COUNTRY PROGRAM STRATEGIC PLAN
Table of Contents

Map of Zimbabwe i

Basic Indicators ii

Selected Economic Indicators (with Exchange Rates) iii

Acronyms iv

Executive Summary

I. An Overview of the Environment for Sustainable, Broad-Based and Market-Oriented Economic Growth 1

A. Economic Policy and Performance 1
1. Economic Structure - Pre-Independence 1
2. Economic Structure and Performance - Post Independence 2
3. Economic and Structural Adjustment Program (ESAP) 8

B. Political Power: Structure and the Political Economy of Reform 10
1. Domestic Political Environment 10
2. International Political Environment 12
3. Socio-Political Prospects for the Future 14

II. Analysis of Key Constraints to Growth and Opportunities for Realizing a Better Life for the Next Generation of Zimbabweans 14

A. *GROWTH*: Resource and Policy Constraints Inhibiting Expansion of the Pie 14
1. Investment Climate 15
2. Government Regulatory Environment 16
3. Competitiveness Profile 18
4. Infrastructure 20
5. Financial and Capital Markets 24
6. Human and Technical Resources 26
7. AIDS 28

B. *INCOMES*: Resource and Policy Constraints Affecting the Potential Size of Individual Shares of the Pie 30
1. Lack of Employment Opportunities 30
2. Population Growth 31
3. AIDS 34

C. ***EQUITY***: Resource and Policy Constraints Affecting the Distribution of the Pie 34

1. Business Ownership 35
2. Access to Land 36

D. ***FOOD***: Climatic, Technological and Marketing Constraints 39

1. Adaptation of Appropriate Technology 42
2. Climatic and Natural Resource Challenges: Impact on Food Supply and Bio-Diversity 43
3. Agricultural Input and Product Markets 45

E. ***SHELTER***: Financial, Policy and Technological Constraints 49

1. Construction and Building Materials Supply 50
2. Low-Cost Housing Mortgage Finance Availability 50
3. Urban Land Acquisition and Development 51

III. What Other Organizations are Doing to Address Constraints and Take Advantage of Opportunities for Sustainable Development in Zimbabwe 52

A. GOZ Development Policies and Priorities 52

B. Role of Foreign Aid in Zimbabwe's Economy 54

C. Effectiveness of Donor Coordination 55

D. Overview of AID's Role and Experience in Addressing Constraints and Exploiting Opportunities 56

IV. Country Development Assistance Strategy: Program Logical Framework . . . 56

A. Development Process Incorporating Lessons Learned 56

B. Centrally-Funded Foreign Assistance Act Activities 61

C. Analytical Criteria 62

D. Parameters of the Strategy 63

E. Strategic Overview 64

F. Strategic Program Priorities 66

- Goal: Increased economic growth that is participatory and equitable 66

- Strategic Objective 1: Increased household food security in communal areas of Natural Regions IV and V 66

  Target 1-1: Increased production and productivity of sorghum and millet by farm households in communal areas of Natural Regions IV and V 68

  Target 1-2: Increased household income generated by community-based natural resources management activities 69

  Target 1-3: More marketed grain available, at lower cost, for rural households in communal areas of Natural Regions IV and V 72

- Sub-Goal: De-controlled enabling environment conducive to investment . 74

- Strategic Objective 2: Increased black ownership and investment at all levels of Zimbabwe's economy 75

  Target 2-1: Increased black access to efficient infrastructure that reduces the transactions cost of trade and production 77

  Target 2-2: Improved policy and regulatory environment 80

  Target 2-3: Improved technical and management capacity of the private sector 85

  Target 2-4: Improved access to capital 87

  Strategic Objective 3: Sustainable decrease in fertility 88

  Target 3-1: Increased contraceptive use 90

  Target 3-2: Better contraceptive use 91

  Target 3-3: Increased private sector support for family planning 92

  Target 3-4: More sustainable financing of public sector family planning service delivery 93

- Target of Opportunity: Decreased HIV high risk behavior by selected occupational groups 94

G. Mission's Plan to Focus the Portfolio: Managing/Redirecting Activities Outside Our Strategic Focus 97

V. **Implementation Plan** 99

A. Overview 99

B. Level and Use of Resources 99

C. Management Implications 104

D. Monitoring, Evaluation and Reporting 106

<u>Annexes</u>

A. Program Impact Indicators
B. Bibliography of Resources
C. The Status of Women in Zimbabwe
D. Economic Data: GDP Growth Since 1954
GDP at Factor Cost: Constant 1980 Prices
Debt Service Ratio
E. Economic Structural Adjustment Program (ESAP)
Schedule of Import Liberalization
Structural Performance Criteria & Benchmarks, 1992/93
F. Investment Climate and ESAP
G. Interlocking Directorships and Cross Ownerships: Zimbabwe Corporations
H. Other Infrastructure Components - Air Transport; Energy; Water
I. Structure of the Financial Sector
J. Pattern of Ownership by ZANU-PF
K. Donor Objective Trees
L. Summary of AID Achievements in Zimbabwe
M. Summary of Direct USAID Program Obligations for Zimbabwe from FY1980 - FY1993
N. Indicative Budget FY 1994 - FY 1998
O. Rationale for Discarded Options

<u>Tables</u>

Basic Indicators ii
Selected Economic Indicators iii
Origins of GDP At Constant Prices and Sectoral Growth Rates 1a
Rail Freight Costs to Selected Southern African Ports, 1990 21
Present Land Distribution by Sector and Natural Region 37
Comparison of Large-Scale and Communal Areas 38
Malnutrition in Communal Areas 40
Mortgages on Current Portfolio 100
Program Focus Areas/Interventions/Budgetary Resources 101-102
Program Interventions/Related Targets 103

Earmark Areas 104

Graphs

Contribution to Exports (1981, 1990) 1b
Sectoral Contribution to Exports (1981-1991) 1c
GDP Growth Rates (1980-1991) 5
GDP Per Capita in Constant Zimbabwe Dollars 6
Employment - Number of Jobs Created/Destroyed 7
Nominal and Real Effective Exchange Rate 9
Export-v-Imports (U.S. Dollar Terms) 16a
Investment - % of GDP 16a
Commercial Bank Loans/Overdrafts by Customer Groupings 17a
Telecommunications Supply and Demand 23
Post Independence Growth - GDP versus Population 32
Declared AIDS Cases by Age Group 34a
Declared AIDS Deaths by Age Group 34a
Weight-for-Age Malnutrition - Communal & Urban by Age Group 40a
Prevalence of Stunting by Residential Area 40a
Top Ten Donors 54a
Top Ten Sectors 54a
ESAP Commitments - 1992 . . . . 55a
ESAP Commitments - 1993 . . . . 55a
USAID/Zimbabwe Program Objective Tree 65a-d
Bilateral Resource Allocation by Strategic Objective 104a
Bilateral & SARP Resource Allocation by Strategic Objective 104b
Bilateral Resource Allocation by Strategic Objective (with Earmarks) 104c
USAID/Zimbabwe Organization and Staff, 1993 . . . . 105a

Maps

Country Map i
Zimbabwe's Natural Regions 3a
Southern Africa Road and Railway System 21a

Executive Summary

Zimbabwe is a country of vast potential. It is blessed with a diversified economy, including a small, sophisticated manufacturing sector, a vital, integrated infrastructure, a productive and wild natural resource base and an educated and, on the whole, healthy population. Performance since independence in 1980 redressed several key social imbalances, but economic growth can at best be characterized as mediocre. While Zimbabweans are healthier and better-educated than a decade ago, the average economic growth rate of 4% was all but erased by an increasingly large population.

The past decade's poor economic performance can in part be attributed to periodic drought, global recession and poor commodity prices worldwide. However, in large part, this lackluster record was shaped by the inward-looking UDI era and socialist agendas of the Governments. The controls inherited from the import-substitution UDI era were perpetuated and reinforced by the new Government through additional price and wage controls, an increasingly cumbersome foreign exchange allocation mechanism, Government legislated monopolies, control of agricultural and minerals marketing, Government direct company ownership, ruling party company holdings, directed subsidies and regulatory barriers to entry. This effectively crowded out private investment opportunities. Government's inhospitable investment climate and non-supportive regulatory environment, combined with high barriers to entry into an already highly concentrated business sector stifled private sector growth. Inadequate private sector access to capital, infrastructure, especially transport and telecommunications, and appropriate technical resources further thwarted the creation and growth of a private sector class needed for growth.

Government's policy of providing education for all, in the absence of formal sector job creation, contributed to the problem of unemployment (conservatively estimated at 27% of the labor force) which is a present and potentially explosive national concern. Growth in personal income has been constrained by lack of employment opportunities, a growing population and increasingly the economic burden of AIDS. After thirteen years, the Government failed to alter the effective ownership structure of the economy, evidenced by extensive Government ownership and control, and by white ownership of the most productive commercial farming land and domination of Zimbabwe's business holdings. A large part of Zimbabwe's population lives in food insecure conditions, resulting in high malnutrition and stunting. Despite the diversity of the economy, Zimbabwe, in 1993 is still characterized by low growth, large numbers of people living at the margin and inequitable access to income and ownership of economic assets. The most striking distinction of this inequity is its racial character.

Yet, there is promise. The Government is unravelling its past statist trappings. It is taking the difficult political and economic steps required to restructure its economy. It is boldly forging ahead in implementation of its Structural Adjustment Program, despite the worst drought in Southern Africa's history. Together with the private sector, it is embracing more open, market-oriented policies.

Zimbabwe merits continued U.S. assistance. It is deserving of its designation as an AID "focus" country based on its need, its economic potential and commitment to a more open economy. Its present political landscape and the improving opportunities for multi-party democracy in Zimbabwe meet U.S. aid criteria.

The strategy recommended during the ensuing five years supports Zimbabwe's structural adjustment program. Importantly, it reflects the economic and political realities of Zimbabwe in the 1990's. The overall goal for U.S. foreign aid is to support the structural adjustment process and the move to more open market-oriented policies and to encourage pluralistic processes, good governance and democracy in Zimbabwe. The Mission believes that while ambitious, the Country Program Strategic Plan presented here is achievable, assuming continued implementation of the Structural Adjustment Program, socio-political stability, drought recovery and our continued collaboration with the Government, other donors and the private sector.

The Mission' budgetary and staff resources will target achievement of three strategic objectives and one target of opportunity:

- Increased household food security in communal areas of Natural Regions IV and V;
- Increased black ownership and investment at all levels of Zimbabwe's de-regulated, private sector-led economy;
- Sustainable decrease in fertility; and

- Decreased HIV high risk behavior by selected occupational groups.

The first strategic objective will address the food security of the "poorest of the poor", that 35% of the population who live on the fringe of existence on those marginal lands unsuitable for traditional crop production. Our strategy targets those people, who because of poor resource endowment, land pressures and lack of appropriate technologies barely subsist in a country traditionally known as the bread-basket of the region. The improvement in their household food security will be addressed through a three-pronged approach to improve their production capacity, offer alternative opportunities to earn income to purchase food and improve market access to food.

Our second strategic objective is increased black ownership and investment at all levels of Zimbabwe's economy. Not until the political, economic and moral imperative of economically empowering the 98% black majority is addressed, and blacks have real ownership opportunities in the economy, will the GOZ loosen its control over the economy and create an enabling environment conducive to non-racial private investment and ultimately to economic growth. The Government has admitted that its reluctance to disinvest, or to open up the economy to further private investment reflects the fear that the black majority will continue to be disenfranchised and not share as owners of the economy. Yet, Government domestic deregulation is a prerequisite for increased economic activity by all. Therefore, the proposed second strategic objective will facilitate Government de-regulation of those barriers that currently constrain greater black ownership in the economy.

Simultaneously, the strategy targets improved private sector access to efficient infrastructure that reduces the transactions cost of trade and production, improved technical and management capacity of the private sector, and improved access to capital to take advantage of the opportunities presented under a liberalized, de-controlled economy.

Our third strategic objective is to achieve a sustainable decrease in fertility. The problem of high population growth rates (3.1%), if not arrested, will continue to undermine the potential gains of food security, and economic growth. It will continue to put untold pressure on Zimbabwe's fragile natural resource base. In operationalizing this objective, the Mission will address the population paradox in Zimbabwe, (that is, high contraceptive prevalence co-existing with high fertility rates) by addressing the historic predominant reliance on a single, patient-intensive method of contraception in Zimbabwe -- oral contraceptives -- as well as the associated problems of pill failure and recurrent cost.

Finally, the enormity of the AIDS problem (nearly one million HIV infected people) will be addressed as a target of opportunity. Various workforce interventions to effect behavioral change and facilitation mechanisms including policy dialogue and improved quality of information and its exchange will be undertaken.

The accomplishment of our strategic objectives and demonstration of people-level impact is based on an OYB commitment over the five years from FY 1994 to FY 1998 of US$ 111 million and almost straight-lined operating expenses. (Mission assumes a straight-lining of its FY 1993 OYB for FY 1994 and FY 1995, a modest increase to $22 million in FY 1996 and $25 million in FY 1997 and FY 1998.) The implementation of our strategy can be effected by our current staff level of 12 U.S. direct hires plus a deputy Controller if USAID/Zimbabwe is to assume additional regional controller functions. The Mission will rely on program-funded technical advisors for project implementation. The portfolio reflects management of 11 distinct bilateral projects and 4 SARP-funded activities. This is in addition to heavy demands for analytical leadership on broad regional economic integration, telecommunications, transport, agriculture, trade and investment SARP activities and design and implementation responsibility for all regional umbrella projects.

In conclusion, the Program pursued, we believe will help realize the still dormant potential of Zimbabwe and ensure that the benefits of economic growth are shared by the majority of Zimbabweans.

/ 2

I. An Overview of the Environment for Sustainable, Broad-Based and Market-Oriented Economic Growth

A. Economic Policy and Performance

1. Economic Performance - Pre-Independence

At independence in 1980, Zimbabwe inherited one of the most diversified economies in Africa, endowed with valued agricultural and mineral resources, complemented by a manufacturing sector producing the most diverse range of products in sub-Saharan Africa. In 1980, manufacturing contributed 24.9% of GDP, agriculture 14.0% and mining 8.8%, (see table-origins of GDP at constant prices and sectoral growth rates) with manufacturing contributing 16% of total formal sector employment, agriculture 32% and mining 7%. There existed close linkages between the agricultural and manufacturing sectors indicating a relatively high degree of "self sufficiency" in the economic structure of the country. Sixty percent of commercial agricultural output was utilized by the manufacturing sector and a similar amount of manufactured goods was utilized by the agricultural sector.

The commercial farming sector was dominated by approximately 6,000 farmers and ranchers of European extraction. Employing state-of-art agricultural technology, these farms provided 37% of export earnings in 1981 (see graph on sectoral contribution to exports), and the greatest concentration of formal and informal employment opportunities. Importantly, they also earned the country's reputation as the bread-basket of the region.

The industrialization of the economy was encouraged by the disruptive economic effects of the second World War. The growth of the domestic manufacturing sector was promoted by the disruption in the supply lines from Europe, followed by the post-war expansion period during which the export and domestic market demand burgeoned. The creation of the Federation of the Rhodesias (now Zambia and Zimbabwe) and Nyasaland (now Malawi) in 1953, further enlarged the captive "domestic" market for Rhodesian manufactured goods. By 1965, the manufacturing sector exported 25% of its total production.

Despite the diversity and vibrancy of the economy,[1] the country was characterized by a highly inequitable distribution of access to and ownership of resources. The skewed distribution of income, and ownership of economic assets including land, housing, business and other wealth instruments was compounded by acutely uneven access to social services including education and health. The most apparent aspect of inequity was its racial character.

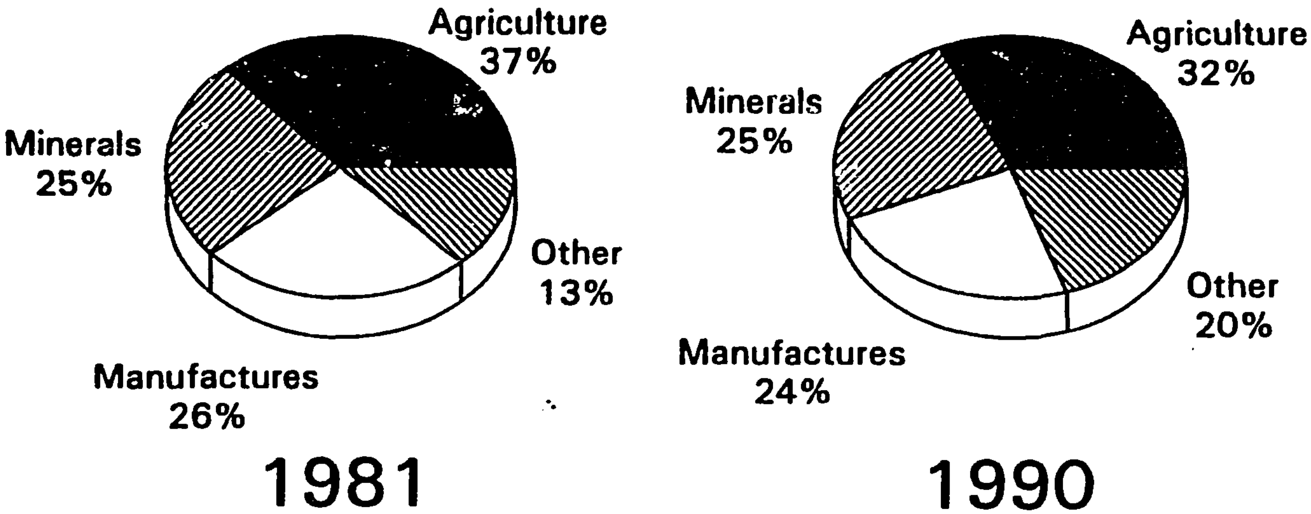
---

[1] The fastest period of growth in the past 40 years occurred between 1967 and 1974 when the economy grew on average by 7% annually.

Origins of GDP and sectoral growth rates

	Rate of change from previous year				Average Growth	Share of G.D.P.	
	1988	1989	1990	1991	1988-91	1980	1991
Agriculture	25.4	-0.8	-6.6	3.1	5.3	14.0	13.0
Mining	-1.7	4.1	1.0	5.5	2.2	8.8	7.5
Manufacturing	5.0	5.9	6.1	2.5	4.9	24.9	26.5
Electricity & Water	3.3	18.1	-2.7	-2.1	4.2	2.2	3.3
Construction	-1.6	3.3	-9.5	-15.8	-5.9	2.8	1.1
Finance and insurance	5.5	9.5	2.2	3.0	5.0	4.9	5.6
Real Estate	2.2	2.2	0.0	0.0	1.1	1.3	1.1
Distribution & Hotels	5.4	7.1	6.0	2.0	5.1	14.0	12.0
Transport	6.0	2.4	2.4	2.3	3.3	6.5	6.1
Public Administration	6.0	3.4	0.5	4.0	3.5	9.0	10.2
Education	0.5	2.8	0.3	0.5	1.0	5.2	9.3
Health	3.9	2.8	5.5	10.3	5.6	2.2	3.0
Domestic Service	0.0	1.6	0.0	-1.6	0.0	2.0	1.4
Other Services	38.9	6.7	16.3	31.7	23.4	2.0	5.7
GDP at factor cost	7.3	4.6	2.2	3.6	4.4	100.0	100.0
<u>Memorandum items:</u>							
Material Production sectors	8.7	4.4	0.8	2.3	4.0	52.7	48.6
Non-government services	8.5	6.0	5.3	6.2	6.5	30.8	30.2
Government services	3.3	3.1	1.0	3.3	2.7	16.5	21.2

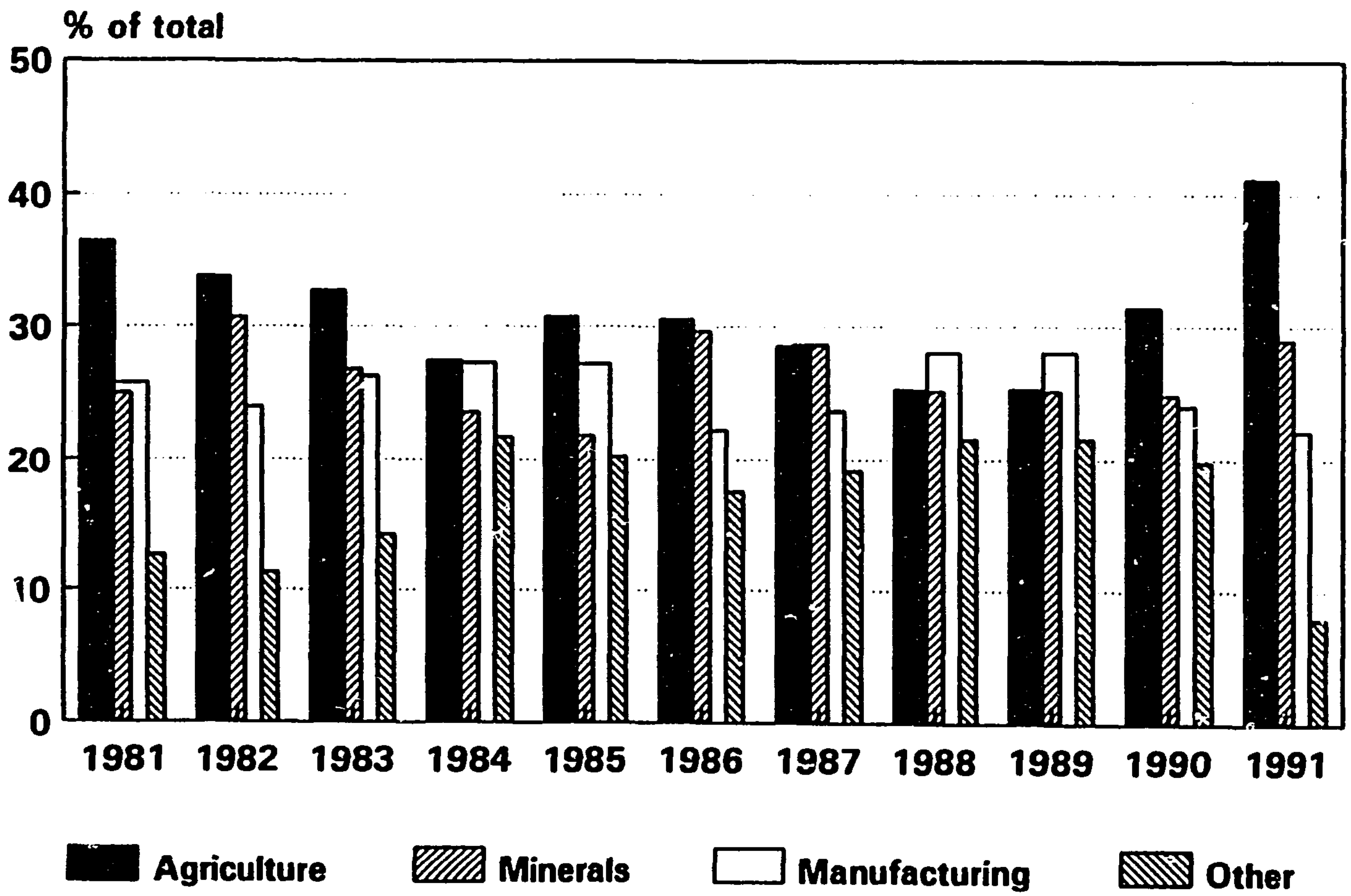
Contribution to Exports



Note: 1/ Manufacturing includes ferro-alloys and cotton lint

2/ Other includes horticulture and tourism.

Sectoral Contribution to Exports



Racial inequality was nurtured during the period from 1965 to 1980, the period of the Unilateral Declaration of Independence (UDI). During this period, the white minority government of Ian Smith and the Rhodesian Front unilaterally declared its independence from the British Crown, resulting in the imposition of international economic sanctions. These sanctions and the ensuing War of Liberation reinforced an isolationist, statist regime wherein the white minority, which at its peak comprised only 5% of the population, owned nearly one-half of all agricultural land, completely dominated the commercial and industrial sectors, and perhaps worst, utilized its control of all governmental institutions to direct them to intervene in favor of white interests.

Among the isolationist policies instituted during these years were: import restrictions that effectively barred imports that competed with domestic production; a tightly controlled foreign exchange allocation system; and investment controls that discouraged investments requiring foreign exchange but not producing for the export market. These policies resulted in a productive sector oriented to domestic consumption, effectively protected from and unable to compete with international rivals once the sanctions were removed. The economy in 1980 at independence, was, and to a lesser extent remains, a state-regulated capitalist economy reflecting its 15 years of inward-looking, protectionist policies shaped during the UDI years. The economy inherited in 1980 was highly structured with extensive state marketing, especially in agriculture, and a plethora of state controls governing macro-economic, trade and sectoral transactions including the key areas of access to foreign exchange, prices, private sector decisions on labor, investment and external trade.

2. Economic Structure and Performance - Post Independence

The legitimacy and power base of the new Zimbabwe African National Union (ZANU) Government derived not only from a nationalist and anti-racist platform but also from an explicit commitment to socialism and equity. This commitment established an agenda which sought to redress social, economic and racial disparities, and also further extended statist policies by reducing the power and influence of the private white business and commercial sector. Initial policies instituted by the new Government included: raising the minimum wage; instituting extensive controls on wages and hiring practices; utilizing positive discrimination for the black majority in the civil service; and reinforcing the extensive system of controls on trade and production, including government regulation of commercial agriculture through pricing controls and state marketing boards.

As a result of social equity policies, extensive gains were made in expansion of social services. However, changes in the ownership structure of the economy were minimal and remained racially skewed. As a result of Government policies, the economy languished during the 1980's. The period was characterized by: low and erratic growth rates; inadequate employment creation; low investment levels; and a burgeoning budget deficit and increasing Government debt.

-Changes in Economic Ownership-

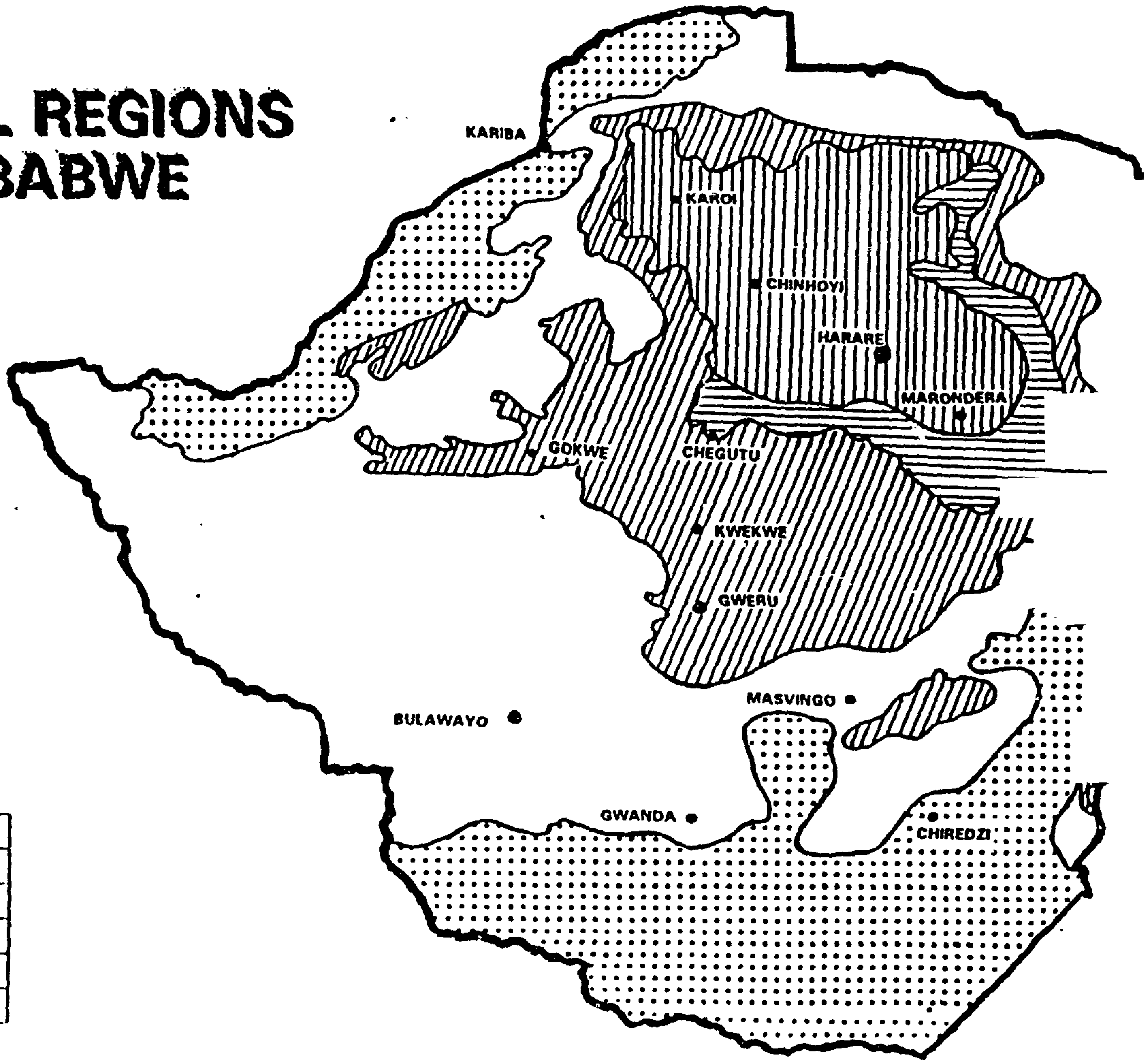
Despite the socialist rhetoric, the effective change in the racial character of the ownership structure of the economy was limited and where change in ownership did occur, it was not compulsory. Government focused its influence on wage and price control, industrial relations and rural land redistribution, with greatest emphasis placed on social service delivery mechanisms, specifically in the education and health sectors. The productive sectors, on the other hand, were not compulsorily taken over by the State; rather, State takeover of enterprises through voluntary disinvestment, or State participation in new ventures became the operating policy of the 1980's.

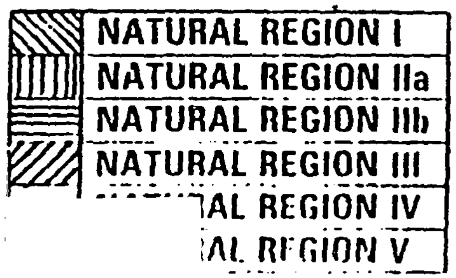
Where changes did occur was in the former black rural areas or communal lands. The 1980's evidenced a substantial narrowing of the gap between the large and small-scale farming sectors including the role of the communal farmer in the production of cash crops. In 1979, the total value of crops and livestock sold out of the communal areas totalled Z$ 14.4 million or approximately 2% of the total; by 1989, the value of marketed produce had increased to Z$ 335 million, or nearly 20% of the national total.

Communal area and small-scale farm (both black) percentage of total production of marketed maize increased from 10% at independence to 60% in 1990. Similar gains were achieved in cotton production with the small-scale farm and communal area share of the marketed national crop increasing from 22% at independence to 64% by the end of the decade. This increase was attributed to Government initiatives to improve input availability, marketing, access to credit and technical assistance, and to provide guaranteed prices through use of official marketing channels. At independence, only 18,000 communal area farmers received credit from the Agricultural Finance Corporation; by 1989, this number had tripled to 58,000 with loans rising from Z$4.2 million the Z$ 41.3 million in 1989.

Despite improvements in communal area productivity during the past decade, significant changes in the ownership and access to land has been minimal. Of Zimbabwe's total land area of 39.1 million hectares, 33.3 million hectares are being used for agricultural purposes. In 1980, 6,500 large-scale commercial farmers, predominantly white, owned 15 million hectares (45.0%) of the total agricultural land, with 8,500 black small-scale commercial farmers owning 1.4 million hectares (4.2%) and state farms with 500,000 hectares (1.5%). In contrast, 700,000 black communal area farmers had access to 16.4 million hectares (49.3%). Not only was there vast disparity in the size of communal area farms when compared with white owned large-scale commercial farms -- 23 hectares per farmer for communal farms versus 2,308 hectares per farmer for commercial farms -- but in the quality of land to which the respective groups had access. Over 50% of large-scale farmers were located in the prime agricultural regions (Natural Regions I, II, and III) whereas 70% of the communal area farmers were located in the areas of marginal agricultural productivity (Natural Regions IV and V). (See map of Natural Regions - This is further discussed in Section II.C.2.)

NATURAL REGIONS OF ZIMBABWE





The pattern of access to land in 1990 remained much as it was in 1980 largely because of the Government's adherence to the Lancaster House Agreement binding the new Government to acquire land on a "willing buyer, willing seller basis" with prompt payment in scarce foreign exchange with the Government only able to expropriate under-utilized land. Although land resettlement was a priority for the new Government, with a target of resettling 162,000 families on 9 million hectares of land, through the end of December 1990, only 52,000 families were resettled on 3.3 million hectares.

-Social Service Delivery System-

In the social sectors, far more emphasis was laid on improving black access to services previously reserved for whites rather than on far-reaching structural change. This was evident in the educational sphere where the emphasis was on quantity rather than quality. The expansion in school enrollments exceeded that in any other African country in the post-colonial period. Total enrollments rose from 892,000 in 1979 to 2.96 million, more than 90% of the eligible population, by the end of the next decade. A total of 1,360 primary schools were built from 1980-1991 bringing the total to 4,549, with the Government pursuing a policy of locating primary schools at a maximum of 10 kilometers apart.

The percentage of primary school graduates entering secondary school rose from 28% in 1980 to 66% in 1989, with the number of secondary schools rising from fewer than 200 to more than 1,500. The access to basic education was extended to women; female secondary school enrollment, however, lagged that for males -- 42% versus 49% for males.[2] Unfortunately, the number of students with secondary school educations multiplied at a much faster rate than new jobs created. By 1990, only 15% of the school leavers could be accommodated by jobs in the formal sector.

Unlike in the education sector, structural change was successfully undertaken in the health sector, whereby primary preventive rural health care was promoted to complement the curative urban hospital system inherited at independence. Since 1980, the percentage of children fully immunized has tripled from 25% to 81% and infant mortality has declined from 86 to 61 per 1,000 births. Another health indicator, life expectancy increased to 56 years, among the highest on the sub-continent.

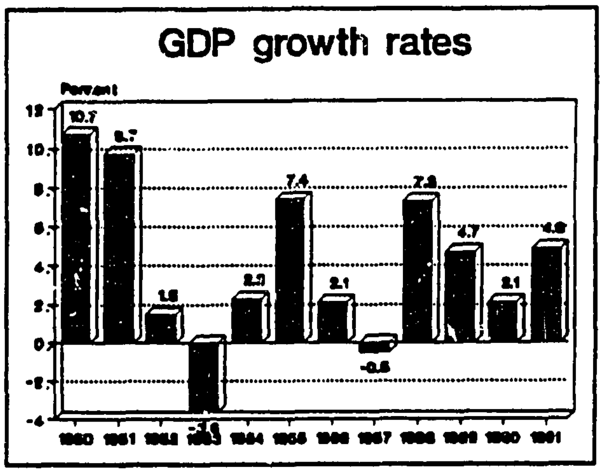
Significant improvement in health care services during the past decade included family planning service delivery. Zimbabwe's family planning program is considered to be among the most successful in Africa. Among married women of reproductive age, 43% rely on contraceptive methods, including 36% using modern methods of contraception. Contraceptive use rose by 33% from 1984 to 1988, contributing to a decline in fertility rates from 6.5 to 5.5 children per women. Service delivery was extended to urban and rural areas

[2] James P. Grant, The State of the World's Children 1993, (Oxford, U.K., Oxford University Press, United Nations Children's Fund, 1993), p.74.

through Zimbabwe National Family Planning Clinics and community based distributors, contributing to increasing budgetary demands on the Government.

Despite progress in family planning service delivery, the population growth rate remains problematic. According to 1982 census data, the population was 7.6 million and population density was 20 persons per square kilometer. Ten years later, the population had grown to 10.4 million, population density averaging 27 persons per square kilometer, with the population growing at an annual rate of 3.13%. Although this growth rate compares favorably with that of Botswana, Kenya, Malawi, Nigeria and Zambia, extrapolating this data, the population will double in about 22 years, minimizing potential improvements in standard of living through economic growth and exacerbating the degradation of the fragile resource base in Zimbabwe.

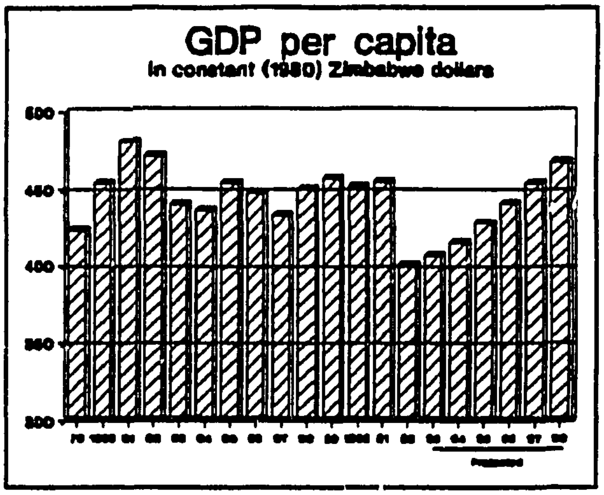
-Poor Economic Performance-



Despite the Government's impressive gains in expanding the access to the education and health care systems, as well as modernizing and extending access of the supporting agriculture infrastructure into the communal lands, **this single-minded focus on equity contributed to the marginal economic growth exhibited during the 1980's.** (See graph - GDP growth rates - 1980-1991.)

Government's continued imposition of restrictive, statist policies during the 1980's, characteristic of command economies where the state is the dominant force in economic activity, was exacerbated by declining terms of trade, severe import compression and periodic drought, all contributing to marginal economic performance. Past low levels of fixed capital formation, a population growth rate of approximately 3% and inadequate private sector investment created an economy with limited income and employment opportunities. Real GDP growth averaged 4.0% during the 1980 to 1990 period, with population increases all but erasing these marginal gains. (As shown in the graph on the following page, GDP Per Capita, no growth in real per capita GDP occurred during the 1980's.)

Strong socialist language deterred domestic and foreign investment. **The Government administration was structured to regulate and control the private sector, rather than to facilitate its growth and expansion.** Government feared that an unregulated private sector would exacerbate the inherited distortions of the pre-independence period including wide income disparities, minimal employment creation and the continued marginalization of the already over-populated communal lands. In response, the Government added to the regulations inherited from the UDI period, including instituting new price control regulations, and restrictive hiring and firing practices. Moreover, to ensure that investment occurred in underdeveloped rural areas and that wealth was more evenly distributed among the population, the Government became increasingly involved in wealth-creating activities through the Zimbabwe Development Corporation to identify new investment opportunities, the Industrial Development Corporation to invest in existing businesses and the Minerals Marketing Corporation to control access to mineral resources. This was facilitated by GOZ acquisition of businesses disinvested by South Africans.

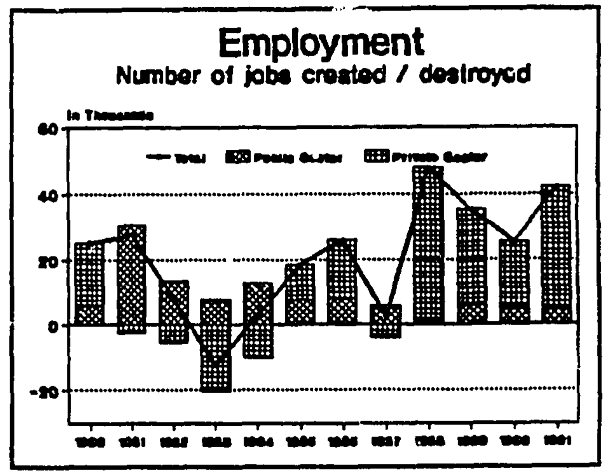


The new Government was wary of potential private monopolistic practices and therefore used regulatory control to limit potential abuse of market power. Unfortunately, these policies reinforced already existing barriers to entry and obstructed foreign and domestic investment. Price controls were imposed on essential and strategic products while pricing for remaining consumer goods were established on a cost-plus basis. This policy assured affordability of basic food commodities to the populace, but limited the entry of potential new competitors and deterred reinvestment in existing enterprises. Labor laws limited the ability of businesses to release unproductive or redundant labor and pricing controls made it difficult for firms to compete for higher priced technological talent and still remain profitable.

Further barriers to entry and competition impacting the black majority included complex regulations on investment and restrictions on zoning, licensing and titling of land. The foreign exchange allocation system lacked transparency and tended to be biased toward existing white-owned firms and vertically integrated enterprises. Domestic industry was isolated from foreign competition through foreign exchange controls, and trade policies that barred the entry of foreign produced manufactures that competed with domestic goods.

Similar policies were pursued in the financial sector, most notably through administered interest rates. Even today, after significant liberalization, the financial sector is highly segmented, with few players in each financial sub-sector. Another example of Government's economic control is its allocative administration of the Open General Import License system (OGIL).

The gap between jobs created and qualified job applicants widened during the decade. Formal sector employment creation averaged 18,800 annually during the 1980's compared with 30,000 school leavers per year.[3] (See graph - Employment - Numbers of Jobs Created/Destroyed.) These new jobs were overwhelmingly in the public service. By the end of the 1980's, there are fewer than 40,000 new formal sector jobs created annually compared with more than 200,000 school leavers (with elevated job aspirations) who enter the job market each year. Non-agricultural employment opportunities in the communal lands, where 54% of the total labor force resides, remain extremely limited. In July 1991, the Ministry of Finance estimated national unemployment at 900,000 or 27% of the labor force, while others have provided much higher estimates. Whatever the actual figure, the problem of unemployment is undeniably a present and growing, and potentially explosive national concern.



Throughout the decade, investment proved inadequate to act as the impetus for economic growth. During the 1980's, Zimbabwe invested an average of 16%[4] of GDP[5]. Net investment levels, assuming a 5% depreciation of capital stock, however, were inconsequential during the 1980's until the launch of the ESAP in 1991 and the relaxation of import controls. Net foreign investment since independence has been negative.

Government's inability to structure an environment conducive to foreign investment can be attributed to its concerns with: (1) its vulnerability on foreign exchange and the potential for capital flight; (2) fear of foreign domination of the economy, especially from South African and whites interests, inherited from its colonial past; (3) the possibility of unbalanced development in terms of both the distributions of the benefits from investment and the neglect of less advantaged regions; and (4) the perceived exploitation of Zimbabwe's natural and human resources. Despite this, movement was already afoot in the late 1980's to commit the Government to an economic structural adjustment program.

[3] Roger Riddell, Zimbabwe to 1996: At the Heart of a Growing Region, (London, Economist Intelligence Unit, February 1992), p.22.

[4] Total investment including stocks averaged 19% of GDP during the 1980's.

[5] Using the World Bank's capital-output ratio used in subsequent ESAP calculations, such an investment level could support GDP growth of less than 4% annually. This compares with the resurgence of the early 1970's, when investment averaged 25% of GDP and the economy grew by more than 6% annually.

3. Economic Structural Adjustment Program (ESAP)

Recognizing the need for growth resurgence, the GOZ began discussions with the World Bank and IMF on the development of a structural adjustment program. In its July 1990 budget announcement, the GOZ signalled both the abandonment of the extensive system of controls and intervention governing economic activity since 1965 and embracing the need to adopt market-oriented policies. The Economic Policy Statement clearly summarized the problems of the previous decade -- too low and erratic growth rates; inadequate employment creation; low and falling investment levels, adversely affected by low profit remittances; high budget deficits resulting in excessive borrowing further exacerbating low levels of investment; excessive subsidies paid to parastatals; wage and price policies which discouraged investment; and the administrative allocation of scarce foreign exchange.

The Government was to actively pursue a trade liberalization and promotion program. Four elements of the program included:

- continued introduction of export incentives initiated in 1983;
- revision of investment regulations to attract investment in export-oriented projects;
- attraction of significant amounts of foreign exchange beyond that obtained through exports to finance the re-equipping of uncompetitive enterprises;
- continued depreciation of the currency.

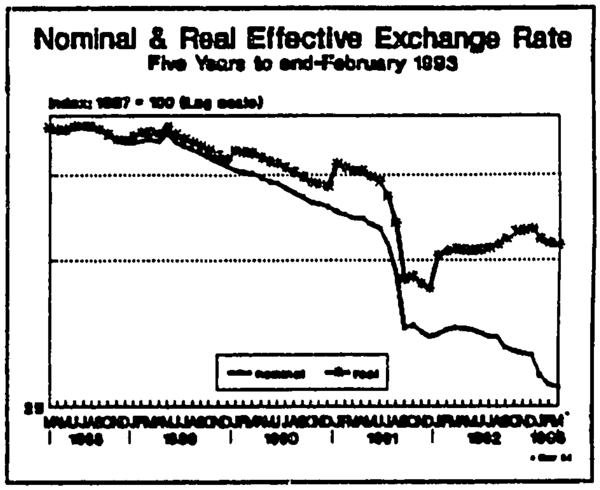
In January 1991, after the July 1990 budget announcement and the Economic Policy Statement, the Government of Zimbabwe announced its decision to embark on a World Bank/IMF endorsed structural adjustment program to re-orient Zimbabwe's macro-economic, trade and sectoral policies (including wage, price and foreign exchange controls) to promote growth through investment, generate employment and broaden participation in the economy. In addition to trade liberalization and export promotion, the policy reform agenda includes: reducing the size of the Government budget; reducing the budgetary burden of the parastatal sector; domestic deregulation to promote investment and growth; investment promotion, to attract both domestic and foreign savings; liberalizing monetary policy; utilizing fiscal policy to support economic growth; deregulating the financial sector; and ensuring minimal social transitional hardships to result from the adjustment process.

The goals of the Program's original five year duration, elaborated in its document, Zimbabwe: A Framework for Economic Reform (1991-1995), include reducing the central government budget deficit (excluding grants) from 10.4% to 5% of GDP principally through reductions in current expenditure; eliminating most exchange control regulations; adopting more realistic and responsive exchange rate policies to promote exports; reducing the size of the civil service by 25%; minimizing or eliminating price, wage and labor regulations; and in general, decreasing the past interventionist role of the government in the economy. Details of the Program are discussed in Annex E.

-Financing the Program-

As conceived in the original Program, the Government is to finance 75% of the cost of the US$ 16 billion, five-year Program from exports, with donors' grant funds, concessional loans and foreign direct investment to provide the balance of the required financing. After it became evident in early 1991 that there would be a substantial time lag before disbursement of donor pledges, the Government successfully secured nearly US$ 400 million in short term credits from overseas commercial banks. This financing was used to expand the Open General Import License System in what would amount to the first real demonstration of the Government's commitment to the trade liberalization and structural adjustment process.

The Structural Adjustment Program was unintentionally accelerated during 1991 due to the faster than anticipated growth in imports resulting in dramatic pressure on the balance of payments. The resulting sharp-step depreciation of the exchange rate of 38% in real effective terms (see graph - Nominal and Real Effective Exchange Rate) opened the door for negotiations with the IMF for access to concessional ESAF financing. The original "slow track adjustment" path was hence accelerated to a fast track program.



The major ESAP donors have been the IMF, World Bank and African Development Bank. At the latest Consultative Group meeting held in Paris during December 1992, donors pledged US$ 1.2 billion in assistance for 1993, representing US$ 100,000 in excess of the amount that was disbursed in 1992. One third of the aid was bilateral, and 53% will be sourced from multilateral commercial borrowing by the Government.

-Recent Program Implementation-

The 1991/1992 period brought with it the worst drought of this century and a decline in agricultural output of more than 40%. The manufacturing sector experienced negative growth of 7.5% due to the combined impact of material shortages from agriculture, drastic decline in domestic demand, shortages of power and water and restrictive credit policies. During the 1992 calendar year, GDP is expected to have fallen by approximately 9%, the overall budget deficit excluding foreign grants to widen to 11% of GDP as compared with an original Program target of 5.9%, and the current account deficit to widen to 19%, compared with an original Program target of 11.8%. Further, as a result of extraordinary food imports and lower than anticipated export levels due to the drought, the debt service ratio will remain at an elevated level through the first half of the 1990's, peaking at approximately 28% in

1994. (See graph in Annex D - Debt Service Ratio.)

Despite the setbacks of the drought, Zimbabwe has forged ahead in its implementation of the ESAP. Nearly 10,000 civil service jobs have been eliminated compared with a Program target of 8,500 positions. Tight monetary policies have been instituted to rein in drought- and ESAP-induced inflation levels averaging 40% and peaking at 49.5% during 1992. Substantial tightening of monetary and credit policy, including the Reserve Bank of Zimbabwe's use of open market operations, and raising of banks' reserve requirements have forced interest rates to rise to the point where short-term real interest rates are now significantly positive. This is complementing fiscal deficit reduction and exchange rate management[6] in containing overall demand, reducing inflation and maintaining a sustainable balance of payments.

Trade liberalization is ahead of schedule with 15% of goods on the OGIL and the Export Retention Scheme Rate was recently raised to 35%. Moreover, significant price decontrol has occurred (only five items are now under strict price controls) including in the agricultural sector. After discounting the impact of the drought, Program performance fell short in the area of domestic deregulation, including: the lack of title deeds making it virtually impossible for enterprises in "growth points"[7] to access business financing; parastatal reform; and implementation of the Social Dimensions of Adjustment Fund despite extension of the Food-for-Work Program to cover 40% of the population and the introduction of the Supplementary Child Feeding Program. As a result of the overall positive assessment of Program's progress, especially macro-economic management, the World Bank released a second tranche of its US$ 175 million structural adjustment loan in late 1992.

B. Political Power: Structure and the Political Economy of Reform

1. Domestic Political Environment

There are two major tribes in Zimbabwe who comprise 95% of the population: the Shona tribe representing nearly 75% of the populace, and the Ndebele tribe comprising approximately 20% of the population. The Shona-dominated Zimbabwe African National Union-Patriotic Front, the party of President Robert Mugabe, has been in power since independence. As presently constituted, the 150-seat House of Assembly includes 120 popularly elected representatives (elections are held at least every five years), with 10 seats

---

[6] A sharp devaluation of the Zimbabwean dollar by over 30% in real terms occurred in the third quarter of 1991; further devaluation of 15% has occurred during the first quarter of 1993.

[7] Towns/settlements specifically designated by Government as focal points for regional growth. The GOZ has established a series of investment incentives, including tax incentives, to induce investment in these areas.

reserved for tribal chiefs elected through their own traditional system and 20 seats reserved for presidential appointees. Presidential elections occur separately at a minimum of once in six years. (The next general election must occur before April 1995 and the next presidential election before April 1996.)

Although Zimbabwe is a de jure multiparty democracy, no significant opposition party has surfaced. However, a significant number of smaller opposition parties has surfaced within the last 24 months. The unification of the ZANU and ZAPU parties marked the end of a period of domestic dissension culminating in the removal of the state of national emergency in July 1990. However, given the GOZ's role in the management of the economy and lack of a strong political opposition, ZANU-PF exerts a powerful influence over the political will of the country. Despite the lack of the emergence of a dominant opposition party, the 1990 election evidenced a strong vote of dissent, notably for Parliamentary seats. In the main urban areas, 40% of those voting opposed ZANU-PF. In the separately run presidential election, Mugabe obtained 78% of the votes; clearly voters were more supportive of Mugabe than of his party. Despite the greatest degree of opposition voiced to date against ZANU-PF, apathy dominates the political mood. Even if party politics itself does not change given increased openness recently, dissent will be increasingly voiced against corruption and press and media censorship. Although the country can hardly be said to be free of corruption, it has in general managed to avoid the large-scale and systematic forms of corruption evidenced elsewhere on the Continent. Indeed, when compared with other countries at similar stages of economic and political development, Zimbabwe's record has something to commend it.

Overall, Zimbabwe's record on fundamental human, economic and political rights has been satisfactory. Most deserving of recognition is its independent judiciary (judges are not fired or transferred for political reasons and the Government has generally abided by court decisions even when opposed to the rulings) and its increasingly critical media. Among its human rights shortcomings are political interference in prosecutions, the Central Intelligence Organization's (CIO) role in human rights abuses and the weak political opposition. The Carter Center's description of the country as a "directed democracy" accurately reflects its constitutionally mandated status as a multi-party state. This past year, significant progress was made in the area of human rights including the appearance of the first independent daily newspaper, the union of four small right-wing parties into the United Front (whose leaders include Ian Smith and Bishop Muzorewa), the founding of an additional political think-tank which later became a pro-free-market political party focused on democratic reform (Forum for Democratic Reform), attempts to consolidate all the opposition parties, as well as the launching of a multi-racial human rights watch group.

The Constitution formally provides the right of assembly and association, freedom of religion and constitutional protection of civil and political rights of the six minority ethnic groups who comprise less than 5% of the population. The Constitution formally protects citizens from arbitrary search or entry and since the lifting of the State of Emergency Act in 1990, these protections have, in general, been respected. The Government, however, monitors private written and telephone correspondence. Moreover, despite the constitutional provision of freedom of expression, legislation limits this freedom "in the interest of defense, public safety, public order, state economic interests, public morality and public health". Despite Government control over the mainstream print media through indirect ownership, editorial appointments and directives to editors the Mass Media Trust, a holding company heavily influenced by the ruling party, has recently published more articles critical of Government than in the past. While there is no opposition press, per se, an increasingly influential independent press consists of an economic weekly, a political daily, a Sunday tabloid and three monthly magazines. Despite apparent Government discomfort with the emerging independent press as a threat to national security, no punitive measures have been imposed.

For the future, Mugabe's views on reconciliation and non-racism will continue, and his socialist leanings, and that of the ruling Party, the education system and bureaucratic system are being increasingly moderated by capitalism. In early 1991, the influential minister of political affairs, Didymus Mutasa, announced that it was time for capitalism to take "official and unhindered root in the country", while the Minister of Finance, Dr. Bernard Chidzero, later stated that the new capitalist order was a reality and that Zimbabweans should accept that socialism's day had passed. Mugabe's embracing of the Structural Adjustment process is acknowledgement of his acceptance of a new path toward economic growth.

There is a strong political sentiment and policy for protecting the disempowered from the imbalances in free market growth. The Party and Government's rural administration, and parliamentary representation keep a vocal attention to this. The line for this between constituent concern and currying political support is probably a two directional line. There is strong political support for development programs which help the poor emerge from their poverty. Similarly, there is strong political suspicion regarding growth seen to primarily benefit the white minority. Unless political leaders can see real black ownership and expanded participation in private sector-led growth, the move from statism to free markets will be severely constrained. Fortunately, there is an entrepreneurial spirit in Zimbabwe culture and a rapidly growing black business class (led by the Indigenous Business Development Center) prepared to respond to genuine access opportunities. An active Indigenization Committee in Parliament and a new cabinet level Task Force on Indigenization are giving political meaning to these policies.

2. International Political Environment

Zimbabwe's international policies have evolved around the central themes of security, historic legacy and economic concerns. At independence, Zimbabwe joined the United Nations and its agencies, the Organization of African Unity (OAU), the Non-Aligned Movement, the World Bank and IMF. In late 1980, Zimbabwe became a signatory to the second and subsequent Lome Conventions. Regionally, Zimbabwe has taken a leadership role as a founding member of the Front Line States (FLS) against apartheid South Africa, Southern African Development Community (SADC) and the Preferential Trade Area (PTA) for East and Southern Africa. Membership in the latter two organizations conferred more regional identity than economic benefits.

Despite historic political ties with the Eastern bloc countries, which assisted ZANU-PF during the liberation struggle, relations with the West -- the EC and North America -- have become increasingly important, with 95% of all official development assistance sourced from Western bilateral and multilateral agencies. Trade has continued to expand with the member countries of the European Community, with exports to the Community rising to more than 40% and import share expanding to 33% of total imports by the end of the 1980's.

Relations with the United States vacillated during the 1980's. In the years immediately after independence, the United States was highly supportive of Zimbabwe. As the years progressed, Mugabe, as chairman of the Non-Aligned Movement (NAM), and a champion of national sovereignty was critical of U.S. intervention in third countries, including in Nicaragua, Grenada, Namibia and Angola. Because of an increasingly vocal expression of anti-American sentiment by the Government of Zimbabwe, assistance funding levels to Zimbabwe dropped dramatically to less than US$ 10 million in 1986, and all but food aid was ceased in 1987. Economic assistance was resumed in 1988, and remained at a nominal level of US$ 5 million for the 1988 to 1990 period.

Increasing levels of assistance have been evidenced in the 1990's, after a moderation in socialist rhetoric and importantly as a result of more mutual agreement between the Zimbabwean Government and for the United States in international fora. A critical juncture was reached in Zimbabwe-U.S. relations during the Gulf War. Zimbabwe's leadership role on the United Nations' Security Council, its condemnation of the Iraqi invasion of Kuwait and its support for U.S. military intervention were wholly supportive of U.S. foreign policy. Further warming in relations occurred recently in relation to the Somali relief effort, with Zimbabwe averting a potential U.N. stalemate between Western and Third World nations in the decision to use military force to deliver relief supplies within Somalia. In the end, Zimbabwe offered to support the peace process through troop reinforcements and again openly supported U.S. foreign policy positions. Zimbabwe has continued to provide troop support to the U.N., with troops currently deployed in Rwanda, Angola and Somalia. There are important U.S. foreign policy interests underpinning increased U.S. aid to Zimbabwe.

Perhaps more important than Zimbabwe's ties with the West are its relations with South Africa and the majority-ruled governments of Southern Africa. Close relations are shaped not only by political motivations but by economic concerns. This landlocked country must have assured access to the sea to grow. South Africa is Zimbabwe's largest (single country) trading partner, accounting for 10% of export value and 25% of import value in 1991. Intra-SADC trade is less significant with approximately 5% of imports and exports originating in member countries. SADC moves toward regional economic integration are not expected to have any immediate impact on Zimbabwe's national development strategy. Despite Zimbabwe's leadership in the anti-apartheid movement, it permitted the South African trade office to continue to operate after independence and to allow continued commercial intercourse and air traffic between the two countries. As South Africa's apartheid system becomes unravelled, Zimbabwe's foreign relations will be increasingly dominated by trade and investment interests as opposed to political anti-apartheid linkages. Important progress was recorded in February 1993, when the first official trade visit to South Africa by a Zimbabwean Minister (Industry and Commerce) proceeded smoothly. Further progress was made when Zimbabwe was designated convener of the recently announced Front Line States/SADC presence inside South Africa.

3. Socio-Political Prospects for the Future

A number of issues mentioned below will assume greater importance relative to the politics and stability of Zimbabwe in the years ahead. These are suggested to include in a framework for examining the future political landscape in Zimbabwe:

- The absolute increase in the ranks of the unemployed will become an even more urgent political and stability issue.
- If Mugabe does not participate in the 1996 election, the ruling ZANU-PF party will be more susceptible to division, with Mugabe's national consensus platform giving way to economic, social and ethnic special interest groups.
- Zimbabwe's moves to more open market-oriented policies and a more open political system coincides with U.S. views on democratization and good governance.
- Zimbabwe will continue to exert political pressure for stable political transitions in Mozambique and Angola to retain its lifeline to the sea.
- The emergence of a "new South Africa" will encourage similar forces for multi-party democracy in Zimbabwe. Economically, this should arrest the outflow of private South African capital from Zimbabwe, and both countries should benefit from investment inflows from outside the region. South Africa, however, will increasingly compete with Zimbabwe for access to the African regional market, elevating the urgency of Zimbabwean industry to improve its regional and international competitiveness. If the "new South Africa" is unstable, this suggests a lessening of foreign investor interest in the region as a whole.

In conclusion, the opportunity is ripe in Zimbabwe to effect significant and historic change. Government has embraced the need for a more open, private sector-led economy and there is an increasingly receptive audience for political dissent and change. The United States can use its leadership role to ensure that economic policies are most effectively implemented to effect economic growth and more equitably distribute the resources of a growing economy, and to facilitate the transformation of Zimbabwe to a truly democratic nation.

II. Analysis of Key Constraints to Growth and Opportunities for Realizing a Better Life for the Next Generation of Zimbabweans

A. *GROWTH*: Resource and Policy Constraints Inhibiting Expansion of the Pie

Zimbabwe's poor economic growth performance since independence is the product of an inhospitable investment climate, non-supportive Government regulatory environment, a highly concentrated business sector with high barriers to entry, and inadequate private sector access to infrastructure, capital and human technical resources. Increasingly, the toll of AIDS will be felt on the aggregate level as firm productivity declines, and increasing revenues are devoted to health care associated with the care of AIDS patients. A discussion of these constraints to growth and opportunities for economic vitality are discussed below.

1. Investment Climate

Zimbabwe has not benefitted from the increase in global direct foreign investment that occurred in the mid-1980's, largely because the Government was slow to introduce the reforms necessary to create an investor-friendly business climate, and lacked the required ingredients to attract foreign capital -- skilled technical personnel, proximity to key markets, efficient infrastructure and importantly, an economic policy environment to facilitate the inflow and outflow of foreign currency. (Net foreign direct investment in Zimbabwe was US$ 3 million between 1980-1985 and a negative US$ 41 million between 1986 and 1990.)

Zimbabwe's small net outflow of direct foreign investment during the 1980's can in part be attributed to the marginalization of Africa, declining terms of trade, and adverse supply-side shocks, including six below-average agricultural seasons since 1980. However, domestic economic policy was the largest deterrent to both foreign and domestic growth in investment. Policies related to access to foreign exchange, repatriation of capital and dividends, use of blocked and surplus funds, restrictions on local and foreign borrowing, complex export procedures, non-transparent investment approval and cumbersome licensing processes, as well as widespread Government participation in the economy have served as effective barriers to expanded private investment in Zimbabwe.

Inadequate investment and limited access to foreign exchange are closely linked and reinforced each other, effectively acting as the binding constraints to economic growth during the past decade. This link between foreign exchange and investment was confirmed by the World Bank's 1989 study on investment in Zimbabwe[8], which concluded that import compression was by far the most important constraint to investment (i.e., the largest contributor to the cost of capital) during the 1980's. Zimbabwe's high debt service obligations combined with weak export performance restricted the availability of foreign exchange for imports. With investment being a highly import intensive activity in Zimbabwe[9], low investment levels constrained the country's ability both to import and export. Export performance during the past decade grew at an average of less than 2%

---

[8] World Bank, Zimbabwe, Private Investment and Government Policy, (Washington, D.C., May 30, 1989).

[9] The World Bank has calculated that 62% of investment spending during the 1991-1995 period will take the form of imports of capital goods.

annually[10], with the drought exacerbating the already low level of export growth. (See graph on following page - Exports-vs-Imports.)

In general, the economy responded positively to the first year of the Structural Adjustment Program, 1991. A much greater than expected increase in domestic investment occurred during this first year, with gross investment rising to 22% of GDP. While some of the increase is attributed to stockbuilding associated with trade liberalization, private fixed investment increased significantly to an estimated 16.7% of GDP. (See graph on following page - Investment - % of GDP.) Following the initial moves to expand the Open General Import License System (OGIL), import growth in volume terms expanded strongly from 10% in 1990 to an estimated 27% in 1991. Despite difficulties with demand management and the balance of payments, the manufacturing sector benefitted from an increase in imported inputs. Similarly, mining output increased significantly as a result of the greater availability of foreign exchange. Concurrently, the value of marketed agricultural output increased by more than 75% in local currency terms or 25% in US dollar terms, attributed to the record tobacco crop and the continued strengthening of the horticultural sector.

Zimbabwe's cumbersome and oftentimes non-transparent investment approval process combined with the foreign exchange constraints discussed previously dominate among the deterrents to further investment in Zimbabwe. Further issues that compound potential investors' negative perception of the investment climate include the: perceived hostility of the Government toward the private sector; local equity rules impacting on the ability to borrow on the local market and the regime governing dividend and profit remittability; burdensome import license requirements, import surcharges and excessive tariffs; as well as Government participation in the economy through legislated monopolies.

While many of the obstructions to foreign and export-oriented investment in Zimbabwe are macro in nature and are not in USAID's manageable interest, they are being addressed through the on-going dialogue between the GOZ and the World Bank and IMF regarding ESAP implementation. It is likely, however, that countering the negative perception of Zimbabwe by potential foreign investors, Government's inadequate accommodation of the private sector (through regulations on licensing, zoning and access to foreign exchange) and the pervasiveness of Government participation in the economy will need further support.

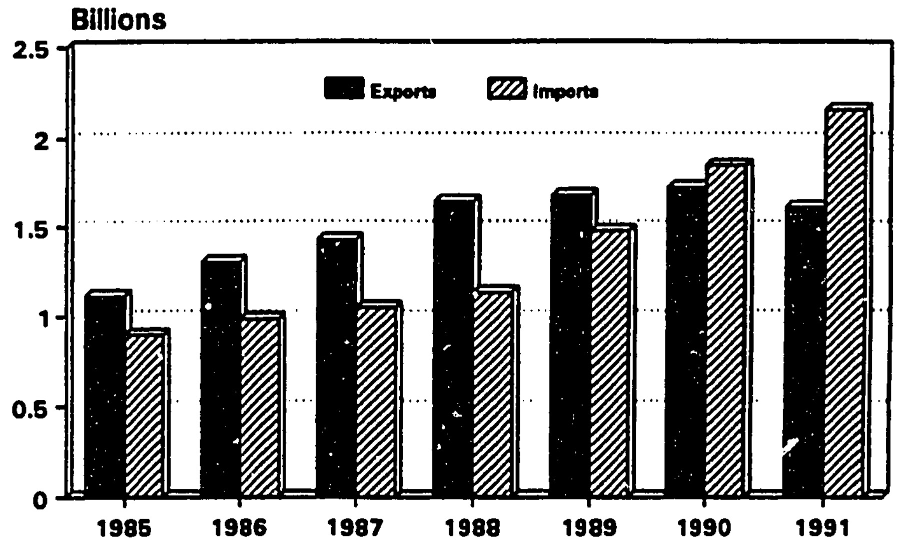
2. Government Regulatory Environment

Government's statist policies and control mentality, while not intended, have been most detrimental to the black majority, which remains economically disenfranchised. Government policy that erected high barriers to entry hurt those on the periphery of the economy -- blacks. Restrictive business practices and Government regulations have precluded the entry of blacks into the mainstream of the private sector economy. Most blacks remain

[10] Merchandise exports expressed in US dollar terms.

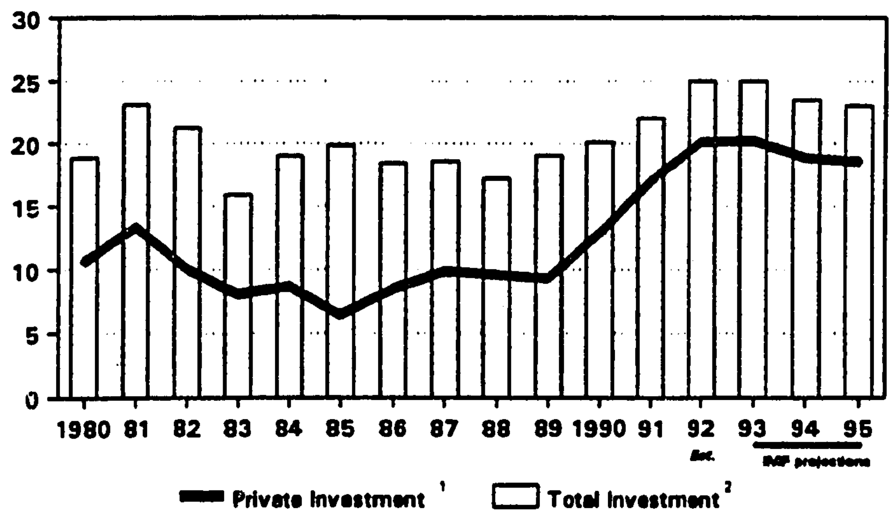
Exports -v- Imports

U.S. dollar terms



Investment

% of G.D.P.



1 Private Gross Fixed Capital Formation
2 Gross Investment (including stockbuilding)
Source: Central Statistical Office, IMF.

economically sidelined, operating bottlestores, bakeries and serving as traders. An estimate of the ownership structure of the economy indicated that the level of black business participation in all sectors of the economy did not exceed 2%.[11] This racially skewed ownership structure is perpetuated by banking institutions who have been accused of enforcing a "silent apartheid" where the majority of loans are extended to white entities. In a survey of commercial bank loan and overdraft facilities in Zimbabwe, black- owned businesses secured approximately 8% of the volume of credit extended. This compares with white-owned companies which received 45% of the credit facilities and non-resident companies which received 20%. (See graph on following page - Commercial Bank Loans/Overdraft by Customer Groupings.)

Small business is the entry point for blacks in Zimbabwe. According to a GEMINI survey of small businesses in Zimbabwe, conducted in August and September 1991, there were approximately 1.5 million people engaged in 845,000 non-agricultural enterprises with up to 50 employees each. This compares with 962,000 people reported to be employed in registered enterprises and in the public sector at the time of the GEMINI Survey. In manufacturing and trade, only about 20% of employment is in enterprises that are officially registered. Furthermore, of the 300,000 new jobs created among small enterprises during 1990, nearly 75% were created by new ventures, many of which will not last more than 3 years. Hence, a large class of small-business owners exists; however, the survival and growth of this class in numbers and profitability has been frustrated not only by restrictive business practices of existing concerns, but the non-conducive regulatory and policy framework impacting the private sector.

Among the impediments to the growth of the black ownership class are:

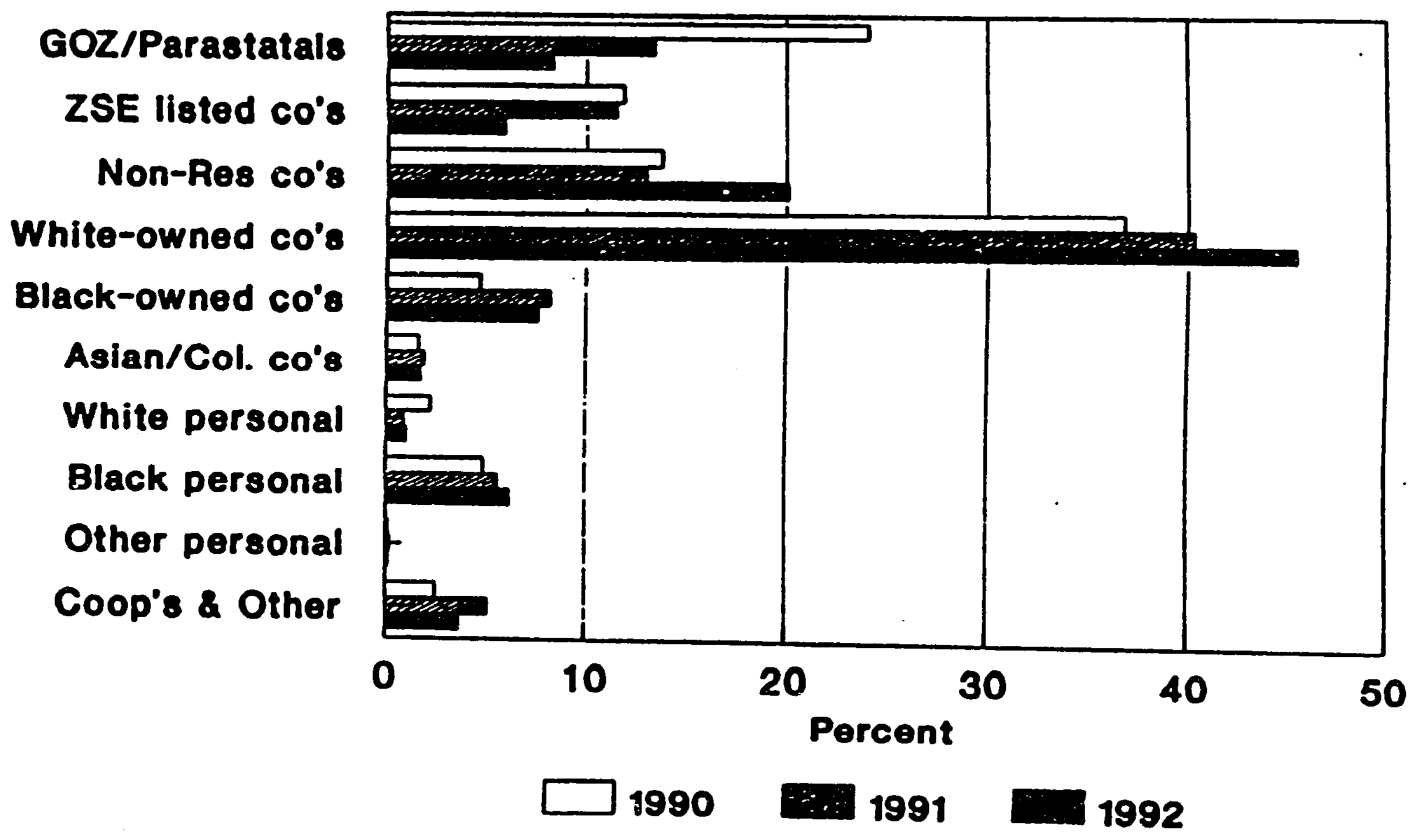
- a lack of capital and inability to source funding due to financial institutions' lending policies, an absence of collateral security, and high interest rates;
- an inability to identify niche markets and other opportunities;
- excessive regulations exercised by Government and local authorities;
- absence of management, administrative and technical skills;
- overly complex systems and requirements governing foreign exchange procurement;
- inadequacy of resources and experience to access export markets and to attain product quality to export;
- bureaucratic delays and impediments in accessing available inputs, utilities, etc.;
- reluctance of many established enterprises to sub-contract and link operations to small-scale businesses; and
- insufficient funds to obtain professional and specialist services to counter the above problems.[12]

---

[11] "Affirmative Action", The Financial Gazette, (February 25, 1993), p.4.

[12] Findings from the Zimbabwe National Chamber of Commerce's conference on the Development of Micro-Business Activity in Zimbabwe, March 1993.

Commercial Bank Loans/Overdraft by Customer Grouping



Source : Major commercial bank (Dec)

17a

A study by Ranche House College in Harare, Zimbabwe described the local political and economic environment as "very hostile" to the development of small businesses.[13] Among the impediments identified in the 1990 Imani Development Corporation case study on small businesses were taxation levels, labor regulations, zoning regulations, the foreign exchange allocation system and limited financing opportunities. Zimbabwe's Minister of State for National Affairs, Employment Creation and Co-operatives admitted that "the indigenous population was still not well represented as owners of the means of production, due to historical circumstances".[14] She went on to say, "while security and health regulations must be retained, the plethora of other regulations set up to protect the small white business community from their more numerous black competitors must now be dismantled". The Minister of Labor also acknowledged the need to remove the bottlenecks obstructing small and medium-scale businesses, while the Ministry of Industry and Commerce said that a Government task force was established to address the "policy of black economic empowerment" and to move "black people to the center of the economy".

Discussions with high-level Government officials on the issue of disinvestment of Government assets in the economy reveal the deep-seeded resistance to do so until it has been demonstrated that blacks have a stake in the economy and are able to compete for a share of privatized assets. There is an increasingly vocal political imperative to economically empower blacks in Zimbabwe, through land redistribution and reshaping the ownership structure of the business sector. The Government is addressing the land reform agenda, and in a way that seeks to minimize the potential dislocations for the economy. USAID can play an important role in facilitating the entry of the black private sector into the mainstream of the economy. ESAP will help improve the competitive environment in Zimbabwe through price decontrol, lowering trade barriers, removing exchange controls and restrictions on foreign investment, parastatal reform and privatization and domestic deregulation. (See Annex F.) USAID can work to create a more conducive policy environment for new business entrants and help to provide them with the skills, access to capital and infrastructure necessary for the entry and survival of blacks into the mainstream of the economy.

3. Competitiveness Profile

There is a growing concern by both the Government and the private sector that there is an inadequate level of domestic competition and that Zimbabwe's industries are not internationally competitive.[15] The two problems are linked in that high levels of business concentration and lack of domestic competition remove pressure on companies to demand

---

[13] "Call to End Laws Which Inhibit Growth of Small Enterprises", Business Herald, (March 11, 1993), p.4.

[14] Ibid.

[15] International competitiveness impacts the ability to export as well as to compete with imports for the domestic market.

increased operational efficiency and adapt increasing levels of technology. This becomes ever more relevant during the period of ESAP implementation when the goals of the Program, including opening up the economy, pose a threat to domestic industry.

As discussed earlier, the ingredients for the problem were inherited from the import-substitution UDI era, and were reinforced by the new Government's system of extensive price and wage controls introduced to protect the poor and to counter inflation. In addition to Government control over the industrial sector exercised through a non-transparent foreign exchange allocation system and Government equity ownership of the industrial structure, a high level of vertical integration, limited access to raw materials, and collusion and restrictive business practices skewed industrial ownership and limited competitiveness. The pattern of regulation erected high barriers to entry with price controls and labor regulations increasing the risks of potential new entrants, including blacks. These barriers reinforced the already existing incentives for firms to concentrate on the domestic market, while limiting pressure on firms to improve the quality of production.

The evidence of a "competitiveness problem" is documented by high rates of industrial concentration, low levels of investment effectively perpetuating the existing industrial and corporate structure, lagging export growth and the exodus of skilled personnel to potential competing economies. Export growth was sluggish through the 1980's, averaging 2% annually, compared with Thailand (13.2%), Malaysia (10.3%) and Mauritius (9.6%).[16]

The assurance of a captive domestic market has resulted in low level of industrial reinvestment. In the construction sector, for example, half of the civil engineering contractors' plant is more than 10 years old and 33% is more than 15 years old, increasing cost and decreasing competitiveness. The quasi-monopolistic nature of much of the manufacturing industry has not been conducive to developing an "export culture". Industrialists admit paying scant attention to quality control and marketing, finding a ready market domestically. Furthermore, lack of competitive compensation in Zimbabwe has created an exodus of skilled personnel, reinforcing the poor competitive state of Zimbabwean industry.

-High Levels of Concentration-

Eight percent of the 57 manufacturing industries in Zimbabwe are highly concentrated, with half of the industries having one company controlling the majority of total industry production.[17] Only the apparel industry is competitive. Of the more than 7,000 items

---

[16] World Bank, World Development Report 1992, (New York, Oxford University Press, 1992), p.244.

[17] Abt Associates, Study of Monopolies and Competition Policy in Zimbabwe, (September 1992).

produced in Zimbabwe, half of these are produced by only one firm. Approximately 80% of all items are produced by three or fewer firms.

This problem is compounded by the incidence of interlocking directorships and direct equity holdings. (See Annex G - Interlocking Directorships and Cross Ownerships.) Not only is the industrial sector highly concentrated, but this pattern is evidenced in the urban passenger transport system and the financial sector. The predominant position of parastatals, which often operate as monopolies exacerbate the problem. Parastatals include agricultural marketing boards (Cotton Marketing Board, Dairy Marketing Board, Cold Storage Commission, Grain Marketing Board) as well as the Mineral Marketing Corporation, Air Zimbabwe and the Government controlled electronic media.

-Restrictive Business Practices-

While industrial concentration and high barriers to entry do not necessarily equate with abuse of market power, they create the potential for exercising this power. According to extensive interviews and six researched case studies it was found that price fixing and collusion, collusive tendering, tied sales, discriminatory professional practices and area restriction were pervasive practices in Zimbabwe. Despite these practices, margins have not been significantly skewed toward more concentrated industries, probably because of price controls; however, restrictive business practices have reinforced statutory and regulatory barriers to entry, including those regarding registration of companies and the acquisition of business properties. For example, business registration is a lengthy process averaging 6 months, with limited available stands in business districts as well as limited access to water, electricity, and telecommunications services. These measures have erected a powerful barrier to the entrance and growth of a significant black business-owner class in Zimbabwe.

4. Infrastructure

Access to efficient infrastructure is critical to the development and competitiveness of the private sector and for economic growth, directly impacting the transactions cost of trade and production. Zimbabwe, has in large part, benefitted from one of the most developed and well-maintained systems of infrastructure on the sub-continent. However, while access to road and air transport, energy and water systems have been adequate, there are serious inadequacies in the efficient provision of rail transport and telecommunications services.

-Transport-

Zimbabwe's main domestic road system continues to be among the best and best maintained in Africa. Its road density per person is one of the highest in Africa, surpassed only by

Namibia; 16% of the total road network is paved, with 44% of the state road network paved.[18] The most significant road transport problem at the end of the 1980's was the age of the vehicle fleet: 70% of passenger vehicles, 60% of commercial vehicles, 65% of the tractors and 55% of the buses on the road were more than ten years old with a large proportion of this fleet not being roadworthy. This situation has improved and will continue to improve since the introduction of the trade liberalization process in 1990, increasing access to foreign exchange for the purchase of vehicles and spare parts.

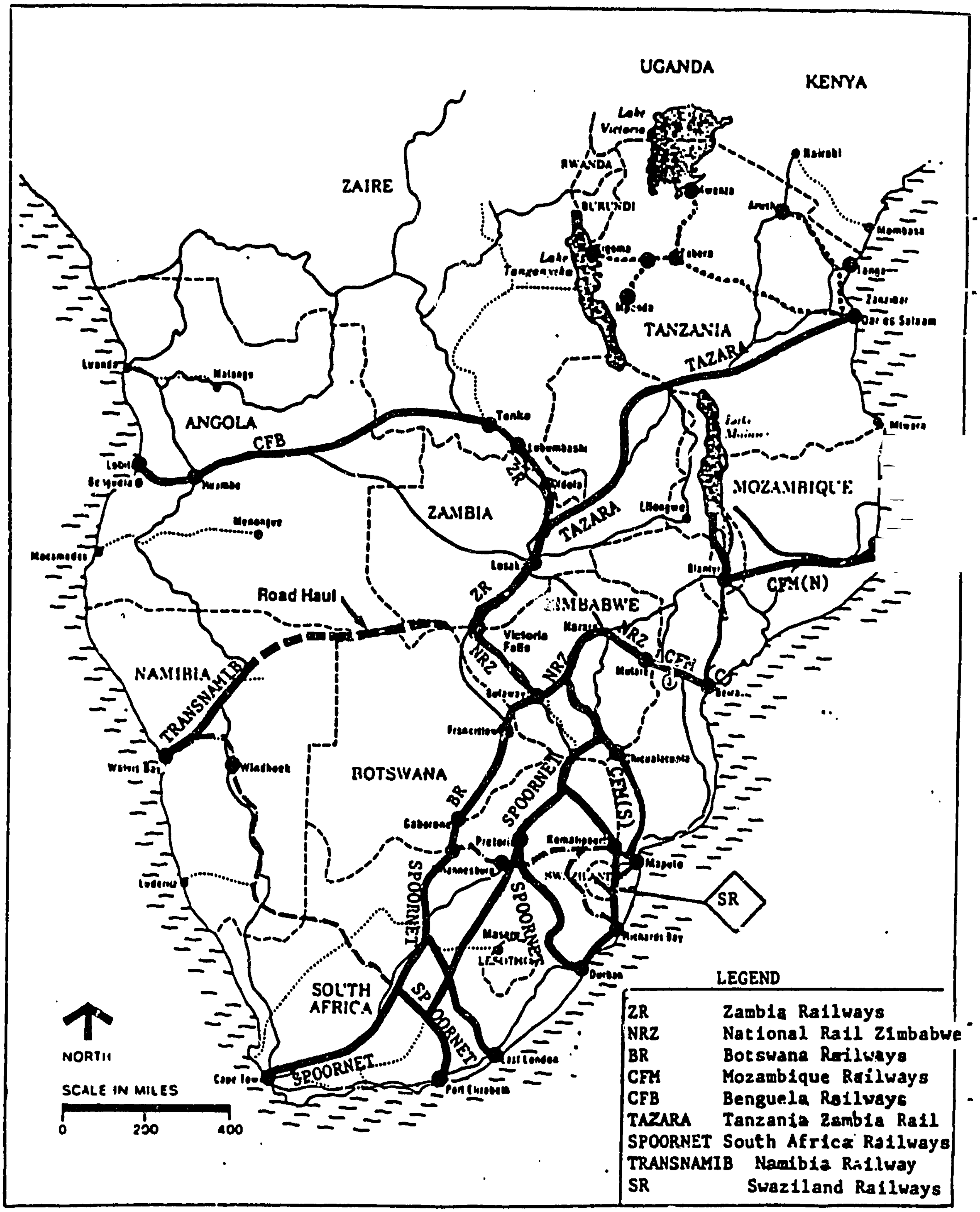
The domestic rail system is confronted with a more complex set of issues. Of major concern is the maintenance of the existing 2,880 kilometers of track, as well as the availability of locomotives, wagons and technical skills to maintain an efficient rail system. By 1991, the situation had improved significantly with the acquisition of additional locomotives and freight hauled rising to 15 million tons, the highest since independence. During the 1980's, there was much greater concern for the transport routes beyond Zimbabwe's borders. Because Zimbabwe is a landlocked country, access to the sea is of paramount importance to trade. Zimbabwe's closest rail links to the sea are via Mozambique -- in the north, eastward to the port of Beira, and in the south, eastward to the port of Maputo. Two southern rail links exist to South Africa: one traverses Botswana and another travels directly to South Africa along the line from West Nicholson to Beitbridge. (See map of road and rail transport system on following page). If all lines are operative, reliable and working efficiently, it is far cheaper to utilize the Mozambican outlets to the sea as shown below:

Rail Freight Costs to Selected Southern African Ports, 1990 (Z$)[19]

	Beira	Maputo	Maputo via RSA	Port Eliz.	Durban
Ferrochrome from Eiffel Flats	----	1,838	4,504	7,733	----
Steel from Redcliff	----	2,408	5,785	----	9,634
Raw Sugar from Triangle	----	1,983	4,170	----	5,827
Cotton Lint from Chegutu	----	2,621	3,443	----	4,637
Tobacco from Harare	1,618	----	----	----	2,853
Other Exports from Harare	1,787	----	----	----	3,036
Imports to Harare	2,034	----	----	----	3,745

[18] Zimbabwe Initiative for Road Preservation and Maintenance , Draft Project Document, (Government of Zimbabwe, July 1, 1991), p.3.

[19] Without discounts; price for 39 ton container; Source: Beira Corridor Group; Zimbabwe Shipping Services


UGANDA
KENYA
ZAIRE
RWANDA
BURUNDI
TANZANIA
TAZARA
ANGOLA
CFB
ZAMBIA
ZR
MOZAMBIQUE
CFM(N)
Road Haul
Victoria Falls
NRZ
NAMIBIA
TRANSNAMIB
BOTSWANA
BR
SPOORNET
CFM(S)
SR
SOUTH AFRICA
LESOTHO
Dar es Salaam
Durban
NORTH
SCALE IN MILES
0
200
400
LEGEND
ZR Zambia Railways
NRZ National Rail Zimbabwe
BR Botswana Railways
CFM Mozambique Railways
CFB Benguela Railways
TAZARA Tanzania Zambia Rail
SPOORNET South Africa Railways
TRANSNAMIB Namibia Railway
SR Swaziland Railways

In the early 1980's, South African destabilization policies wrought havoc on Zimbabwe's road and rail links to the Mozambique coast, largely through terrorist action by the MNR. The deployment of Zimbabwean troops in Mozambique to defend the transport corridors, the establishment of a Zimbabwe private sector initiative -- the Beira Corridor Group (BCG) -- work by the Mozambican authorities and assistance from both SADC and donor agencies to upgrade and rehabilitate the port and railways helped turn the situation around by the beginning of the 1990's. In 1990, approximately 10% of Zimbabwe's total external trade transitted Beira, resulting in the saving of some Z$ 5 million in foreign exchange.

One remaining constraint to greater use of Zimbabwe's rail network relates to its unreliable service record relative to its South African competitors. Surveys of rail users confirm the preference for South African shippers, despite higher cost, based on the consistent reliability of the lines in delivering goods on time. According to the SADCC Transport Corridors, Study of Financial Strategy, the longer and more uncertain travel times and the lack of shipper information in the SADC corridors have handicapped them in competition with RSA routes. Therefore, the financial viability of these routes and their competitiveness is threatened by the railways' deficient operating and management practices.[20] Increases in operational efficiency can, at a minimum, decrease total cost by 20%, through such measures as improved turnaround times of trains and accurate cargo tracking systems.[21]

An opportunity exists to improve Zimbabwean businesses' access to efficient rail services. This is especially critical to the emergent entrepreneur, where timely access to inputs and markets are critical to survival. The National Railways of Zimbabwe's service reliability and overall efficiency can be improved through restructuring, thereby broadening ownership of rail assets to those most able to efficiently service the equipment and other resources of the railway, and providing an opportunity for indigenous black private ownership. Discussion of other infrastructure components required for business survival and economic growth are discussed in Annex H.

-Telecommunications-

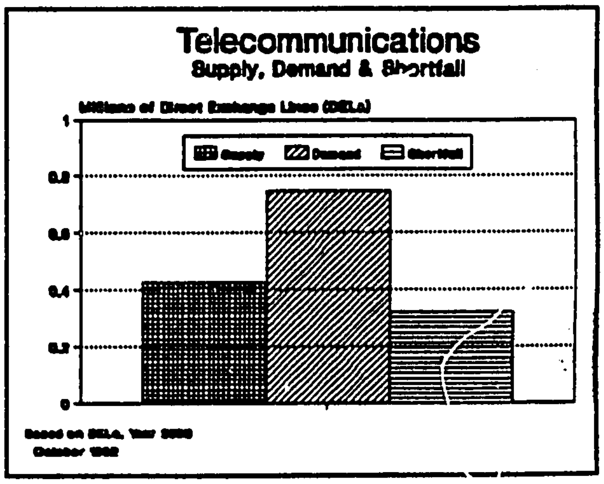
A critical infrastructure constraint in Zimbabwe at this time, especially with regard to economic growth, investment and export performance is telecommunications, with Zimbabwe unable to keep pace with the rapid increase in domestic and international demand for telecommunications services. If the country is to realize its hopes of competing

---

[20] World Bank, Infrastructure Operations Division, SADCC Transport Corridors, Study of Financial Strategy, (Washington, D.C., Southern Africa Department, World Bank, March 1991), p.15-18.

[21] Policy Issues in Financial Strategy, Working Paper 3: Traffic Allocation and Financial Analysis Railways, (Maputo, Mozambique, SADCC Transport Corridors Workshop, December 1989), pp.iv-v.

internationally, it must achieve rapid and far reaching improvements in telecommunications infrastructure -- in terms of subscriber penetration, reduction in transmission time and improved quality of service. Telephone density, the number of phones per hundred inhabitants, is 3 for Zimbabwe, compared with over 60 in industrialized countries like Japan and the United States. Not only is there a tremendous backlog in servicing demand[22], (potential telephone subscribers must wait on average 5.3 years[23] for telephone installation), but telecommunications service quality is poor, manifest by static, crossed lines, delayed transmission time of up to an hour within the country, and the existence of 20-household party lines.



The state of telecommunications services remains a barrier to entry and growth of aspiring entrepreneurs and is a binding constraint to improving the country's competitiveness and demonstrating higher levels of economic growth in Zimbabwe. According to recent research, there is not only a strong correlation between availability of telecommunications and economic growth but causality between the factors, especially when availability of these services is low, as is the case in Zimbabwe. Research conducted by DRI/McGraw Hill confirmed that not only did access to telecommunications stimulate economic development but conversely, economic growth stimulates demand for telecommunications services.

The poor state of telecommunications services in Zimbabwe is attributed to inadequate investment in infrastructure. As is true in other southern African countries, the Posts and Telecommunications Corporation (PTC) is a state-run monopoly and although telecommunications services are profitable, revenues are used to cross-subsidize the postal side of the Corporation and other Government agencies, with the Telecommunications Corporation unable to retain its earnings or foreign exchange. The result is inadequate and obsolete plant. Zimbabwe, to date, has resisted private sector investment or management and looked askance at suggestions of privatization. Moreover, as in the rail transport sector, a history of accepting tied loans and grants has created a system with a multitude of

---

[22] By February 1993, there was a waiting list of 90,000 potential subscribers for telephones compared with 35,000 in 1985.

[23] Teleconsult, Telecommunications Sector Scoping Study for Southern Africa. (December 1992).

equipment, increasing the problem of integrating the system and servicing it.

Zimbabwe's past reluctance to introduce private sector participation in the provision of telecommunications services is rooted in national security concerns. Private sector participation in telecommunications services can result in improved access to higher-quality, lower-cost telecommunications services. This in turn can contribute to economic growth through increased productivity of business, especially for export-oriented firms and an improved enabling environment for foreign and domestic investment with the potential for increased employment. Private sector investment in telecommunications can create the opportunity for greater sub-contracting of services and equipment supply to black firms, resulting in government tax revenues from profitable service delivery.

The World Bank is designing a US$ 263 million multi-donor supported telecommunications project which will address many of the short-term equipment requirements confronting the PTC. If increased private sector participation/or privatization of telecommunications services is to become a reality, PTC needs to confront the political, economic, financial, regulatory and technical aspects of restructuring. An opportunity exists for the importation of American equipment and transfer of U.S. technology, in which the U.S. has a competitive advantage, while encouraging the implementation of policies to permit the fuller participation of the private sector in telecommunications services in Zimbabwe.

5. Financial and Capital Markets

Zimbabwe's financial infrastructure is one of the most sophisticated in sub-Saharan Africa. Much of the banking and financial system was inherited from the pre-independence era with some change in ownership. (For example, Rhobank's 61% South African ownership was purchased by the Government and became Zimbank). The sector, however, remains predominantly white-owned and its loan portfolio is skewed toward established white-owned firms, as discussed earlier. The financial sector is modelled on post-World War II British institutions, each serving a distinct market segment. In addition to being characterized by a high degree of segmentation, the sector is highly regulated, including controls implemented through administered interest rates, directed sourcing of deposits and allocation of credit.

Segmentation of the market is largely the result of regulatory policy. As shown in Annex I, there is significant differentiation in the asset and liability base of each class of institution. This segmentation tends to result in inefficient credit allocation. The detrimental impact of that inefficiency including:

- Excessive costs of financial intermediation and the profits that flow from it;
- Slow responsiveness of the financial system to service the market. This was evidenced in the delayed issuance of negotiable certificates of deposit by the building societies to improve their liquidity;
- Interest rate controls which force banks to ration credit to only the most established institutions/individuals, as opposed to being able to levy higher rates on

riskier credits;

- Excessive control over pension fund and insurance company portfolio composition which limits the availability of savings to the financial system and limits the potential return to be earned on these funds.

The Government achieved some success in broadening access to the financial and banking market during the 1980's. Communal area access to agricultural credit was facilitated by the state-owned Agricultural Finance Corporation, and small businesses flooded the offices of the Small Enterprises Development Corporation (SEDCO) to access credit targeted to small and medium-sized enterprises. However, demand has far exceeded supply. Entrenched lending procedures based on collateral have effectively restricted new businesses' access, especially small business access, to conventional sources of business finance. Aggravating the problem of inadequate access to capital, is the inability of rural businessmen who cannot get title deeds for their business properties, precluding their use as collateral for borrowing.

Although Zimbabwe's has a stock exchange, participation in terms of those companies accessing the market to raise capital and those companies and individuals investing is limited. Sixty two companies are represented on the Exchange and these raise only a minimal portion of their equity requirements through the Exchange. Institutional investors own 85% of market capitalization with individual investors owning only 15%. The Zimbabwe Stock Exchange (ZSE), like other sectors of the economy, is largely influenced by the GOZ and the predominant political party, ZANU-PF. The GOZ owns 12.5% of the shares traded on the Exchange. The Exchange is also highly concentrated with the top 18 stocks representing nearly 70% of market capitalization.[24]

Several factors contribute to the thinness of the Market including: Market volatility[25]; listing requirements biased toward large established businesses, and Government regulations affecting ZSE trading. For example, a Government ban on external trading, has eliminated foreign investment in the ZSE. (Foreign trading accounted for 92% of the market's turnover in 1984, prior to introduction of the ban.) Like the banking sector, the stock exchange is highly concentrated with more than 20% of market capitalization represented by two firms.[26] Moreover, the Government is a significant player in the market through its direct ownership of shares and through the party, ZANU-PF's stockholdings. Hence, although there is scope for broadening company ownership through the stock market, further exploration of the specific reforms barring greater investor and issuer participation must be

---

[24] Robert Haslach et al., Zimbabwe: Business Linkage, Draft Report, (USAID/Zimbabwe, July 1992), p.14.

[25] ZSE shares depreciated 50% between September 1991 and April 1992.

[26] Bureau for Private Enterprise, United States Agency for International Development, Zimbabwe Business Linkages Draft Report, (Washington, D.C., Coopers & Lybrand, July 1992), p.13.

undertaken.

The Zimbabwe Stock Exchange, for its part, recognizes the knowledge barrier to investment and is currently designing a seminar program to increase the awareness of the public of the investment potential of the Exchange. They are attempting to broaden their base of ownership from the current static owner-director to the black middle-class and are planning to translate their informational literature into the local languages. AID is also sponsoring a workshop on African stock exchange opportunities in which Zimbabwe is participating.

Given the difficulties for the emergent black businessperson in obtaining financing through the banking system or the existing stock exchange, venture capital funds offer a potentially appealing alternative source of financing. In June 1991, the Venture Capital Company of Zimbabwe Limited (VCCZ) was established to provide equity financing for viable small to medium-size companies. VCCZ was capitalized by the Reserve Bank of Zimbabwe, various commercial and merchant banks and insurance companies, private sector companies, the CDC and the IFC. After one year of operation, seven financings valued at approximately Z$ 5 million were consummated, and the Company retained a net after tax profit. There are five unit trusts in Zimbabwe principally owned by whites. There is no over-the-counter market.

Opportunities exist for expanding participation in the financial market and making available business and personal financing to a significantly greater number of new businesses, especially those owned by blacks. Examples of options to improve intermediation of capital through increasing financial sector competition include:

- licensing of new private, local and foreign owned banks;
- development of interbank markets including secondary mortgage markets;
- broadening use of municipal finance;
- improving operational efficiency of the capital markets and banking sector to ensure commercial viability once interest rate controls are removed.

6. Human and Technical Resources

During the initial years after Independence, Zimbabwe's development was constrained by a lack of a skilled workforce, particularly in the technical, scientific and medical fields. In a 1984 manpower survey, 19% of life scientists and related technical openings were vacant as well as 12% of economic positions and 12% of teaching positions. These fields and middle and senior management, in general, experienced high vacancy rates with the exodus of experienced personnel to neighboring countries.[27] Unfortunately, a shortage of technically

[27] Between 1982 and 1984, Zimbabwe sustained an average annual loss of over 1,000 professional and technical workers, 1,000 administrative employees and over 5,000 production workers through net migration.

qualified Zimbabwean personnel existed, leaving an unfilled skills gap. These shortages were the lingering result of discriminatory training and labor practices followed prior to Independence. Despite major expansion in post-secondary education, the output of professional, technical and managerial resources has failed to keep pace with a growing need creating a widening human resources gap.

With continued investment in teacher training institutions, university and technical college lecturers, an increasing number of highly qualified graduates and school leavers were released into the economy. Expectations were high, but so was unemployment. As a result of the relatively stagnant period of economic growth during the 1980's, there was a minimum level of formal private sector job creation. The private sector was moribund, and the public sector, which in the early 1980's was the haven of employment for university graduates, grew too large and costly to be effective.

Part of the impetus for the introduction of the Economic Structural Adjustment Program was economic growth for job creation. A report compiled by the Confederation of Zimbabwe Industries[28] in 1991 documented that whites still dominated senior management positions in most sectors of the economy, but stated that intensive human resources development could quickly correct that anomaly. Increasing black ownership in industry would rectify the present imbalances, as the Economic Reform Program offers more opportunities for new entrepreneurs.

Zimbabwe's pool of entrepreneurs is small, with a limited number of black business leaders with the management skills, understanding of marketing (rather than sales), and financial training to successfully assume the risks inherent in operating one's own business. Given the high tax on salaries, the relatively low wages offered by the civil service and the retrenchment of that workforce, the attraction to private entrepreneurship is compelling. Among the greatest obstacles to the emergent businessman is the dearth of financial management and marketing skills to capitalize on the challenges and opportunities presented under the liberalized economic environment of ESAP. According to the USAID commissioned Private Sector Needs Assessment,[29] the acquisition of marketing skills and techniques is of paramount importance. As Zimbabwe's domestic market opens to foreign goods, local manufacturers must possess the marketing acumen in order to compete. The need for improved financial management includes knowledge of both internal management and cost control systems to ensure that financial resources are optimally allocated and products are competitively priced, and knowledge of alternative means to access capital. In addition to relevant entrepreneurial and management skills, there is an alarming absence of

---

[28] Confederation of Zimbabwe Industries, Report on Africanization, (Harare, Zimbabwe, 1991).

[29] Labat Anderson Incorporated and Probe Market Research, Private Sector Training Needs Assessment, (Harare, Zimbabwe, December 1990).

qualified experienced technical personnel, notably in the engineering trades, and technical managers sensitized to market-demand.

Despite these obvious skills gaps, Zimbabwe is operating at an advantage in that its working population is relatively well-educated, especially at the lower levels, and Zimbabweans enjoy training and apply what they have learned. Furthermore, many companies recognize the need for further training and in-house training is becoming an increasingly visible phenomenon in Zimbabwe.[30] A number of donors including CIDA, ODA, ILO and the Friedrich Naumann Foundation are funding training courses for the informal sector including procedures required to start a business and basic business skills. An opportunity exists to fill the void by providing business planning, managerial and technical training to existing and emergent black businesses so that they can compete as owners in a more open economy and can progress from their traditional role in the retail sector into the manufacturing sector, if they so desire. Moreover, the training needs of the public sector in learning to accommodate the growth of the black private sector through new ownership structures and deregulation must be addressed.

7. AIDS

AIDS already impacts one in ten Zimbabweans. By the end of the decade, it will effect virtually everyone. AID will increasing impact on the productivity of the nation and the country's economic growth. A simplified economic model recently designed for USAID/Zimbabwe provides some insight into the likely effects of Zimbabwe's AIDS epidemic on several variables, including: population growth, government spending, total incomes, per capita incomes, and the need for foreign assistance.[31]

Without AIDS, the model's assumptions are that: capital continues to grow at a rate of 3% per year; population grows at the current 3.1% annually; and Government spending increases at the rate of population growth. Given this, it is feasible to achieve: a long term growth rate of 4.5% to 5%; increased per capita income by about 18% by the end of the decade; elimination of Government deficit spending; and a reduction in foreign assistance requirements by about 20%.

The introduction of AIDS into the model (using the projections of the Ministry of Health) slows population growth, reduces total income growth by about 3 percent, and puts enormous upward pressure on Government expenditures. Formal sector employment would grow less rapidly than population and businesses would be forced to deduct training costs for replacement workers from wages of those employed. If one assumes that there are limits on

---

[30] Ibid.

[31] Larry Forgy, The Economic Impact of AIDS in Zimbabwe: Economic Analysis for the AIDS Project Paper, (January 1993).

how rapidly Government spending can grow to absorb the health care costs associated with AIDS, the need for foreign assistance increases dramatically. If one further assumes that foreign assistance will not respond at the levels projected -- that is, with levels 27% higher than they were in 1990, (an additional US$ 192 million/year) -- and the Government is forced to borrow to cover such costs, the additional debt service would, no doubt, have a negative impact on overall economic growth.

While this model may be simplistic, it highlights AIDS' negative impact on the economy and the relationship between Zimbabwe's poor economic performance on increasing the opportunity for the spread of AIDS.

The historical pattern of Zimbabwe's economic growth to date has contributed to both the extent and distribution of AIDS. The migration of individuals to work in mines, the military, and urban areas was encouraged from the earliest colonial days and persists today. Nearly 30% of Zimbabwe's population is urban with at least 30% of Zimbabwean families are separated for economic reasons. Inadequate rural incomes from agriculture encourage many to take jobs which keep men away from their rural families for long periods of time. In 1984, 39% of married rural women reported that their husbands were absent.[32] Extra-marital sex, often with a wide variety of partners including prostitutes, is common among employed men; indeed, HIV seropositivity rates are higher among employed than unemployed men who have less disposable income to buy commercial sex.[33]

Not only access to disposable income but the nature of the job, in general, also plays a role. Truckers and military men, who are among the most mobile of workers, have the highest rates of HIV seropositivity in the country. Not surprisingly, women in the towns and villages along the trucking routes share the rate of infection. In 1991, 42% of pregnant women attending antenatal clinics in Masvingo town, on the road to South Africa, tested positive for HIV. Sixty percent of Masvingo's patients (both men and women) with sexually transmitted diseases (STD's), known to be a co-factor in HIV transmission, also tested positive for HIV. It is heartening to note that the National Employment Council for the Transport Operating Industry has already started to develop an AIDS program for the nearly 80,000 participants in the industry.[34] The armed services (including the police and the militia) include almost 100,000 individuals. There are unofficial reports (officially refuted) that there is a 60% HIV incidence in the army, and, as a result, there are some efforts to promote AIDS control measures in this and similarly "at risk" organizations.[35]

---

[32] Wilson et al. vol. II, p. 8

[33] Wilson et al., p. 9.

[34] Wilson et al. Vol. I, p. 54.

[35] Wilson et al. Vol. I, p. 57.

There is no question that AIDS is already a serious issue for Zimbabwe's economic future. There are already 800,000 adults infected with HIV; this means that 1 of every 5 or 6 adults now living will ~~die of AIDS~~ within the next five years. While AIDS prevention measures now underway are likely to have no discernible impact on overall HIV prevalence rates for, at best, two or three years, the situation which will develop without the implementation of such measures is unimaginable. The real, short-term costs of HIV testing, prevention, and even minimal treatment of AIDS-related diseases (tuberculosis, pneumonia, diarrhea) will absorb a substantial share of both public and private health budgets unless thought is given to cost-management.

The negative impact of HIV/AIDS on the labor force and its capacity to contribute skills and energy in productive enterprises have not yet been estimated, but they are already noted by several industries to be serious enough to warrant efforts to address them. The AIDS prevention activities of the Transport Organization noted above, of the Commercial Farmers Union (with 250,000 to 300,000 employees) and the more that 30 industrial firms which participated in a survey in 1990 and had already articulated AIDS policies[36] indicate that the base for stepped-up AIDS prevention efforts is already laid in Zimbabwe. The opportunity for making a difference -- over the long term -- is there.

B. *INCOMES*: Resource and Policy Constraints Affecting the Potential Size of Individual Shares of the Pie

The potential for household level income growth is being constrained by the lack of job opportunities, large family size and increasingly, the impact of AIDS. Unless addressed, these constraints will continue to marginalize the household level benefits of aggregate economic growth.

1. Lack of Employment Opportunities

Formal sector employment in Zimbabwe is large compared to most other sub-Saharan countries. Since independence, however, formal sector employment has grown very slowly, with fewer than 200,000 new jobs created, of which 115,000 were in the public service primarily in education. If public sector jobs are excluded, total formal employment actually fell at an average rate of 0.5% per year between 1980 and 1985. The reason for the lack of new job opportunities is the documented low rate of investment and economic growth.

The slow creation of new jobs bears importance when considering the number of new job applicants each year -- more than 200,000 school leavers vying for fewer than 40,000 new formal sector jobs created annually. The GOZ itself acknowledges the problem with a minimum of 900,000 unemployed, representing 27% of the workforce. The large differential

[36] Wilson et al. Vol. III, p. 53. recounts the results of a survey reported by Jackson (1991).

between the demand for and supply of jobs represents a potentially explosive situation, unless alternative sources of income generation are identified.

With the formal sector unable to absorb all the new entrants to the labor force, attention has increasingly focused on the informal and small business sector. However, informal and small business creation is impeded by an obstructive policy environment and limited access to key inputs, including capital and technological skills. Until the policy, regulatory, infrastructure, capital and technological constraints to creation of new businesses are removed, the problem of unemployment will multiply with powerful political implications.

2. Population Growth
- *The Population Paradox: High Contraceptive Prevalence and High Fertility*-

Zimbabwe's family planning program is historically considered to be one of the most successful in Africa. Since 1980, Zimbabwe has made important strides in expanding family planning service delivery. Among married women of reproductive age, 43% rely on contraceptive methods compared to 36% in 1984. Modern contraceptive prevalence increased by 33% from 27% in 1984 to 38% in 1988, contributing to a decline in fertility from 6.5 to 5.5 children per woman. Despite improvements in the contraceptive prevalence rate, the population grew at the rate of 3.1% per annum[37] during the decade from 1982-1992, all but offsetting any gains in economic growth.

If the population growth rate is not slowed, any future economic gains anticipated with the introduction of ESAP will have no impact on individual welfare in Zimbabwe, threatening households' ability to provide adequate income, food, shelter, clothing, education and health services for their families. Further, population growth trends will continue to strain the natural resource base of the country, causing untold degradation of the environment and making food security in the marginal rainfall areas an untenable goal.

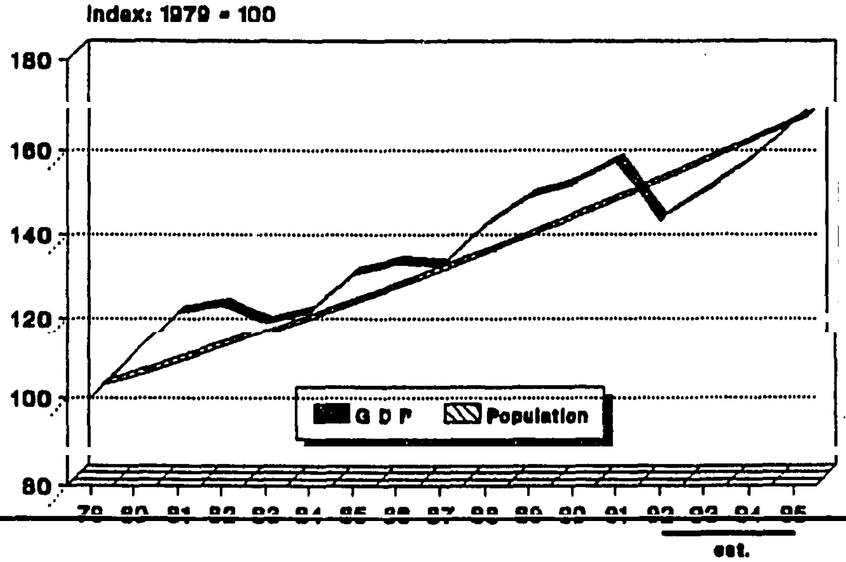
Despite the high contraceptive prevalence rate (CPR), the population growth rate remains high. The high CPR has not lead to reduction in the growth rate as expected, based on other countries' experiences and mathematical models. Zimbabwe's CPR is slightly higher than that of Algeria, Egypt and Morocco. Yet these countries have fertility rates of less than 2.5. The Mauldin-Segal model implies that a contraceptive prevalence rate of 43%, (that of Zimbabwe), is correlated with a total fertility rate of 4.3, (not 5.5, as is the case in Zimbabwe). Alternatively, a total fertility rate of 5.5 is correlated with a 23% contraceptive prevalence rate.[38]

---

[37] Central Statistics Office, 1992 Census, (Harare, Zimbabwe, December 1992).

[38] D. Guilkey and Susan Cochrane, Zimbabwe: Determinants of Contraceptive Use at the Leading Edge of Fertility Transition in Sub-Saharan Africa, (June 1992).

Post Independence Growth
G.D.P. versus Population



Perhaps the primary rationale for this "population paradox" is Zimbabwe's reliance on a single method of contraception. Women (86%) overwhelming rely on oral contraceptives, with only 3.9% using long-term contraceptive methods, including IUD's and sterilization.[39] A lapse of even one to two pills can negate the efficacy of the oral contraceptive method.[40] Unless the method mix is diversified, future efforts to increase contraceptive use will not result in the maximum possible reduction in fertility.

An opportunity exists in Zimbabwe, given the shift in attitude relating to demand in family planning services from the traditional desire for child-spacing toward limiting family size. The Zimbabwe Demographic and Health Survey analysis indicates that in 1988 compared with 1984, larger percentages of women wanted to stop childbearing (33% versus 28%) and far fewer wanted another birth within the next two years (8% versus 28%). The statistics suggest that the normal African pattern of strong interest in spacing births but little interest in family size limitation is changing in Zimbabwe, and that a small family norm may be taking

[39] According to the 1988 Demographic and Health Survey, 86% of the contracepting population using modern methods use oral contraceptives.

[40] In a study on 307 women conducted by Mahomed, and Chawapiwa in Harare, Zimbabwe in 1991, over a quarter of the women who were on the pill claimed to have fallen pregnant, primarily because of poor compliance.

hold. Expanded availability of long-term methods will help address the needs of couples who want to limit family size.

Given the changing attitudes in Zimbabwe, four challenges must be addressed to effect a decline in the fertility rate:

- Increased contraceptive use through provision of modern methods of contraception, especially long-term and permanent methods;
- Better contraceptive use through promotion of longer-acting methods and improved utilization of oral contraceptives;
- Increased participation of the private sector in the family planning delivery system; and
- More sustainable financing of public sector family planning service delivery.

The expansion in family planning service delivery since 1980 has been made at great expense borne by the Government and donor community, including the World Bank, GTZ, DANIDA, UNFPA and USAID. Expansion of the family planning system during the 1980's included such costly elements as over 700 salaried community-based distributors and 500 other health employees; a comprehensive supervision program; and a national information, education and communication program. The private sector, however, has played a negligible role in this expansion, servicing only 4% of the requirements of contracepting women in 1988.

While the GOZ made significant contributions to the program's cost through a grant for operating costs to the Zimbabwe National Family Planning Council (ZNFPC), the governmental body responsible for public sector family planning service delivery, family planning clients have shouldered virtually no costs. Over the next decade, family planning program costs will continue to escalate, given inflation, potential growth in demand for contraceptives, need for more trained personnel, and the GOZ's commitment to assume increasing responsibility for the purchase of contraceptives delivered through the public sector, now largely financed by the donor community. While costs will inevitably rise, the revenue base will not expand unless new health financing measures are adopted. The high recurrent cost of the program, however, threatens its long-term viability unless measures are implemented to increase its sustainability. These will include improved cost effectiveness and efficiency of the GOZ contribution to the program, including through promoting lower cost long-term and permanent methods, and an increased role of the private sector.

The need for family planning services will increase even as AIDS cases increase because of the age distribution of the population (45% of the population is under age 15), the prevalence of AIDS among 20-39 year olds (45.5% of AIDS cases were in this age group)[41] and the

---

[41] David Wilson, Zimbabwe AIDS Prevention and Control Project, Social Soundness Analysis, (Harare, Zimbabwe, IRT/Speciss Consulting Services (Pvt) Limited, January 15, 1993), pp. 2, 6.

need to discourage childbearing by HIV-positive women. Zimbabwe's ability to feed, care for and educate economically unproductive infants will be even further constrained by the economic impact of AIDS. Support for an expanded contraceptive method mix is particularly relevant because HIV-positive women need longer term birth prevention methods.

3. AIDS

The costs of caring for AIDS patients will increase health care expenditures by surviving extended families and by the public sector, either requiring new sources of revenue to be developed or reducing resources available for other kinds of health care and government services in general; workers and managers will die and economic enterprises' hiring practices will be modified in response to these deaths; and cultural mores will be affected, in ways not yet known.

As the economic model already discussed noted, it is likely that population growth will be dampened by the incidence of AIDS-related deaths (although the magnitude of the impact is difficult to predict). However, the age-sex distribution of the population (which is already highly skewed toward the young) will, with AIDS unchecked, be distorted to increase the number of dependent children per surviving adult. This, combined with other social and cultural effects, will result in a dependency situation which is desirable for no one.

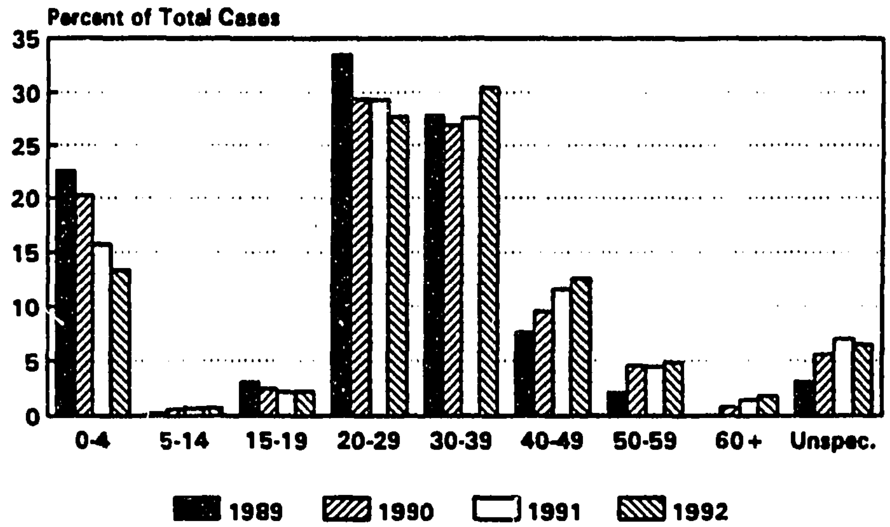
The majority of AIDS cases to date have disproportionately affected individuals between 15 and 45 and children under 5. (See graphs on following page - Declared AIDS Cases by Age Group; Declared AIDS Deaths by Age Group.) Since 1989, AIDS has been one of the leading causes of infant deaths in Zimbabwe. Unofficial indications suggest that there will be one million orphaned Zimbabweans by the year 2000.[42] Traditionally, orphans have received care from the father's extended family, but with urbanization and industrialization, the Zimbabwean extended family is being weakened. The burden of providing for these children will, therefore, fall on the elderly or the older surviving siblings. The social stigmas still associated with AIDS in Zimbabwe complicate the outlook for the surviving members of a family affected by AIDS. Social and family rejections, stigmatization and discrimination with respect to basic necessities such as employment, health care, and housing all too frequently follow the identification of an infected person.

C. *EQUITY*: Resource and Policy Constraints Affecting the Distribution of the Pie

While economic growth in Zimbabwe has been impeded by the investment climate,

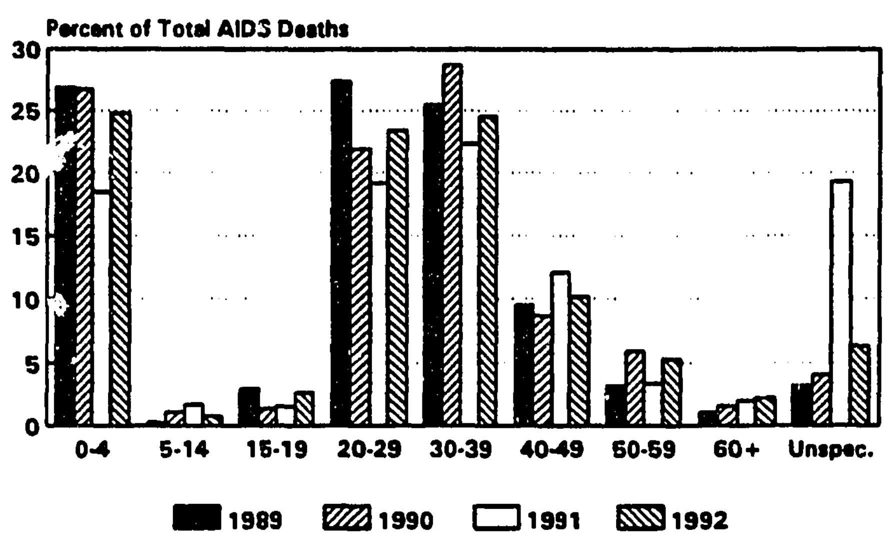
[42] This discussion is excerpted from Wilson et al., Vol. II, pp. 16 - 18. "Orphan" here is defined as having lost either parent.

DECLARED AIDS CASES
By Age Group



Source: National Aids Coord.Programme

DECLARED AIDS DEATH CASES
By Age Group



Source: National Aids Coord.Programme

government regulatory environment, inefficient infrastructure, financial constraints, human and technical capacity and increasingly the economic impact of AIDS, an examination of the ownership structure of the economy clearly documents inequities, especially along racial lines. The need to address these inequities has become a political reality. If not addressed, they will serve as obstacles to achieving further reform and liberalization of the economy.

1. Business Ownership

As discussed earlier in the section on Zimbabwe's Competitiveness Profile (II.A.3.), Zimbabwe's industrial sector is highly concentrated.[43] While 69% of Zimbabwean manufacturing originates in industries where the four largest enterprises account for a minimum of 80% of gross output, only 34% of Morocco's total output and 9% of the United States' output is manufactured by such highly concentrated sectors.

In addition to the concentration of ownership in the industrial sector, the banking and financial sector is highly concentrated and white-dominated, and the urban public passenger transport sector is operated by a monopoly. The public sector owns, controls or has investment interests in a significant share of industrial production capacity in Zimbabwe. These public enterprises either occupy a monopoly position through legislative decision (statutory parastatals) or occupy a dominant position in their respective industry through the creation by Government of effective barriers to entry. These barriers to entry of effective competition include the utilization of direct or indirect subsidization by Government. Government parastatals control the posts and telecommunications system, the iron and steel manufacturing industry, the electrical supply authority, the national railway, the national airline and four agricultural marketing authorities. The perpetuation of concentration of ownership in the hands of the few serves to crowd out investment and ownership opportunities for the majority of the population. Furthermore, with the removal of price controls, the opportunities for price gorging and market domination are enhanced.

In addition to ownership of the economy through parastatals, the Government or the ruling party, ZANU-PF, own or control a significant stake in the "private"[44] sector. For example, the GOZ controls 80% of Astra Holdings, 43% of CAPS Holdings, 59% of Zimbank, 40% of Delta Corporation and 51% of Zimbabwe Newspapers among other holdings. Through the Zimbabwe Development Corporation, it invests in new companies and through the Industrial Development Corporation it invests in going concerns; the Minerals Marketing Corporation controls access to mineral resources. The Government directly owns or controls approximately 12.5% of the total stock market capitalization. Similarly, ZANU-PF

---

[43] Abt Associates, Study of Monopolies and Competition Policy in Zimbabwe, (USAID/Zimbabwe, September 1992), p.32.

[44] Much of the "private" sector is partly owned or controlled by Government through equity holdings and positions on Boards of Directors.

maintains extensive holdings in the economy through its control of M&S Syndicate and Zidco Holdings. (See Annex J.) This concentration of ownership is exacerbated by extensive cross-holding and inter-locking directorships in Government and private sector holdings. Opportunities exist, especially with the implementation of ESAP, to respond to a political imperative to increase black private ownership of Zimbabwe's economy through privatization of public enterprises and through reduction in barriers to entry.

2. Access to Land

Access to land is a pivotal issue in Zimbabwe and was central to the struggle for the independence of Zimbabwe. Thirteen years after independence, it remains a major political and economic concern. With nearly 70% of the population living in rural areas and agriculture playing a prominent role in the overall economy, access to land is clearly an economic priority. Although the GOZ is addressing land access through its land redistribution program, utilizing the new legislation giving it broader authority to expropriate underutilized land resources for redistribution purposes, inequities in the quality of the land base remain. A description follows of not only the inequities of access in terms of quantity of land, but in terms of quality of land available. This is important because of the strong correlation between poor quality land and rural poverty, as measured by levels of malnutrition and household income.

Zimbabwe, beginning in the early 1950's, demarcated natural land-use regions into five natural regions (see map on following page), characterized as follows:

Region I: Specialized and Diversified Farming (700,000 hectares). Rainfall is relatively high with more than 1,000 mm per annum of precipitation in areas lying below 1,700 meters altitude and more than 900 mm per annum at greater altitudes with rainfall occurring throughout the year. Relatively low temperatures and high rainfall enable forestation, fruit and intensive livestock production. In frost-free areas, tea, coffee and macadamia nuts are grown.

Region II: Intensive Farming (5,860,000 hectares). Rainfall is moderately high averaging between 750 and 1,000 mm, but is confined to the summer months. Sub-region IIA's rainfall is normally reliable, rarely experiencing severe dry spells in summer. The region is suitable for intensive crop or livestock farming systems. Sub-region IIB is subject to severe dry spells during the rainy season or to the occurrence of relatively short rainy seasons. Crop yields are affected in certain years, but not frequently enough to justify shifting cropping practices away from intensive farming.

Region III: Semi-Intensive Farming (7,290,000 hectares). Precipitation is moderate, averaging between 650-800 mm, but its effectiveness is limited by severe mid-season dry spells and high temperatures. Growing conditions are marginal for maize, tobacco and cotton production, or for crop production alone. Farming systems are suited to livestock production and to fodder crops and cash crops on soils with good moisture retention.

Region IV: Semi-Extensive Farming (14,780,000 hectares). Rainfall is relatively low averaging 450-600 mm and is subject to periodic seasonal droughts and severe dry spells during the rainy season. Low and uncertain rainfall make cash cropping risky except for drought resistant crops and for soils with better water retention. Farming systems are most suited to livestock production or drought resistant fodder crops.

Region V: Extensive Farming (10,440,000 hectares). Rainfall is too low and erratic for reliable production of even drought-resistant fodder and grain crops. Included in this region are areas below 900 meters in altitude, where the mean rainfall is less than 650 mm in the Zambezi Valley and less than 600 mm in the Sabi-Limpopo Valleys. Farming systems based on extensive cattle or game ranching are best suited to these conditions.

PRESENT LAND DISTRIBUTION BY SECTOR AND NATURAL REGION

	NATURAL REGION AREA (X 1000 HECTARES)					
	I	II	III	IV	V	TOTAL
Large Scale	200	3,690	2,410	2,430	2,490	11,220
State Farms	10	10	160	60	260	500
Small Scale	10	240	530	500	100	1,380
Communal Area	140	1,270	2,820	7,340	4,780	16,350
Resettlement	30	590	1,240	810	620	3,290
Other incl. Parks & Wildlife Areas	310	60	130	3,640	2,190	6,330
Total	700	5,860	7,290	14,780	10,440	39,070

The land tenure pattern in Southern Rhodesia in 1969 was not much different than it is today. Despite some efforts at redistribution, Zimbabwe's agrarian structure remains highly skewed. Farms in the large commercial farm sector have land in the best rainfall zones, while the 74% of the rural population in communal areas farm the most arid lands.

Clearly, there is inequitable access to land and security of land tenure among various landholders. Less than 0.5% of the rural population, primarily whites, owns 30% of agricultural land. Yet this small percentage of the population produces 82% of marketed crops and provide Zimbabwe's with 30% of its export earnings. Since 1979, 2.7 million hectares of the 1979 land area in the large-scale sector had been acquired by the GOZ for resettlement. The land acquisition process based on the willing-buyer/willing-seller approach brought about the acquisition of higher quality land. As shown in the table, Present Land Distribution by Sector and Natural Region, 57% of the resettlement land is located in Natural Regions I, II and III. The land acquired, however was largely acquired between 1979-1983, with little additional land resettled since then. Resettlement farmers, like communal farmers are not as productive as commercial farmers for the same reasons as communal farmers: (1) low input use; (2) lack of access to draft power; and (3) lack of appropriate varieties. This is particularly true in Natural Regions IV and V, resulting in Government halting resettlement in Natural Region V.

Despite the dramatic reduction in the number of farms and area in the large-scale white commercial sector from more than 6,000 farms in 1980 to 4,660 in 1988 and from 15.1 million hectares to 11.2 million, land distribution still remains highly racially skewed even within the large-scale commercial sector. For example, the smallest 51.7% of the commercial farms, those with fewer than 1,000 hectares, control only 8.3% of the total land area. On the other hand, the largest 5% of the farms, those with more than 8,000 hectares, owned 47.8% of the commercial farming land area.[45]

The **Large Scale Commercial Sector**, formerly the European areas, comprises around 4,660 large commercial farms and 11.2 million hectares, or 29% of the country's land mass. In 1991, these farms employed 298,000 permanent and casual workers with total population of 1.9 million in these areas. Owners, predominantly white, have full title to the land as governed by Roman Dutch law and are represented by the Commercial Farmers' Union. Average farm size exceeds 2,300 hectares, and are located in the prime agricultural regions. (56.1% of the land is located in Natural Regions I, II or III.)

Communal Areas previously referred to as native and special native reserves or tribal trust lands, now account for 16.4 million hectares or 42% of the land mass of Zimbabwe. Of this total, 74.2% of the land is located in the poorest rainfall zones of natural regions IV and V. The total population in 1988 was roughly 5.1 million persons representing a population density exceeding 31 persons per square kilometer.

	Land Mass as % of Total	**Population (Millions)**	**% of Land Mass in Natural Regions I, II and III**
Large-Scale Commercial Sector	29%	1.9	56.1%
Communal Areas	42%	5.1	25.8%

The **Small-Scale Commercial Sector**, formerly designated the purchase areas for sale to

[45] Michael J. Roth, Analysis of Agrarian Structure and Land Use Patterns in Zimbabwe, (Madison, Wisconsin, Land Tenure Center, October 1990), p.30.

black farmers, consists of approximately 1.3 million hectares, with over 75% evenly divided between Natural Regions III and IV. There are approximately 9,000 farms with an average farm size of 125 hectares per farm.

The **Resettlement Areas** reflect the historical struggle over land rights and land distribution. Following independence, the resettlement program became the Government's main policy thrust to redress inequities in land distribution. As discussed earlier, through the end of December 1990, only 52,000 families were resettled on 3.3 million hectares. To date only, 505,000 hectares of the total 3.3 million hectares resettled have been taken from **State Farms**, with the balance acquired through commercial purchases. A variety of resettlement schemes exist with varying levels of infrastructure and varying amounts of cooperative ownership. There is opportunity for further resettlement using State Farms, thereby advancing Government's resettlement objectives while decreasing Government control over another area of production.

At the same time that the Structural Adjustment Program was being designed, plans were being made to alter the laws governing the ownership and use of agricultural land. At the end of 1990, after the ten year clauses of the Lancaster House Constitution lapsed, the Government amended the Constitution and introduced a bill giving the state broader powers for land redistribution. The ultimate objective is to divide Zimbabwe's agricultural sector into five divisions: resettlement areas (8.3 million hectares); large-scale commercial (5 million hectares); small-scale commercial (1.3 million hectares); state farms (2.4 million hectares and; communal (16.4 million hectares). The Land Acquisition Bill was unanimously approved by Parliament in March 1992. A much greater comfort level with the legislation has developed, as it has become obvious that the Government intends to proceed with caution, largely for economic reasons -- the cost of redistribution on the fiscus and the potentially detrimental effect on the economy of acquiring productive commercial agricultural land and turning it over to less productive resettlement farmers.

The Government's current policy, as agreed with the IMF, is to limit land acquisition in the period up until 1994/1995 to 3.5 million hectares of underutilized land. In a fundamental reorientation of the program, the Government has indicated that land for redistribution will be targeted to those with proven farming skills. For 1992/1993, a budgetary provision of Z$ 16.7 million has been allocated for the resettlement program. This is virtually unchanged from the previous year's provision and amounts to 0.1% of total Government expenditure.

D. ***FOOD***: Technological, Climatic and Marketing Constraints

Unequal access to and lack of ownership of arable land is a major contributor to rural poverty and is manifest in high rates of malnutrition on the marginal communal lands. Despite the progress made during the 1980's in broadening access to medical services in the communal areas, and Zimbabwe's traditional surplus production of grain, Zimbabwe still has unacceptably high levels of under-five malnutrition due to food insecurity at the household level. The communities most affected include children of commercial farm workers, communal farmers, and resettlement farmers.[46] The consequences of malnutrition are reflected in increased morbidity and mortality. Malnutrition also contributes to the onset and severity of many childhood diseases.

Until 1989, malnutrition was the leading cause of death among children 1-4 years of age and remains the third largest cause of death among this age group after respiratory infections and perinatal conditions. The cycle of malnutrition often begins when a undernourished pregnant woman in the communal areas gives birth to a low birth-weight child, who subsequently suffers from greater susceptibility to childhood infection and disease, retarded physical growth, and reduced mental development. As the table below and attached graphs demonstrate, stunting among children in the communal areas averages 37%, with the highest weight-for-age malnutrition manifest in Matabeleland North. A vast disparity is manifest in the prevalence of communal vs. urban weight-for-age malnutrition (see graph on following page). The following statistics emphasize the magnitude of malnutrition in communal areas:

INDICATOR	MEASUREMENT IN COMMUNAL AREAS
Percentage of 0-5 year olds stunted (height/age)	37% (1990)[47]
Percentage of 0-5 year olds malnourished (weight/age)	20% (1990)
Percentage of babies born with low birth weight	14% (1991)
Average rural household income	Z$ 480, compared with national average of Z$ 1,560 and urban/semi-urban average of Z$ 3,500

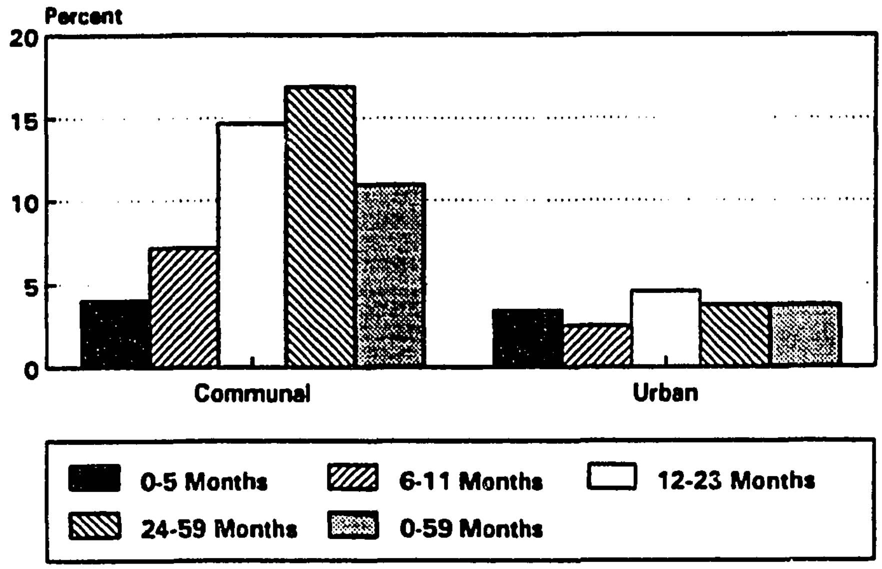
The rate of stunting, or chronic malnutrition compares with 34% for Mali, 38% for Niger, 34% for Rwanda, 37% for Togo, 39% for Ghana, 32% for Kenya and 25% for Uganda. This situation was aggravated with the recent drought. A large-scale nutritional survey conducted by the Ministry of Health and Save the Children Fund on 1,500 children under 5 years of age in Binga District in Natural Region V found that the incidence of stunting rose to 75% by December 1992, despite administration of a child supplementary feeding program.

---

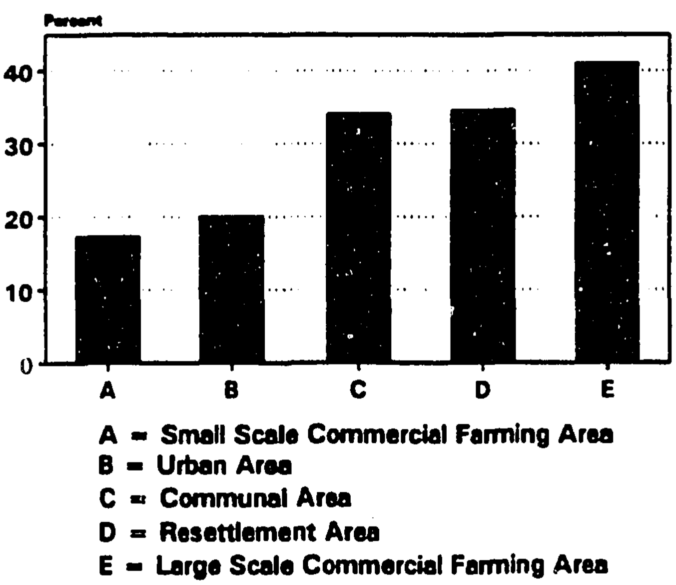
[46] National Steering Committee on Food and Nutrition, "The Nutrition Situation: Current Strategies and Plans", (Harare, Zimbabwe, 1989).

[47] M. Rukuni, T. Jayne, J. Tagwireyi and L. Rugabe, "Alleviating Hunger in Zimbabwe: Toward a Food Security Strategy", Background Paper Prepared for World Bank Agriculture Sector Memorandum, (Harare, Zimbabwe, 1990).

Weight-for-Age Malnutrition
Communal & Urban by Age Group (1988)



Prevalence of Stunting
By Residential Area (1985)



Despite some improvement in mild wasting in these children, enough to maintain body weight, it was inadequate for growth. The stunting is a consequence of long-term nutritional deficiency, a product of chronic rural poverty.

Poverty appears to be the major cause of protein malnutrition found in Zimbabwe. Despite the per capita daily caloric availability in Zimbabwe of nearly 2,300 calories in 1989[48], this figure masks vast disparity in income levels, expenditure patterns and food security. Approximately 50% of the more than 5 million people living in Zimbabwe's communal lands have cereal deficits of four or more months even in non-drought years.[49] Land pressure and poor resource endowment, and lack of appropriate technologies result in low productivity and incomes in rural areas. Combined with high population growth rates, household food security becomes an untenable goal.

Nearly 50% of Zimbabwe's population lives in the communal or resettlement areas, the vast majority in Natural Regions IV and V. Despite the climate, soil and topographical constraints of these areas, the predominant sou[illegible] household income is subsistence agriculture. According to Zimbabwe's [illegible] Health, nearly all of these households are considered to be food insecure a[illegible] social sector improvements since independence, food security has not appreciably improved over this period.

Food insecurity derives from three interrelated sources:

- inadequate production capacity;
- inadequate income to purchase food; and
- inadequate markets to ensure access to food.

The causes of food insecurity and potential opportunities to address these constraints are discussed below. The specific constraints in Zimbabwe include poor natural resource endowment, lack of appropriate technologies, and poorly functioning agricultural input and product markets which distort consumer and producer prices and limit market access to food products. The issue of high population growth rates and density relative to the resource base, is discussed in a Section II.B. Opportunities exist, however, to address these constraints, through a sustainable program of natural resource management and agricultural technology development coupled with expanding opportunities for rural grain trading to provide income and improve market access to food.

---

48 World Bank, World Bank Development Report 1992, (New York, Oxford University Press, 1992), p.272.

49 Half of this 50% or 25% of people in communal areas have food deficits for 5 months of the year.

1. Adaptation of Appropriate Technology

Maize is currently the leading food staple and dominates production in Zimbabwe. Hybrid white maize varieties which produce higher yields have improved significantly during the last ten years, with yields per hectare growing at 2% annually since 1980. In addition to the high yields provided, maize has become widely consumed as a subsistence food in Zimbabwe because of historical national subsidies and a well linked network of processing, wholesale and retail trade. Although maize offers the greatest pctential for commercial production in the short-term, with highest productivity in the limited regions of high and consistent rainfall, sorghum and millet play a critical role in the most impoverished and underdeveloped communities in Zimbabwe and remain widely planted in the semi-arid areas for their relative drought tolerance and taste.

The semi-arid regions, especially in Natural Regions IV and V experience low levels of average rainfall, and are subject to mid-season dry spells and periodic seasonal droughts. Low and uncertain rainfall makes cash cropping risky for all but drought-resistant crops. While maize hybrids may offer the best yields in good rainfall years, their susceptibility to lack of water and fertilizer makes them unsuitable for mainstay communal area production. While it is likely that farmers in Zimbabwe's semi-arid lands will always plant some maize to obtain an early harvest, for variety in diet and good yields during high rainfall periods, sorghum and millet are planted for variety, taste and food security. Traditionally, improved cultivars of sorghum and millet offer the best yields during the more common, less favorable rainfall years, while maize provides high yields under the most favorable, yet less common, high rainfall years.

Current yields for maize in Zimbabwe are the product of 30 years of breeding work by the National Agricultural Research Service, resulting in two cultivars remarkably well-adapted to Zimbabwe's climatic conditions. As a result of this exhaustive research, 90% of Zimbabwe's maize producers plant these hybrids. The dramatic increase in smallholder maize production (from 10% in 1980 to more than 60% of the total marketed crop in 1990) is attributed to the complementary factors of: dramatic increases in maize producer prices in the early 1980's; a commitment to strong research and extension support; improved access to credit, input and product markets; and the wider availability of hybrid maize varieties. Unfortunately, such investments and policy support have not benefitted sorghum and millet producers.

As the recent drought demonstrated, technological innovation in small grains, however, can play a fundamental role in improving the food security of communal farmers in the marginal rainfall areas. Major technological advances are being made by the research conducted by SADC/ICRISAT, (the Institute for Crop Research in the Semi-Arid Tropics) in its Sorghum and Millet Improvement Program (SMIP). Together with the national research program, ICRISAT has developed new and improved varieties of sorghum and millet, which when made available, will result in increased production and consumption of these two crops. The wider acceptance of the small, coarse grains and adaptation of improved varieties offer the potential for improving aggregate and household food security. Ultimately, improving the communal farmer's food security -- his ability to produce enough grain more consistently to meet household food requirements and his potential for earning cash income -- offers the promise of moving him from the edge of subsistence.

Since 1983, USAID/Zimbabwe, through the Southern Africa Regional Program, has provided US$ 31.1 million to support the research efforts of SMIP. The product of that investment, and that of CIDA and GTZ, proved invaluable during this most recent drought. USAID funding most recently supported a seed multiplication project to generate sorghum and millet seeds to supply Zimbabwe, Zambia and Namibia for the 1992/1993 planting season. This project and the seeds produced from it provided a "tremendous insurance policy"[50] for the region during the worst drought. It introduced the majority of small farmers to improved sorghum and pearl millet varieties, especially adapted to drought-prone areas. These varieties are harvested early, increasing the supply of grain when the previous year's stocks typically are depleted in Natural Regions IV and V. Continued progress in adaptation of varieties to local conditions and demonstration of new preparation methods offer the opportunity for higher productivity and greater acceptance of sorghum and millet for those most at risk.

Another important technological input in communal farming systems is livestock. While livestock is in part kept for cultural reasons and status, livestock play an important role in food security. According to research done for the Zimbabwe Agriculture Sector Memorandum of May 1991, there is a strong correlation between the absence or inadequacy of draft power and low crop yields, low per capita area cultivated and chronic food insecurity. It appears that draft power is essential to increased production and productivity of the cropped land.

The GOZ is playing a prominent role in the livestock technology in communal lands through: agricultural extension by Agritex; disease control by the Department of Veterinary Services; research by the Department of Research and Specialist Services (DR&SS) and agricultural planning by the Agricultural Development Authority (ADA). Donors involved in the livestock sector include: the CDC, working on small-scale dairy projects and livestock use in resettlement areas; the GTZ in improved animal husbandry, grazing schemes and farmer training; and the EEC in land use planning in the Zambezi Valley. USAID has also played a role in Heartwater disease control through research to develop a tick decoy which is now being commercialized.

2. Climatic and Natural Resource Challenges: Impact on Food Supply and Bio-Diversity

Zimbabwe is blessed with unique ecosystems that support a diverse yet diminishing stock of

[50] Dr. Lee House, Executive Director of ICRISAT project.

valued flora and fauna. Together with its Southern and Eastern African neighbors, Zimbabwe is home to a spectacular range of large mammals, living amidst savanna, evergreen montane forests, and along the shores of the Zambezi. Protected mammals include the aardwolf, bat-eared fox, cheetah, gemsbok, Lichtenstein's haartebeest, pangolin, black rhino, white rhino, roan, wild dog and brown hyena, complemented by an equally long list of rare species. There are approximately 600 bird species found in Zimbabwe, 43 protected under the Parks and Wildlife Act (1975). Similarly, the plant genetic diversity, especially in the Zambezi Valley, are of global importance.

Despite the seeming abundance of natural resources, these resources are at severe risk. The current rate of habitat degradation in the marginal rainfall areas is 10% annually. Furthermore, the very survival of unique species, dating back to prehistoric times, is at stake. In a three year period alone, from 1989 to 1992, the number of rhino within Zimbabwe declined from 1,500 to 300. Once the home to the largest herds of this species, the rhinoceros is at risk of extinction within this decade.

The land base of Southern Africa imposes severe limitations on conventional agriculture. The semi-arid savannas in Zimbabwe and open woodlands, especially those in Natural Regions IV and V, have limited productivity; surface water supplies are on the whole limited and droughts are an increasingly frequent phenomenon. The ecosystem is strained to supply the very basic subsistence requirements of food and firewood. The low carrying capacity of the marginal rainfall areas is being further eroded by over-grazing.

A paradox of abundant and diverse natural resources co-existing with rural communities plagued with poverty, malnutrition and underdevelopment presents itself. A contest for survival between rural communities and the wildlife of the area plays itself out to its natural conclusion -- the decimation of a species and the biological diversity of the region sacrificed for short term gains. Despite the uniqueness of Zimbabwe's wildlife resources to the global community, revenues from wildlife resources make an insignificant contribution to national income.[51] Population pressures exacerbate the conflict, pushing further subsistence agriculture onto unsuitable lands, inhabited by wild animals. Unfortunately, the national parks, plagued by insufficient capital and human resources, cannot adequately protect the animals. Animals crossing over the boundaries of the park wreak havoc on the contiguous communities, damaging their meager livestock and crop production.

The Southern Africa region, including Zimbabwe, faces an environment and development challenge of great urgency having global significance. In order to provide economic growth and sustain the region's unique biological diversity, it is necessary to increase agricultural productivity on favorable lands while developing alternative land utilization strategies for marginal lands before they are irreversibly degraded.

[51] Wildlife-based tourism generated Z$ 300 million in 1991, less than 1% of GDP, according to Zimbabwe Trust, Wildlife: Relic of the Past or Resource of the Future?, 1992.

An opportunity exists to demonstrate both technically and economically that wildlife utilization in areas only marginally suitable or completely unsuitable for agriculture offers a promising alternative source of income. Wildlife utilization, which has already been proven as a viable form of land use on privately owned marginal lands in Zimbabwe, can be extended to lands under communal ownership where wildlife revenues have yet to be realized, yet are most susceptible to commercial poaching. Unless exploitation of wildlife resources is managed, the region will be deprived of one of its viable and productive natural resources, and the promise of improving the social and economic well-being of the subsistence population will be lost.

In order to simultaneously conserve wildlife resources and generate income for marginal communities, efforts must continue to develop the capacity of rural communities to protect, manage and benefit from the utilization of wildlife through such activities as culling of overpopulated species, conducting safaris and selling trophies. In addition GOZ policies and legislation need to be developed to empower community organizations to utilize natural resources, including flora, fauna, forest, water and mineral resources, for profit. Women, as principal supporters of the rural household, will benefit through participation in income-generating activities derived from the natural resource base.

In communal areas, where collective ownership is the rule, land resources are held "in common" and rights are established "by use". While usufruct rights may be inherited, land holdings sub-divided and lease arrangements drawn up, it is theoretically impossible to buy or sell communal land. The emergence in Zimbabwe's communal areas of new and alternative land uses, creates new demands for access rights and proprietorship over resources held by the State and the need for transferring or establishing tenure over such resources. This is an area deserving of further study.

3. Agricultural Input and Product Markets

Despite significant accomplishments in agricultural production during the 1980's, annual growth in the agricultural sector averaged 3.0%, lagging behind population growth. One of the overriding concerns and remaining constraints to agricultural growth and food security is the one-way flow of grain through the official marketing system which has tended to drain supplies from the local market and exert upward pressure on prices. Given the unavailability of rural transport and uncertainty of grain supplies in rural areas, the system of agricultural marketing has created a high priority on rural food self-sufficiency, thereby constraining the prospects for further diversification of smallholder production.

The World Bank-assisted GOZ Agriculture Sector Memorandum posits that agricultural marketing is the most binding constraint to growth in the agricultural sector today. Agricultural parastatal losses are significant, amounting to 11.6% of the central government deficit including grants in 1990/1991.[52] Indeed the largest contributors to public enterprise losses are the agricultural marketing boards, with the Grain Marketing Board (GMB) responsible for the largest portion. Hence, agricultural parastatal reform is critical if the Government is to meet the deficit reduction targets specified in the Economic Structural Adjustment Program.

The key factor affecting performance of the marketing network in Natural Regions IV and V is the centralized control of the single channel marketing network exercised by the Government through the operation of parastatals and the system of administered prices.

Parastatal marketing boards are directly responsible for trading most commodities. Although significant progress has been made in the last two years in deregulating the operations of the parastatals, maize and wheat prices are still administratively determined, and all export commodities must be marketed through their respective marketing boards. A wide range of regulations and licensing systems govern the activities of traders, transporters and processors. The dominance of the parastatal marketing system has severely hindered development of other markets in rural areas. Under the assumption that communal areas are self-sufficient in grain, the one-way flow of grain through the official marketing system would present few problems; however, in deficit areas including in Regions IV and V, this system seriously restricts grain availability and inflates local prices.

Some of the important policy questions concerning agricultural marketing pertain to the balance between public and private marketing organizations in carrying out key functions. While it may be justifiable for the public sector to continue to play a leading role in such activities as stabilization of food supplies, there are opportunities for expanding the role of the private sector, especially the small-scale (black) sector. These include the low-cost extension of improved marketing services to remote rural areas which could more effectively be served by the small-scale trader.

Other factors impede further progress toward shifting marketing responsibilities to the private sector and the development of a private grain marketing system including: (1) a regulatory framework which adds costs and creates inefficiencies; (2) transport and infrastructure inadequacies; and (3) underdeveloped rural credit markets which do not provide adequate working capital.

-Policy and Regulatory Framework-

The private marketing of major crops in Zimbabwe is underdeveloped as a result of past policies which have discouraged the development of private sector marketing systems especially in the communal areas. National market controls have historically been viewed as tools of development. Market controls originally established to support large-scale

[52] With food imports, the 1991/1992 loss was 29.8% of the central government deficit.

commercial agriculture were extended after Independence to the small-scale agricultural sector. Despite the high cost and inefficiency of the system, market controls were presumed necessary to promote national food security, income support and stabilization, avoidance of middle-man exploitation and export crop promotion, thereby enhancing producer and consumer welfare.

Current GMB operations, movement restrictions, pricing controls, disincentives for private storage and lack of incentives for manufacture of less expensive maize meal have impeded the creation of a competitive private sector grain trading system. The single most important inhibiting factor to a more effective marketing network has been the regulation restricting the movement of controlled crops between large-scale commercial areas and communal areas and vice versa. The impact of the restrictions precluded direct sales to more distant grain deficit regions, with the effect of channeling most grain through the GMB and the industrial processing sector. The combination of high GMB trading margins and industrial milling costs has increased the consumer price of grain in deficit regions and reduced household food availability, access and nutritional welfare. As a result of a successful policy dialogue between USAID and the GOZ, unrestricted movement is permitted in Regions IV and V. Restrictions remain on entree' into Regions I, II and III, including the main urban areas.

Movement controls have also severely constrained the development of rural grain markets and traders. Intra-rural grain markets are virtually non-existent, and although trade is now permissible between Regions IV and V, the majority of informal traders lack sufficient information on rules governing grain trade and perceive grain trading as illegal. As a result, deficit households must rely on the purchase of higher cost industrially processed maize meal rather than directly benefit from the free movement of grain from surplus areas.

Furthermore, Government's pricing policy creates incentives that perpetuate the distribution of more expensive maize meal that caters to higher-income tastes, with potentially adverse consequences for food access among the poor. Retailers receive a higher profit per bag by stocking the more expensive maize meals -- roller meal and pearlenta -- than with the less refined and cheaper, more nutritious straight-run maize meal.

Ultimately, the reduction of the roller meal subsidy and decontrol of maize movement from smallholder to urban areas are both necessary to promote producer and consumer welfare within the maize sector. Addressing the roller meal subsidy issue alone would make small-scale milling and trading profitable but not legal; addressing the decontrol of maize movement would make small-scale trading and milling legal but not profitable. USAID is engaging the World Bank and IMF to work with the GOZ on the reduction of the maize subsidy, given the compelling impact of the subsidy on the budget deficit of approximately Z$ 800 million. USAID continues its dialogue with Government on the total elimination of movement controls to create more competitive food markets, with its potential impact on improving grain availability for rural consumers and increasing aggregate and household income and food security in communal areas, especially in the most food insecure drought-prone regions.

-Transport and Infrastructure Constraints-

The centralized road network promotes grain deliveries to the GMB depots from grain surplus regions. The major roads lie in large-scale commercial farming areas, with the major GMB depots and storage points located in the commercial farming areas, to support the extraction of grain to serve urban-based industries. The road network does not facilitate the movement of grain to food deficit areas, nor does it support the distribution of grain direct from surplus to deficit producers. This exacerbates the movement controls constraining the creation of intra-rural grain trade and an informal grain market. This constraint is being addressed by Zimbabwe's District Development Fund. Another significant constraint to food security in Zimbabwe's rural areas is the shortage of transport equipment in Zimbabwe, severely restricting the operations of the private market, raising marketing costs and diminishing farmer access to outlets. The development of a comprehensive and flexible private network of medium and small-scale trucks in rural areas is required for significant expansion of private sector marketing systems. ESAP's impact on foreign exchange availability is helping to address this constraint, as is Government's program to import more than 2,400 trucks. Further, the proposed World Bank Agricultural Development Fund would enhance the rural transport capacity in Zimbabwe.

-Rural Credit and Working Capital Constraints-

The grain marketing system is inhibited by transporters and traders' limited access to credit from formal and informal lending institutions, thereby effecting their competitiveness and very viability in grain marketing. The issue of rural credit is partly being addressed by the Government through loans administered by the Agricultural Finance Corporation (AFC) to producers, and more recently to agro-based enterprises. Donor finance is biased toward supporting seasonal and medium-term loans to farmers for farm production purposes (World Bank, AfDB, IFAD, EEC and DANIDA). A gap exists in the availability of non-seasonal credit to small farmers and small enterprises for grain marketing activities.

Rural traders can qualify for credit through the parastatal, the Small Enterprises Development Corporation (SEDCO), although demand has, in the past, exceeded its capitalization. A further source of rural credit is the Zimbabwe Development Bank. Government's increased allocation to SEDCO and the Zimbabwe Development Bank are helping to ameliorate the situation. Finally, the World Bank is addressing the adequacy and ready availability of rural credit in its proposed Agriculture Services Project with its Agricultural and Agro-industrial Development Fund, now being negotiated with Government. Its goal is to develop competitive commercial channels for lending to a wide range of rural agricultural enterprises. It is critical that these activities go forward in consideration of the importance of promoting rural enterprises as a means of increasing rural incomes, increasing food availability and increasing food security.

Hence, opportunities exist to address the fundamental problem of rural poverty in Zimbabwe. Approaches include: income enhancement by exploiting the natural resource endowment of the region through a sustainable program of natural resources management and sustainable agricultural technology development; and expanding rural enterprise to enhance household income opportunities while addressing policies to increase food market efficiency. Simultaneously, efforts must be made to contain the population growth rate that threatens the natural resource base, especially in the arid regions of the country, and makes household food security an even more elusive goal.

E. ***SHELTER***: Financial, Policy and Technological Constraints

While Zimbabwe is not your typical "basic human needs" country, with adequate access to education, potable water and health services, access to shelter is severely restricted, especially among the low-income groups. In order to appreciably improve the household living standard in Zimbabwe, access to adequate housing must be ensured across all income levels.

The housing delivery system in Zimbabwe is one of the most efficient in Sub-Saharan Africa. Nevertheless, the system has been unable to satisfy current demand, particularly for low-cost housing. For the higher income group, the private sector serves as developer and financier; however, delays exist due to capacity constraints in the construction sector and developers' inability to secure urban land for shelter. The problem is more acute for low-income households, in part because of Government's role as the primary provider of shelter, a role inherited from the pre-Independence era, with the private building societies assuming an increasing role in financing low-cost mortgages.

The rate of urban migration has accelerated in recent years, with the urban population growing from 17% in 1980 to 28% in 1990. Urbanization is proceeding at an annual rate of 6%, and the Government has estimated that 40% of the population will reside in urban areas by the end of the decade. Despite average annual production of 12,000 to 14,000 low cost units over the last five years, this represents but one-third of low-income urban housing demand. Continuation of the supply shortfall will result in an additional 1 million inadequately housed residents in Zimbabwe's cities by the year 2000.

Three major impediments to increased low cost housing creation in Zimbabwe exist, all related to inappropriate sector policies. These include:

- constraints to the construction and building materials supply industries;
- shortage of low-cost housing mortgage finance; and
- constraints on urban land acquisition and development by the private sector.

In brief, the lack of foreign exchange for the construction and building materials industries has created a severe shortage of plant and equipment, resulting in low levels of efficiency and a 35% decline in capacity utilization during the last five years. The critical shortage of private sector housing finance has all but stopped new construction. An additional Z$ 1.75 billion in housing finance will be required from 1992 through 1997 to satisfy the needs of low-cost shelter financing. These two constraints are exacerbated by a series of regulatory obstacles which limit the servicing of urban land by the private sector and unnecessarily elevate the cost of such housing.

1. Construction and Building Materials Supply

The construction sector represents 6.5% of GDP with an annual turnover in 1990 of US$ 350 million, employing nearly 84,000 formal sector employees; yet, given the foreign exchange constraints confronting the sector, capacity utilization continues to decline. A recent World Bank study found that half of the construction sector's equipment was more than 10 years old, with an additional 33% more than 15 years old. Nearly 85% of the industry's vehicle fleet needs to be replaced. The cost of operating with antiquated equipment is estimated to be Z$ 33.5 million annually, costs which are eventually passed onto the consumer. The immediate foreign exchange requirements of the construction sector total US$ 87 million with another US$ 30 million annually for maintenance and repairs.

Capital deficiencies are worsened by underutilization of the skills and resources of black building contractors who comprise the majority of construction firms in Zimbabwe. Like in so many other sectors, construction sector work is dominated by a minority of firms. Of the hundreds of construction contractors in the country, 42 firms have received 75% of the domestic construction projects. This is aggravated by the fact that the majority of these 42 firms are not owned by black Zimbabweans.

These smaller contractors are not constrained by lack of technical artisan skills, but rather by lack of construction management skills, including the ability to prepare tenders, develop procurement schedules and secure financing. It is estimated that if the construction sector could better service domestic demand through better access to plant and equipment and improved utilization of small, domestic contracting capacity, over Z$ 300 million per year could be realized.

2. Low-Cost Housing Mortgage Finance Availability

The second major constraint confronting the shelter sector concerns the liquidity of private housing finance institutions. The Ministry of Public Construction estimates that demand for urban low-cost housing units will be approximately 1 million units by the end of the decade. It is estimated that the shortfall between building societies' available finance and total demand between 1990 and 1995 will be Z$ 1.75 billion.

Differential administered interest rates between that allowed building societies versus commercial banks and the Government-owned Post Office Savings Bank have biased depositors toward these latter institutions, creating the threat of decapitalization and a growing waiting list for mortgages at all income levels. The solution is the removal of the system of administered interest rates and the creation of additional mechanisms within the private sector to raise housing finance. A revised system would allow the building societies to raise funds on the capital market as and when required without excessive Government intervention.

3. Urban Land Acquisition and Development

Acquisition of urban land and development of off-site and on-site infrastructure has traditionally been the responsibility of the local authorities. A number of policies currently constrain the private sector from entering into the urban land acquisition and development process for low-cost shelter:

- public/private sector inequities related to financing the cost of off-site infrastructure;
- constraints related to local authorities borrowing from the private sector;
- difficulties confronting private developers in bringing urban land onto the market;
- inappropriately high land use standards; and
- unaffordably high minimum building standards.

The present policy employed by local authorities with respect to cost recovery on public low-cost housing permits full recovery of the capital costs of off-site infrastructure through uniform tariffs. In contrast, the private developer must recoup the cost of both on-site and off-site infrastructure related to the housing unit in the initial price of the plot, effectively making privately developed plots higher priced than equivalent units developed by the public sector. In effect, there is a subsidy for publicly developed low-cost housing projects not extended to private developers.

Outdated zoning plans serve as an effective barrier to the acquisition of urban land by private developers. Furthermore, delays in the land delivery system across all income levels are created by a shortage of surveyors, many of whom have left the Country for more competitive remuneration. According to the Ministry of Lands, Agriculture and Water Development which has responsibility for land surveying, a 20-month backlog exists for surveying in the urban areas alone.

Zimbabwe's land development standards are excessively restrictive by international standards, causing undue expense and urban sprawl. These standards place unnecessary burden on the already strained urban transport sector, infrastructure services and in areas such as Harare, encroach on what otherwise might be arable farming land. Examples of excessive standards include minimum plot sizes of 300 square meters and low-cost housing schemes which use an average of only 40% of available land for shelter. Like land standards, current minimum building standards are inordinately high, contributing to cost. These standards include units' minimum size, infrastructure, and building materials. It is estimated that 60% to 70% of the households presently on local authorities low-cost housing waiting lists cannot afford Government's minimum requirement to construct a four-room house.[53]

In conclusion, economic growth in Zimbabwe has been impeded by the investment climate, Government regulatory structure, financial and capital market constraints, human and technical resource constraints and increasingly the impact of AIDS. Incomes have been eroded by limited employment opportunities, continued population growth and AIDS. The need to address equity issues can no longer be denied and is indeed, a political reality. The GOZ's has responded to the need to address inequities in land distribution through new land legislation. The need to ensure increased black ownership of Zimbabwe's economy must be addressed through removing the barriers to their entry into the economy -- infrastructure constraints, regulatory impediments, lack of capital an inappropriate technical and managerial skills. Food security or lack thereof is another manifestation of inequity in Zimbabwe. While the majority of the population is food insecure, a significant minority, those residing in the communal areas in Natural Regions IV and V, remain food insecure. This is a result of inadequate market access to food, inadequate access to appropriate technologies and reliance on a single source of income, subsistence agriculture. The barriers to access to basic shelter resemble that in other areas: inadequate finance, inadequate technology and inappropriate policies. And while Zimbabwe's health services are on the whole adequate the need to address the economic and human impact of continued growth in population and AIDS is compelling.

III. What Other Organizations are Doing to Address Constraints and Take Advantage of Opportunities for Sustainable Development in Zimbabwe

A. GOZ Development Policies and Priorities

The Transitional National Development Plan and the First Five-Year National Development Plan (1986-1990) were formulated in an economic and social environment in which Government controls were assumed, monopolistic practices prevailed and priorities lay in the protection of the economy and redressing social equity imbalances. The Government of Zimbabwe is now embarked on far-reaching socio-economic reforms in order to establish an appropriate climate for the realization of new growth-oriented development goals. These objectives were elaborated in the Second Five-Year National Development Plan (1991-1995), published in December 1991, which introduces the Economic Structural Adjustment Program. The goals of ESAP, as discussed earlier, are to promote productive investment and employment creation in order to attain dynamic and sustainable growth and a more equitable distribution of income. It is designed not merely as a framework for stabilization or adjustment, but also as a guide to restructure the economy across all sectors to ensure sustainability.

[53] Colleen Butcher, Land Delivery for Low Cost Housing in Zimbabwe, Phase 1: Draft Report of Findings, (Harare, Zimbabwe, October 1989).

As expressed in the Second Five-Year Plan, Government envisions a more complementary relationship with the private sector in the future, with the public sector providing a positive environment for investment by the private sector. Among its development priorities are the development of the productive sector, especially for export promotion, and rural development to accelerate the eradication of poverty in rural areas. The public sector will also assume responsibilities of increasing the "participation of indigenous people in productive activities as well as pioneer areas of economic activity in which the private sector may be reluctant to venture".[54] Government has committed to facilitate the preparation of projects and financing arrangements for indigenous entrepreneurs, in order to promote greater black participation in the economy and to increase equity in the distribution of wealth. Government, in this regard, is committed to "encourage, where feasible, foreign investors to go into joint ventures with local investors - indigenous and other - in those areas of economic activity where foreign investors may invest".[55]

The Second Five-Year Plan emphasizes rural development as the basis for poverty alleviation, justifying the approval of the Land Acquisition Act and numerous labor laws to address income distribution in the formal sector. The broad outlines of the Program will move the economy to a targeted growth rate of 5% of GDP per annum with an investment ratio of 25% of GDP. With the reduction of the budget deficit to below 5%, increased exports, and expanding investment, employment generation is anticipated to result. In addition, the Government has formulated policies to promote conservation of the environment, advances in science and technology, and reduction in the population growth rate through an ambitious family planning program making available resources for family planning programs in urban and rural areas. Similarly, GOZ recognition of the AIDS epidemic resulted in it declaring a "War on AIDS" during the Plan period and beyond.

The GOZ's strategy for future development emphasizes productive investment, rather than the economic and social infrastructure investment of the 1980's. Its development strategy rests upon three fundamental premises:

- increasing the rate of savings and channelling these into productive investments;
- achieving expansion in trade; and
- encouraging the operation of market forces.

In order to achieve these objectives, the private sector is expected to play a leading role in generating jobs, promoting economic growth and accelerating exports, and the GOZ will create an incentive structure to support this. Zimbabwe's national development plans and structural adjustment warrant continued and growing levels of U.S. assistance to assist it in

---

[54] Government of Zimbabwe, Second Five-Year National Development Plan, 1991-1995, (Harare, Zimbabwe, December 1991).

[55] Ibid.

its movement toward a market economy and a pluralistic government. The proposed USAID strategy and program interventions support GOZ plans and strategies.

B. Role of Foreign Aid in Zimbabwe's Economy

Although Zimbabwe's GDP categorizes it as a lower middle income economy, this classification masks vast disparities in the ownership structure and income distribution in the country, which is, and will, limit the country's growth and development unless redressed. According to the World Development Report, 1992, Zimbabwe is ranked among the least aid-dependent countries in Africa, receiving an average of 5.5% of GDP through official development assistance, or US$ 35 per capita in 1990. This compares with: Mozambique 65.7% of GDP (US$ 60 per capita); Tanzania 48.2% of GDP (US$ 47 per capita); Malawi 25.7% (US$ 56 per capita), Zambia 14.0% of GDP (US$ 54 per capita); and Kenya 11.4% of GDP (US$ 41 per capita). Although Botswana, whose GDP per capita exceeds US$ 2,000 per annum also received 5.5% of GDP through ODA receipts, this resulted in the highest per capita aid receipts in the region of US$ 118.

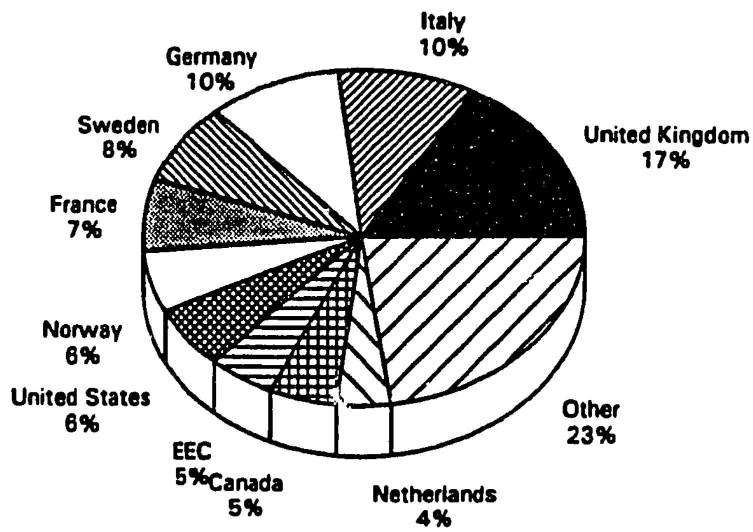
In the early 1980's, when the priority was rehabilitation and reconstruction, multilateral aid flows accounted for 30% of total official development assistance (ODA). Thereafter, however, bilateral aid has been of growing importance and between 1980 and 1991, 80% of all official aid has been channeled through bilateral sources. Western donors, principally members of the Development Assistance Committee (DAC) of the OECD, have been Zimbabwe's major source of aid. The contribution of European Community (EC) donors, (both bilateral and EC assistance), to total official aid to Zimbabwe has increased during the 1980's, rising to 57% of all ODA by the late 1980's. Given the foreign exchange constraints of the past decade, bilateral commodity import programs were prominent among donor programs, with commodity aid to Zimbabwe provided by Canada, Denmark, France, Germany, Italy, the Netherlands, Norway, Sweden the UK and the USA. The continuation of donor aid is based on the perceived needs and opportunities in Zimbabwe to meet development challenges.

In 1991, Zimbabwe received a total of US$ 347 million in development assistance, representing an increase of 2% over the previous year's adjusted figures. Of the total amount of US$ 347 million disbursed in 1991, 18 bilateral donors contributed US$ 288 million or 82% of the total. The other contributors were the non-United Nations multilateral aid institutions with US$ 28 million or 8% of total, the United Nations System with US$ 25 million or 7% of total, with NGO's accounting for just over US$ 5 million. The top five donors were the United Kingdom, Italy, Germany, Sweden and France, followed by the United States,[56] EEC and Canada. (See graph on following page - Top Ten Donors.) Of the total US$ 347 million received in external assistance in 1991, 67% was in grant form and the balance was provided as concessional loans. As in previous years, 39% of the assistance

[56] U.S. disbursements include SARP project disbursements in Zimbabwe.

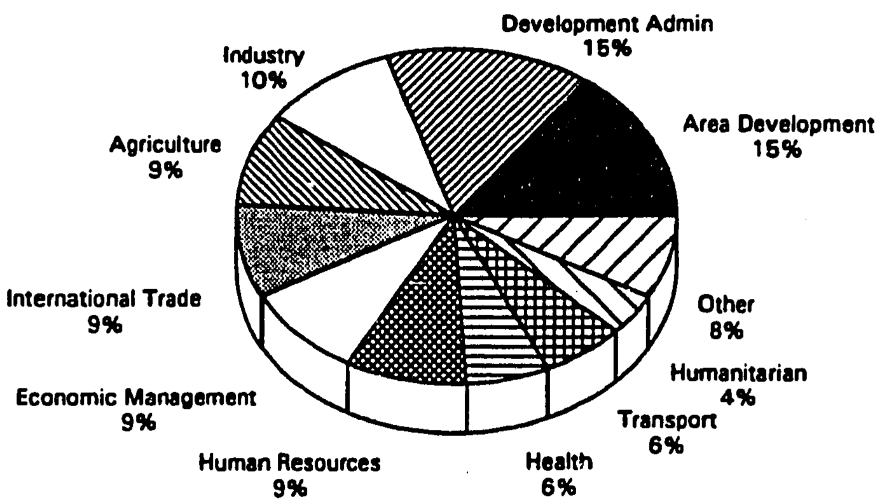
Top Ten Donors

1991 Total : US$ 347 Million



Top Ten Sectors

1991 Total : US$ 347 Million



was in the form of free-standing technical cooperation, with the second largest category, investment project assistance (28%) followed by balance of payments support (24%). Sectors of concentration are shown on the graph on the following page - Top Ten Sectors.

With the implementation of the Economic Reform Program, additional external finance of US$ 3.2 billion in foreign exchange was identified for the 1993 and 1995 period to support Zimbabwe's structural adjustment, provide for short-term food imports and increase investment. To date, the principal support for ESAP has come from the multilateral donors, specifically the World Bank, IMF, African Development Bank and the European Community, with valuable additional balance of payments support provided by Italy, Japan, UK, Sweden and the United States. As is shown on the following page (Graph - ESAP Commitments - 1992 and 1993), multilateral lending, principally from the World Bank, IMF and African Development Bank contributed 53% to the total financing requirement this year for ESAP. At an average OYB of US$ 22 million, the U.S. will bilaterally contribute approximately 2% of ESAP financing.

During the critical drought period of 1992/1993, the GOZ commercially procured 1.2 million tons of maize of its total national maize requirement of 2.4 million metric tons (from January 1992-May 1993). The GOZ's significant commercial maize purchases were supplemented in largest part by the U.S. Government which provided more than 700,000 metric tons, with the World Bank (250,000 metric tons), EEC (60,000 metric tons) and Australia (8,000 metric tons) also helping to fill the maize gap.

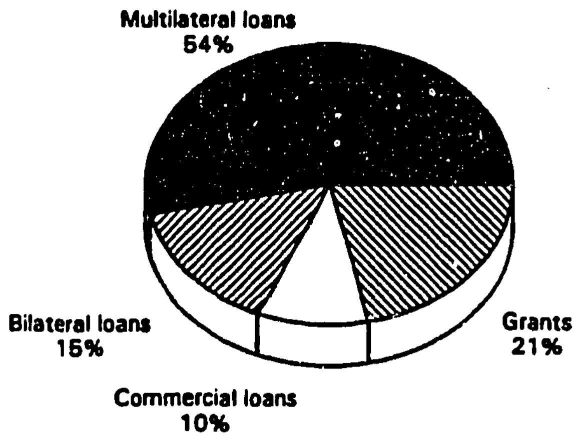
A summary of donor/NGO participation in the various sectors of strategic importance are identified in Annex K, as well as in the discussion of USAID/Zimbabwe's Country Development Assistance Strategy (Section IV.). Based on donor statements and pledges at Consultative Meetings, the donors believe the GOZ's ESAP is sound; therefore, assuming continued GOZ implementation of the Program, donors will continue to provide the amounts and types of aid required to support ESAP. The U.S. Government maintains a high profile within the donor community and are looked to by other donors for critical evaluation of Zimbabwe's developmental and structural adjustment performance.

C. Effectiveness of Donor Coordination

The main GOZ agency for aid coordination is the Ministry of Finance, which is responsible for coordinating economic policy issues, the national budget, public sector finance, investment programs and external aid activities. ~~The GOZ~~ National Planning Agency evaluates all projects prior to their approval, ensuring consistency with the development plans, while the Reserve Bank plays a pivotal role in the monitoring and management of capital inflows and external debt. There are a multitude of aid organizations, and hundreds of NGO's, PVO's, and Missionaries assisting in Zimbabwe's development.

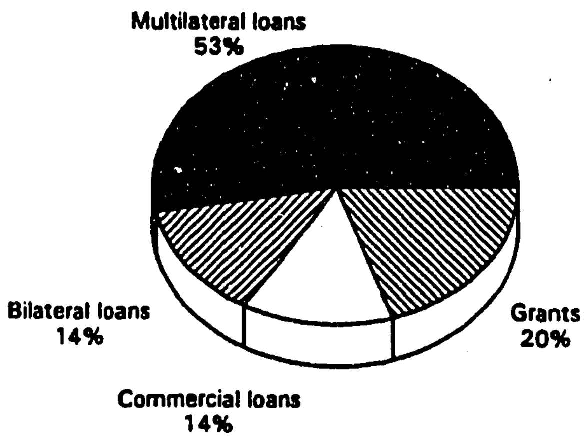
UNDP is involved in several aid coordination activities with the Government. In addition, Zimbabwe has joined the Consultative Group mechanism, providing another level for annual

ESAP Commitments - 1992



Total = US$ 1.024 Billion

ESAP Commitments - 1993



Total = US$ 1.406 Billion

consultations at the macro-economic level. With regard to the drought, even before the joint UN/SADC donors conference in Geneva in June 1992, on-going coordination meetings, convened by the UNDP, were held in Harare to monitor drought relief responsiveness and coordination. USAID's coordination with other donors is conducted at several levels. USAID project managers are tasked with regular and recurring coordination with other donor project officers regarding all matters relative to the implementation of their projects. USAID Division Chiefs coordinate with donors on sector policies of mutual interest. The Director and Deputy Director engage other donors on broad national development perspectives and specific sector and project problems of mutual interest. Effectiveness of donor coordination is adequate but could be improved through stronger GOZ efforts if it were not for their fears of donors "ganging up" to press them on matters they believe not to be in their interest. There is usually excellent coordination during planning and design stages with coordination effectiveness during implementation constrained by staff time limits.

D. Overview of AID's Role and Experience in Addressing Constraints and Exploiting Opportunities

The United States program of economic assistance to Zimbabwe began with the country's independence in April 1980. Through 1992, US$ 623 million had been committed bilaterally, including US$ 305 million for development programs, US$ 162 million in food aid, US$ 65 million for housing guaranty loans, and US$ 91 million in SARP assistance to directly benefit Zimbabwe.

AID's strategy during the first half of this period supported Zimbabwe's reconstruction and equity policies. In the second half of the 1980's, USAID focused on expanding productive capacity in the modern sector of the economy, increasing agricultural productivity and income among small-holder farmers and reducing the population growth ~~rate that~~ is adding hundreds of thousands of school-leavers each year in a labor market that can absorb ~~but~~ a fraction of them. Increasingly, our strategy has shifted to focus on the private sector. AID's program during the 1991-1993 period was designed to support the private sector's capacity to respond to the liberalized economic environment ~~implied under~~ ESAP and support sectoral objectives in selected areas such as grain marketing, housing, family planning, natural resources, transport, manpower training and pilot interventions in business development. A summary of achievements in the various sectors USAID has been involved in appears in Annex L.

IV. Country Development Assistance Strategy: Program Logical Framework

A. Development Process Incorporating Lessons Learned

The writing of the Country Program Strategic Plan for Zimbabwe is the result of a year-long evolutionary process both within the Mission and within Zimbabwe itself. Zimbabwe's official designation by the Africa Bureau as a "focus country" in May 1992 is a reflection of Zimbabwe's progress in beginning to unravel its statist, command economy trappings and to clothe itself with more open, market-oriented policies. Even before the official increase in the annual development assistance level from US$ 10 million in 1992 to US$ 19.5 million in 1993, Zimbabwe's very significant progress in endorsing the structural changes required to reform its economy won recognition from the Africa Bureau -- US$ 10 million in Africa Economic Policy Reform Program funds were awarded to support reforms in the housing finance sector in the 1992 fiscal year.

USAID now has thirteen years of bilateral aid experience in Zimbabwe, following almost ten years of regional assistance with Rhodesia before then. Our involvement in broad macro-economic and national development plans, and the work in a wide range of development sectors and projects gives sound experience for analyzing Zimbabwe's prospects and choosing AID's comparative advantages.

In business development and promoting private sector growth, we gleaned lessons relating to policy constraints, and continuing GOZ suspicion of the private sector, especially its racial imbalance. Fundamentally, we have discovered that there is an entrepreneurial spirit in this culture that can be unleashed for growth. From the multiple studies undertaken we learned:

- the productive sector in Zimbabwe remains highly concentrated with the GOZ maintaining a large stake in the economy through both direct ownership and indirect controls;
- deregulation and a positive climate must be created to attract growth-oriented private investment;
- employment creation and broader income opportunities will result from de-controlling small businesses to increase new start-ups and expand existing enterprises;
- the small enterprise sector is dominated by knitters and crocheters largely because of regulatory barriers to entry into other small businesses;
- despite initial interest, the potential growth of smaller businesses through business linkages (such as business spin-offs and sub-contracting by large businesses) in Zimbabwe is limited. Export processing zones may be more acceptable because of personal gain than openings for private sector-led growth of exports;
- in order to target the small business sector through IESC, a cross subsidization policy must be maintained;
- credit, technical management and marketing training are critical to business growth;
- the GOZ will not open the economy to broaden private participation until it has been demonstrated that blacks have an opportunity to participate as owners in the economy.

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

With regard to social service delivery, AID's involvement with the Basic Education CIP and local currency projects in the social sectors, leaves strong impressions that Zimbabwe has grown from a basic human needs status but there are important poverty, food security gaps that need to be addressed. Despite the progress made through various AID agriculture and food security projects and supporting initiatives funded through SARP projects, it has become increasingly evident that project assistance alone cannot ensure the transformation of the agricultural sector in the absence of agricultural policy reforms. This in-depth experience in agriculture and food security gives us a comparative advantage among donors to focus on these sectors. Our involvement in the natural resources sector in Zimbabwe provides evidence that community-based natural resources management is technically, socially, economically and ecologically viable for increasing household and community incomes for the most food-insecure sector of the population.

USAID has had a long-standing involvement in family planning delivery services in Zimbabwe. A still unmet challenge to be addressed in our future program is that of sustainability and method diversification. In addition, building on the experience of the past few years in Zimbabwe, USAID/Zimbabwe is embarking on a bilateral project to address the need to effect behavioral change to reduce the incidence of HIV/AIDS among target populations in Zimbabwe. Given the magnitude of the problem, the Mission intends to initially target interventions to high risk groups, and expand on the successful experience gained to date on workforce interventions.

In the area of human/technical resource constraints, lessons learned from the BEST and ZIMMAN I project have taught us that we no longer need to be involved in public sector education nor degree training. Our previous involvement in this sector also informs us that human resources training is still required to support business expansion, complemented by training for policy makers to enable them to transform the policy and regulatory structure in Zimbabwe to one that supports the entrepreneurial class.

In housing, as a result of the strong professional relationship developed between the Ministry of Public Construction and National Housing and USAID over the years, we have gained an understanding of the underlying constraints to the provision of low-cost shelter and will continue to leverage reforms that will expand the private production of low cost shelter through: a) increasing efficiency and capacity in the private construction sector; b) expanding capital market opportunities to finance shelter; and c) reducing and rationalizing Government's involvement in urban land and shelter development. The long-term goal is to shift responsibility for the provision of shelter from the public to the private sector. As in the agricultural sector, it was recognized that financial and infrastructure constraints alone do not ensure sustainable development, and without specific sectoral policy reforms, the GOZ will continue to remain dependent on donors to address developmental priorities. Our familiarity with the housing and construction industries has taught us much about problems impeding black participation and ownership in private sector growth.

The Mission's support for macro structural adjustment is part of an on-going dialogue pursued with the Ministry of Finance, and the various sectoral ministries the Mission deals with. The Mission has come to recognize that structural adjustment is a medium-term process, and given the commitment by Government to stay the course, donors such a USAID must shape their portfolios to support Government efforts. All donors believe GOZ is generally on course with ESAP, and must be supported to pass through the painful transition.

With regard to women's economic and social role in Zimbabwe, the Mission has learned that unless policy and regulatory constraints to a greater role for women in the economy and society as a whole are addressed, development benefits to women will continue to marginalized; therefore, the Mission is attempting to incorporate such concerns into new project interventions.

Zimbabwe, and the Southern Africa Region as a whole has learned much from the SARP-funded support to the transport infrastructure of the region. The SADCC Transport Efficiency Investment Prioritization Assessment Report (STIPA Report) of August 1991 documented that transport infrastructure in the region was adequate and what was still required was to effect improvements in efficiency and capacity utilization to support the landlocked private sector to grow under ESAP. The Mission's continuing work on NRZ is addressing this efficiency issue through restructuring and hopefully, in the end, privatization, with expanded opportunities for black ownership.

Gleaning from these lessons, and the recognition of social progress but economic stagnation in the 1980's, the Mission decided it needed to promote economic growth to complement the framework established under ESAP. During the past year, the Mission pursued an analytical agenda to better understand the structure of the economy, as well as motivating factors for and binding constraints to private sector growth in Zimbabwe. Among the studies undertaken was: a GEMINI analysis of small and medium-scale enterprises in Zimbabwe (October 1991 - January 1992); the funding of a long-term small and medium enterprise technical advisor (January 1992 - June 1993); an exploration of the potential establishment of Export Processing Zones (September 1991 - January 1992); a review of the existing structure and potential for enhancing business linkages (Zimbabwe: Business Linkages, July 1992); a Study of Monopolies and Competition Policy in Zimbabwe (September 1992); and a Telecommunications Sector Scoping Study for Southern Africa (December 1992). Many more analyses were conducted in the areas of grain marketing, family planning, AIDS, railroad efficiency, and scenarios for a post- apartheid Southern Africa. These activities complement the on-going studies by and dialogue with the World Bank and IMF on progress on structural adjustment and our on-going monitoring of ESAP performance through quarterly economic reports and participation in the Consultative Group Meetings. Most recently, the Mission's support for the FIAS team has given us strategic insights into the need for the supply-side response from the private sector required for resurgence in economic growth.

In meeting the Africa Bureau's threshold tests for designation as a "focus" country, Zimbabwe's progress in pursuing specific elements as part of a prescribed democratization/governance agenda was assessed. It was recognized that all of the elements of democracy were in place in Zimbabwe, and while some of Zimbabwe's institutions could be strengthened to improve representation and governance, Zimbabwe was following an acceptable path toward meaningful multi-partyism.

The Mission's longstanding involvement in food security issues in Zimbabwe were highlighted during this most recent, and most devastating drought. As the Famine Early Warning System (FEWS) team assisted with targeted food methodology, we learned more about chronic poverty and malnutrition. Concurrently, the Regional Drought Emergency Relief and Recovery project, which provided technical and logistical support for the delivery and distribution of approximately US$ 160 million in drought relief food taught us new lessons on transport performance for this landlocked country while PVO/NGO response lent new insights into their strengths and weaknesses.

In developing the CPSP, the Mission drew on extensive participatory channels we have in place: Zimbabwe Farmers' Union and Commercial Farmers' Union collaboration on marketing reforms conveying the views of the 800,000 communal, resettlement, small-scale and 4,600 commercial farmers; USAID-funded and managed ICRISAT research on drought-resistant sorghum and millet for people living on the marginal lands; social science research, collaboration with key NGO's and district administration reviews with people living on communal lands providing grassroots participation in shaping strategic ideas; and dialogue with representatives of rural traders, millers and transporters structured around grain marketing reforms to be further facilitated by a new research contract now being advertised. The views of the rural poor were again heard from: the contracts we put in place to monitor vulnerability of people and locales identified by the Famine Early Warning team; the social welfare workers delivering food to 5.4 million drought-affected people; and PVO representatives with whom we met weekly at the height of the drought and whom we monitor, administering centrally-funded grants.

Similarly, people-level insights into business, micro-economics and the productive sector came through multiple participatory channels: regular meetings with the Indigenous Business Development Center which represents more than 5,000 black businesses; structured scientific research on business linkages, EPZ's and competitiveness; GEMINI interviews of 5,600 small and micro-enterprises; participation in the small-business coordinating network; frequent feedback from field trips by USAID/Zimbabwe American and local professional staff; dialogue through multiple PVO meetings; feedback from the people surveyed and reached by the contraceptive social marketing contractor; businesses and farmers who are implementing workplace family planning and AIDS programs for their employees; and ZIMMAN II's meetings in 11 towns and cities with hundreds of business representatives in March 1993.

In summary, the Mission has engaged multiple people and participatory channels to shape the recommended strategy.

Opportunities for expanded GOZ dialogue, especially on such sensitive issues as movement restrictions and subsidies on grain, were provided by our food aid involvement. Issues included the potential for sorghum and millet in drought-prone areas, as demonstrated by its acceptance as relief food and the desirability of improved seeds during this past drought year. The drought taught the Mission to work even more closely with the Department of National Parks and Wildlife Management and such NGO's as CAMPFIRE, ZIMTRUST and CASS to look for ways to expand opportunities for community-based resource utilization in marginal areas. The continued analysis of policy constraints in grain marketing through support of three researchers at the Ministry of Lands and Agriculture highlighted opportunities not only for more available grain, especially in rural areas, but employment opportunities in grain milling, trading and marketing.

Pervasive family planning and AIDS issues that impact Zimbabwe's development have been factored into the analysis. The challenge in family planning are sustainability and correlation of high contraception rates with little impact on fertility. These are continuing to be addressed with the on-going dialogue between the Mission, the GOZ, involved NGO's and centrally-funded cooperating agencies and family planning implementing agencies. The recognition of AIDS as a problem with overwhelming economic and social significance has been incorporated into the CPSP development process, with the design of the AIDS project now underway for FY 1993.

The week of November 9, 1992, was formally devoted to listening, and brainstorming on an appropriate construct for our strategy for the next five years. Representatives of key Government Ministries, the donors, the NGO/PVO community and the private sector were invited to a day-long session and we listened. After exchanging ideas, Mission staff drafted our first construct of a program logframe. During the next month, a series of inter-office meetings was conducted at which time, the linkages in the proposed logframe and objective tree were tested and modified. Preliminary indicators were developed and attempts at quantification made with methodological help by a REDSO/EA analyst. It was the intent of the Mission not to attempt any interventions where impact would not be manageable nor measurable. As a result of this process, the original logframe was modified to bring it to a level within the Mission's manageable interests, in terms of staff and budgetary resources and realistic impact expected.

The drafting of the CPSP proceeded, with a preliminary review with a senior-level AID/Washington team the week of February 22nd. In all, the process was a participatory, collaborative one, both with our counterparts in Zimbabwe and within the Mission. We believe that the strategy presented later in this section represents the best multi-input thinking and has the Mission staff "ownership" necessary for successful implementation in the years ahead. When accepted by AID/Washington, it will be reviewed in depth with the GOZ, organizations representing disempowered Zimbabweans, private business representatives, other donors, NGO's and all implementors to ensure maximum collaborative efforts for successful implementation.

B. Centrally-Funded Foreign Assistance Act Activities

Zimbabwe is blessed with a positive development image, wonderful people, many competent counterparts, links to like-minded professionals outside, pleasant climate, English language, accessible transport, and an almost desperation for additional resources. This makes Zimbabwe an inviting natural laboratory for AID Foreign Assistance Act (FAA) centrally-funded contractors, grantees, PVO's/NGO's, universities, institutes, researchers, seminars and workshops. Along with bilaterally-funded cooperating agencies, these organizations can bring fresh comparative insights, extend outreach and multiply impact. However, the shear number and diversity of requests for these organizations to work in Zimbabwe has reached unmonitorable levels. Also the criteria for country clearance -- do they work within the Mission's strategic objective -- is often overridden with the criteria -- are they politically important to someone. A long established management precept on centrally-funded activities has been: the AID/W project officer manages the activity, while the USAID monitors their work in the field and keeps the AID/W project manager informed of any significant developments with the cooperating agency. The number of FAA, centrally-funded activities in Zimbabwe greatly exceeds Mission capacity to implement that precept.

An issue for CPSP review should be the criteria for country clearance and USAID's responsibilities for centrally-funded activities in Zimbabwe. This has reached a level far beyond our monitorable interests and we must either be relieved of field monitoring responsibilities, or reach more workable criteria for limiting country clearance.

C. Analytical Criteria

The following filters were applied when evaluating the inclusion of any of the elements of our strategic framework:

- impact on economic growth and broadened participation in Zimbabwe's economy;
- GOZ absorptive capacity;
- complementary activities of other donors;
- AID's comparative advantage;
- Mission's ability to implement the strategy in terms of staff and budgetary resources including space constraints,
- synergism and linkages between and among strategic elements;
- U.S. foreign policy interests including:

  -democratization and governance;
  -continued support for a SADC member in the near-term as a signal of continued support for the anti-apartheid movement;

-environmental protection;
-promoting long-term U.S. trade and business interests abroad.

- DFA foundations including:

  -improving management of African economies by redefining and reducing the role of the public sector and increasing its efficiency;
  -strengthening competitive markets so as to provide a healthy environment for private sector-led growth;
  -increasing the potential for long-term increases in productivity;
  -improving food security;
  -people level impact and participatory involvement.

- Consideration of Congressional earmarks and target areas.

D. Parameters of the Strategy

The following assumptions were made in guiding the development of our strategy. Any significant variation in these parameters will require subsequent modification of our strategy and its expected impact:

1. Zimbabwe is not a Basic Human Needs Country, as evidenced by its basic indicators, especially in overall health and education.

2. Continued acceptable progress in implementation of ESAP with the near-term continuing need for balance of payments support.

3. Drought recovery proceeds and a prolonged, severe drought does not occur in the strategy period.

4. Socio-political stability continues as moves toward true multi-partyism and ESAP dislocations are tolerated.

5. Continued U.S. support for SADC to signal continued U.S. support for anti-apartheid policies.

6. Macro-economic issues including investment, and the system of access to foreign exchange will be addressed by the World Bank and IMF, as planned, and are beyond USAID'S manageable interest.

7. Period of strategy: 1994-1998: This period was chosen for several reasons: period covers ESAP implementation period; changes in South Africa will likely impact Zimbabwe by the beginning of the Program period; the

possibility of a change in the SADC earmark by 1994-1995.

8. Zimbabwe will continue to be a focus country during the next five years, with the opportunity for increased access to budgetary and staff resources, given acceptable program, economic and political performance.

9. The Clinton Administration's policies, any AID re-organization and Congressional earmarking will not materially change the U.S. policy concept within which this CPSP was drafted.

10. USAID is relieved of monitoring centrally-funded FAA activities in Zimbabwe.

E. Strategic Overview

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

The strategy presented below and illustrated in the attached program logframe (see following pages) supports structural adjustment, increased economic growth that is participatory and equitable, and creation of a de-controlled enabling environment conducive to investment by addressing the problem of economic growth for the country overall while simultaneously focusing on the plight of the "poorest of the poor" in rural Zimbabwe.

Three strategic objectives have been identified, all contributing to a goal of equitable, participatory economic growth, and all within the Mission's manageable interest. The first strategic objective focuses on the communal lands' poor, that 35% of the population, who through unequal access, subsist on marginal lands unsuitable for traditional crop patterns. USAID's historic involvement in addressing agricultural and food security challenges around the world and in Zimbabwe holds promise for these people. Opportunities exist for maximizing the productivity of their land, identifying alternative income sources, and ensuring that these rural people have equal access to marketed food. Ultimately, improvement in the household food security, income and health of these people is at stake.

Our second strategic objective, increased black ownership and investment at all levels of Zimbabwe's economy, reflects the recognition that access to economic assets and economic empowerment has been disproportionately vested in the white population (1% of total) and Government itself. By broadening access to economic assets, opportunities for increased competition and improved efficiency are created. Perhaps more significant and politically imperative is the need to demonstrate that blacks are in the mainstream of the economy, thereby making possible Government creation of a de-controlled enabling environment conducive to investment, and ultimately to economic growth, which in turn can increase employment and ownership opportunities for all in the Zimbabwean economy.

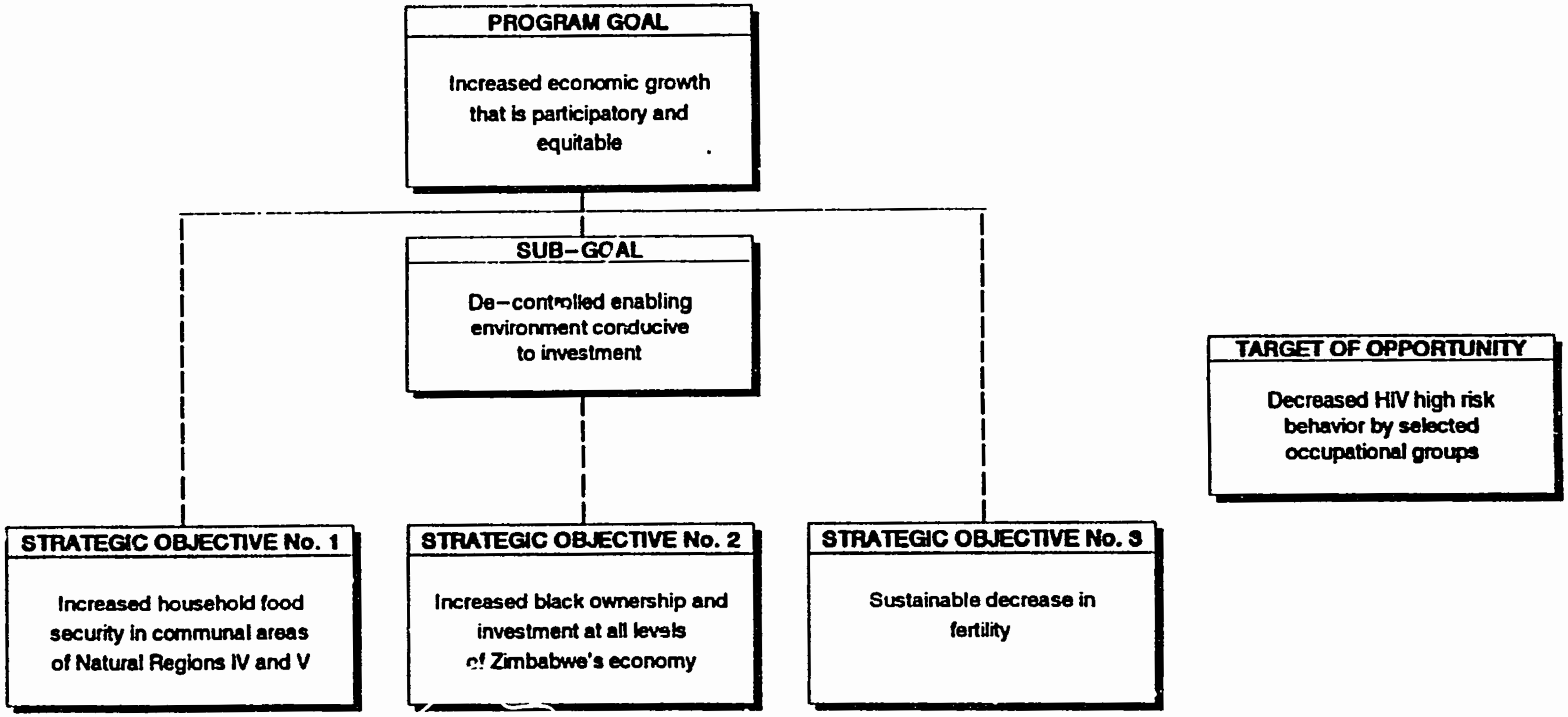
A persistent problem that has continued to undermine the economic growth and personal family goals in Zimbabwe is the problem of population growth -- eroding the natural resource base, eroding the potential household and individual benefits of economic growth. Because of the cross-cutting nature of the problem and the interventions to be pursued, the Mission has identified the achievement of a sustainable decrease in fertility as our third strategic objective.

The potential enormity of the AIDS problem in Zimbabwe is staggering, so much so that the Mission feels compelled to build on our work in this area. The Mission has identified AIDS as a target of opportunity for three reasons: (1) to address a compelling human developmental problem; however given our limited experience[57] in this area, specific impact is difficult to predict; (2) in recognition of the economic consequences of this pandemic; and (3) to be responsive to Congressional concern that USAID funds be used to support AIDS programs.

The Mission has decided to target specific constraints and not others based on the activities of other donors, GOZ commitment and involvement, and AID's historic involvement and comparative advantage in the respective constraint area. A brief description of the rationale for discarding certain strategic options, including the land issue is outlined in Annex O. Finally, sub-targets are identified in the Annex on Program Impact Indicators and discussed within each of the sections on targets in the Section V of Zimbabwe's CPSP. A conscious decision has been made in developing our strategic plan for the ensuing five years to ensure the greatest reinforcing linkages between portfolio elements. Hence, frequently one project contributes to the achievement of more than one target or strategic objective and progress at one level in one sector has a synergistic impact on other portions of the strategy.

[57] Between 1987-1992, the Mission benefitted from US$ 8.4 million (including US$ 1.4 million in local currency) from central USAID resources for selected AIDS activities in Zimbabwe.

USAID/ZIMBABWE PROGRAM OBJECTIVE TREE



65b

USAID/Zimbabwe Program Objective Tree (cont.)

STRATEGIC OBJECTIVE No. 1

Increased household food security in communal areas of Natural Regions IV and V

PRODUCTION

TARGET 1.1

Increased production and productivity of sorghum and millet by farm households in communal areas of Natural Regions IV and V

INCOME

TARGET 1.2

Increased household income generated by community-based natural resources management activities

bilateral?

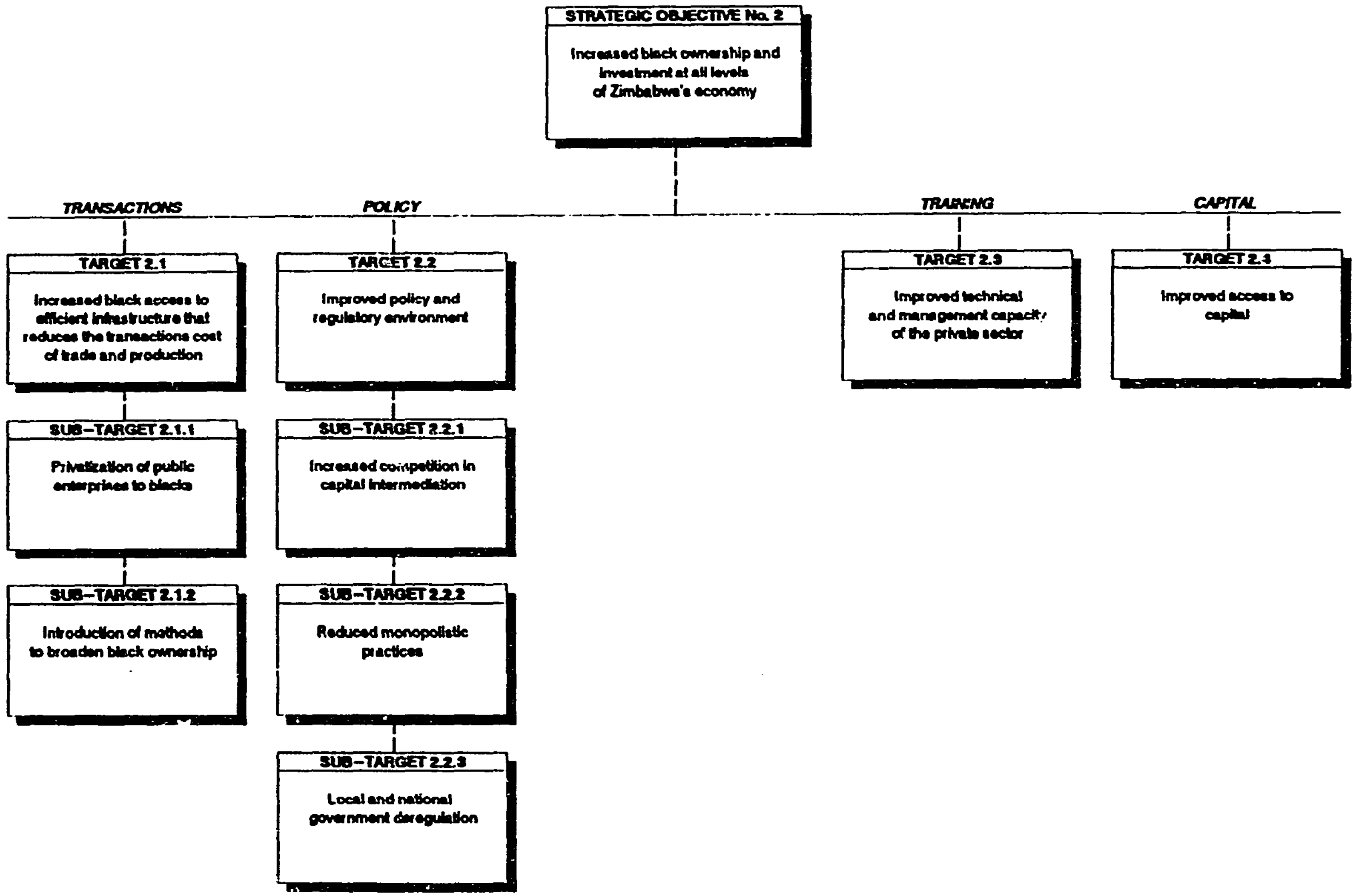
MARKET ACCESS

TARGET 1.3

More marketed grain available, at lower cost, for rural households in communal areas of Natural Regions IV and V

= SARP funded
= Bilaterally funded

USAID/Zimbabwe Program Objective Tree (cont.)



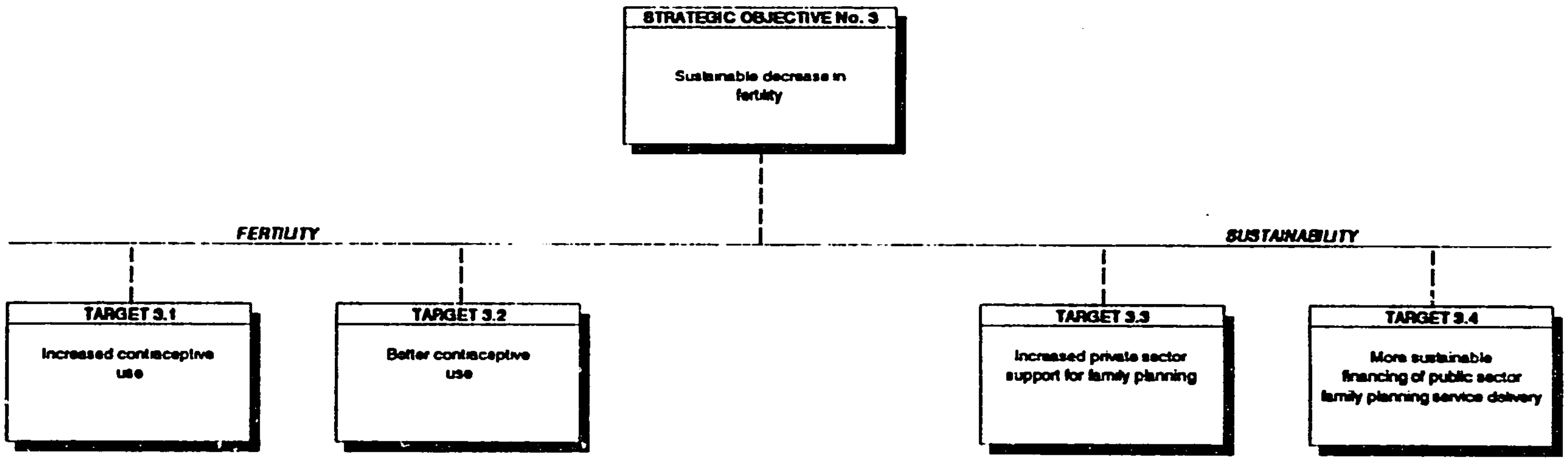
= SARP funded
= Bilaterally funded

65c

29-Jul-93

p59

USAID/Zimbabwe Program Objective Tree (cont.)



Method mix availability

Depo, etc., ♂, ♀
VSC
Norplant

F. Strategic Program Priorities

• GOAL: Increased Economic Growth that is Participatory and Equitable

A cursory examination of basic development indicators for Zimbabwe masks the development challenge in this sub-Saharan African nation. At first glance, a rosy picture is painted -- demographic, health, nutrition, and education statistics substantiate that Zimbabwe is not a "basic human needs" country, and its GDP per capita permits Zimbabwe's classification by the World Bank as a lower-middle-income economy. These statistics, however, elude the critical need in Zimbabwe to increase investment, improve access to markets, to production technology, to housing, to financial resources, to land and to infrastructure, all supported by a policy and regulatory environment that facilitates private sector growth.

The Government of Zimbabwe has acknowledged the inadequacy of economic growth recorded during the last decade, and the need to ameliorate the policies of the past with a regulatory structure that is conducive to growth. Zimbabwe's commitment to its Economic Structural Adjustment Program presents an opportunity for USAID not only to support the GOZ in achieving its stated growth objective in both aggregate and per capita terms, but in helping to redress the inequities in access to resources and income among the black majority. The path to participatory and equitable economic growth includes decreased Government ownership and direct and indirect control over economic assets -- USAID will work with the IMF and World Bank on these issues. Blacks benefitted from the 1980's social equity agenda; now blacks must participate in the economic growth agenda if Government is to allow more private sector participation and the black majority is to participate in this growth. In addition, the needs of those on the fringe of existence -- living in the marginal agricultural lands in poverty is a development imperative. Concurrently, the continuing problem of population growth and its effect on diminishing the benefits of economic growth to the majority of the population must be addressed. The interventions recommended, including addressing the enormous challenge of AIDS control in Zimbabwe, join GOZ commitment, will result in economic growth, empowerment of the majority of Zimbabweans, through ownership, through employment, through income and through a higher level of food security for the rural poor.

• STRATEGIC OBJECTIVE 1: Increased Household Food Security in Communal Areas of Natural Regions IV and V

Rationale: Food insecurity is a common phenomenon in certain areas of Zimbabwe, with the greatest concentration among communal farmers subsisting on the marginal lands in Natural Regions IV and V. Despite the general high standard of health in Zimbabwe, a high prevalence of malnutrition and protein deficiency among children (37% rate of stunting) and adults is documented in this area. Land pressure and poor resource endowment, and lack of appropriate technologies result in low productivity (20% that of commercial farmers' maize production) and low incomes for the rural farmers. Poorly functioning agricultural markets distort consumer and producer prices and limit market access to food products. Furthermore, the problem of low household income is compounded by high fertility rates among this population. Despite the climate, soil and topographical features of these areas, the predominant source of household income is subsistence agriculture, including crop and livestock production, with wildlife in the area damaging people, livestock and those crops grown in the area.

Strategy: Our strategy focuses on the most at-risk households in Zimbabwe by addressing the three causes of food insecurity: (1) inadequate production capacity; (2) inadequate income; and (3) inadequate markets to ensure access to food.

The issue of inadequate production capacity will be addressed through increased smallholder production and productivity of sorghum and millet, crops suited to these arid areas, along with private sector-led research and maize extension, where applicable. The problem of inadequate income will be responded to, in part, by improved productivity and also by providing opportunities for generating additional income through community-based natural resources management activities. The problem of access to food will be addressed by providing more available grain through liberalization of grain marketing policies and encouraging greater indigenous participation in grain marketing activities, as both a source of income and a means to encourage the development of more competitive grain markets.

The Mission recognizes that with decontrol of maize pricing as part of the agricultural liberalization process, transitional hardships will occur, which will, in the short term, undermine food security, including for those in Natural Regions IV and V. The Mission intends to monitor the impact of this temporary economic dislocation and identify vulnerable groups and pockets of poverty through the mechanisms introduced by the Famine Early Warning System.

Based on its experience with the recent drought, the Mission believes that Zimbabwe has an adequate social safety net, implemented through Zimbabwe's Department of Social Welfare's Supplemental Feeding Pr[illegible]m, and through the Economic Structural Adjustment Program's Social Dimensions Fund [illegible]s is complemented by other coping mechanisms, as exemplified during the drought, when [illegible]al incomes and food security were enhanced through increased remittances from urban ar[illegible]as, sale of livestock and informal sector employment.

The Mission is convinced that the objective of food security in Natural Regions IV and V, despite temporary setbacks, will be achieved in the medium term period of 5 years.

● TARGET 1-1: Increased Production and Productivity of Sorghum and Millet by Farm Households in Communal Areas of Natural Regions IV and V

Rationale: Contrary to popular opinion, maize has not been broadly replacing sorghum and millet in Zimbabwe. Despite public sector policies and programs favoring maize, sorghum and millet production continued to expand by 5% and 2%, (average annually) during the 1980's. They currently account for 53% and 35% of crop area in Natural Zones V and IV, respectively. Thus, the commodities remain critically important elements of farm family food security and income strategies in these areas.

The introduction of drought-resistant sorghum and millet varieties holds the potential for improving aggregate and household food security in the marginal rainfall areas. USAID has supported ICRISAT research since 1983 and has provided US$ 31.11 million to date. During the USAID sponsored mid-term evaluation of the Sorghum and Millet Improvement Program in 1991, a conservative estimate was made that 20% of SADC's total area of sorghum and pearl millet could be planted with improved varieties and hybrids by the year 2000, with an average productivity gain of 20%. For Phase III, SMIP is emphasizing the widespread adoption of improved varieties and hybrids of sorghum and millet which can increase productivity both under drought conditions and in more favorable rainfall years.[58] USAID's support for SMIP will focus on accelerating the flow of adoptable technologies for these commodities to farmers in collaboration with national institutions.

GOZ Commitment and Absorptive Capacity: One of the goals of the regional Sorghum and Millet Improvement Program is developing and strengthening the capacity of the national research programs on sorghum and millet. USAID's past investment in this program through advanced degree training and specialized training for national agricultural research systems has helped to improve the absorptive capacity of the national research program for follow-on research. This activity is endorsed by SADC and by Zimbabwe, which is the sector coordinator for food security in the region and houses the center for such research for the region. The institutional focus is being progressively broadened to encompass cooperation with extension services in the testing of technologies and provision of feedback to guide research programming.

Donors/Private Sector: Support for ICRISAT research has been funded by USAID, CIDA, GTZ and SADC itself. USAID has focused on crop breeding, long-term training, and administration and management, while the Canadians have focused their resources on food

---

[58] It is estimated that improved yields from 100 kg/ha to 500 kg/ha in drought years will resolve much of the most serious food insecurity in Zimbabwe's semi-arid farming regions. In more favorable rainfall years, average yield could increase from 500 kg/ha to 800-1,000 kg/ha, which will significantly contribute toward the commercialization of the sorghum and millet farming system.

technology, and in-service and long-term training. The GTZ, on the other hand, has concentrated on entomology/pathology and training initiatives. Agritex, the GOZ agricultural extension service, and the Zimbabwe Farmers' Union have been promoting the use of improved sorghum and millet varieties in the semi-arid regions. There has been considerable interaction between SMIP, food processors and input companies, including the Seed Cooperative. Private concerns are interested in expanding their roles in the research on grain quality and processing. Their support and involvement are being actively encouraged.

AID Interventions: In Phase III of the project, efforts will be focused on capitalizing on progress to date, mainly through greater dissemination of improved varieties to farmers. Interventions in seed multiplication and distribution would likely have the greatest marginal return on food security in Natural Regions IV and V by ensuring a sustainable stream of technology to users and by creating an additional income source from small-scale seed production among farmers in the target areas. The shift in focus from research to technology transfer in Phase III is being accompanied by a transfer in the responsibility for direction of SMIP and its facilities to the national agricultural research system (NARS) of the member states. Collaborative activities with national institutions serving farmers -- including, but not necessarily limited to NARS -- are being emphasized. SMIP's role will be guided by the needs and policies of individual countries and institutions and by SMIP's comparative advantage in the medium to longer term. In the process, SMIP will actively explore new sources of support and collaboration, including NGO's, development projects and the private sector, in an effort to expand participation in technology testing and transfer and sustain its services as donor funding phases down. Program interventions will be guided by the desire to: (1) reduce the scale of ICRISAT research operations to ensure Program sustainability; (2) encourage adoption and enhance impact of improved technologies for sorghum and millet for low-resource producers and consumers in marginal rainfall areas; and (3) shift emphasis toward collaborative research.

Choice of Modalities: Given the success of program investments in the past, USAID will continue to fund research, technical assistance and training, with limited provision of equipment and move to extension and adoption during the strategy period.

Policy Agenda:

* Program sustainability
* Extension, adoption and increased production

● <u>TARGET 1-2</u>: Increased Household Income Generated by Community-Based Natural Resources Management Activities

Rationale: Population growth in Zimbabwe continues to put pressure upon limited land and natural resources in Natural Regions IV and V. With subsistence agriculture the predominant land use, and wood fuel as the primary energy source in these areas, the inevitable has occurred on these already fragile lands -- deforestation, overgrazing, and erosion. As long as subsistence agriculture continues to be the primary land use, environmental degradation is certain. There is therefore a strong rationale to introduce alternative land use patterns in these areas, especially if combined with existing protected areas (i.e., parks) management strategies. The promotion of sustainable wildlife use in areas contiguous to Zimbabwe's national parks offers a viable land use option for these fragile lands.

The assumptions underpinning this strategy have been tested in pilot natural resources management (NRM) areas and include: the commercial viability of the resource base; that communities deriving incomes from NRM activities will desire, and will be able to protect these resources from over-exploitation; that communities have the technical capacity to manage their resources; and that there will be continued demand for natural resource products, including trophies, skins and safaris.

This intervention is important not only for its value in preserving the natural resource base, but as a democratization/governance tool, empowering local communities with financial resources and giving the ethnic minorities who reside within the CAMPFIRE district an opportunity for greater self-determination.

USAID's strategy is to help transform wildlife from a crop-raiding liability to a productive asset, thereby increasing household income generated from community-based NRM activities in the marginal lands in Natural Regions IV and V. Currently there are 18 District Councils in Zimbabwe with "appropriate authority" under the Parks and Wildlife Act (1975). USAID currently supports CAMPFIRE schemes in four of these areas, with another four areas supported by other donors. To date, more than 300,000 people have been CAMPFIRE beneficiaries, 50% of whom are funded through the USAID-funded project. Community-based natural resources management activities provide an important source of income to approximately one eighth of the regional population with the potential to increase their per capita caloric consumption by an average of 10%. Communities with CAMPFIRE schemes have generated income from wildlife resources of Z$ 10 million. In one district alone, after the institution of a CAMPFIRE program, the area was six times more food secure than before. There is opportunity to expand these activities to other areas and improve the management of existing schemes.

Importantly, women are major beneficiaries of this initiative, given the high predominance of female-headed households (65% in Tsholotsho Communal Land, for example), often with absent migrant spouses, in Natural Regions IV and V. These female-headed households have high dependency ratios and are the poorest in their respective communities. The Natural Resources Management project has and will continue to target the involvement of women in wildlife production and management and as beneficiaries of the income to derive from it.

GOZ Commitment and Absorptive Capacity: The CAMPFIRE movement was developed by Zimbabwe's Department of National Parks in 1984. The GOZ has demonstrated its commitment to the existence of community-based natural resources management schemes but is constrained by a limited definition of natural resources, inadequate training of community workers, and a severely under-financed Department of National Parks which is charged with responsibility for protecting wildlife resources.

In 1979, the Department of National Parks and Wildlife Management initiated Project Windfall to ensure that wildlife revenues were returned to the District Councils in the areas concerned. In 1984, the Department introduced the CAMPFIRE program which extended "appropriate authority" over wildlife resources to District Councils. This "appropriate authority" is confined to wildlife resources only. There is a greater need for improved GOZ policies to empower community organizations to utilize natural resources for profit and to expand appropriate authority to include forests, mineral and water resources. In addition, in order to ensure the viability of these schemes an adequate level of direct GOZ financial support is required in natural resources management training. Currently only 7 of the 18 "appropriate authorities" have access to such training. Despite Government commitment and endorsement of the CAMPFIRE scheme, not only is training at the community level inadequate, but the shrinking National Parks budget threatens survival of the program. In order to ensure CAMPFIRE's success, the wildlife resources within the National Parks and Protected areas must be of significance, which depends in turn on the ability of the Department of National Parks to protect the wildlife repository within its jurisdiction.

Other Donors/Private Sector: The CAMPFIRE program has received financial support from not only the GOZ, but also limited support from the Ford Foundation, Institutional Development Research Center (IDRC-Canadian PVO), British ODA, German GTZ, and Norwegian NORAD. The most recent interest in the CAMPFIRE program has come from New Zealand and the Food and Agriculture Organization (FAO) for a CAMPFIRE fishing project. The Canadians have historically been involved in the preservation of natural resources and have a US$ 15 million, 5-year program to support protection of the natural resource base in Zimbabwe. The "Save the Rhino" Trust in Zimbabwe has attracted international attention, having received funds from multiple European and Australian organizations. NGO's active in natural resources management activities include the World Wide Fund for Nature, African Wildlife Foundation, Save African Wildlife Foundation, and Zimbabwe Trust (which is also an implementing agency in the USAID project). The EEC and Nordic countries continue to support the National Parks in its conservation and anti-poaching program.

AID Interventions: AID's interventions reflect a three-prong approach to addressing the need to increase income derived from community-based natural resource management activities. These include:

- Improved district and community organizations capable of exploiting and managing natural resources for profit;
- Improved GOZ policies to empower community organizations to utilize natural resources for profit; and
- Improved capabilities of the Department of National Parks and Wildlife Management to protect and conserve wildlife resources in National Parks and protected areas and address problem animals.

Specific interventions include technical assistance and training, especially in the producer communities, to develop decision-making capacities and strengthen community-level natural resources management institutions, with reliance on use of community development workers. In addition to the continuation of planning and applied research, policies and legislation will need to be developed to broaden the definition of "appropriate authority". Critical to this effort, is the need to provide operational support to the Department of National Parks to carry out its mandate for protection of the natural resource base. Without this, there will be no resource for communities to manage and utilize for profit. Both bilateral and SARP resources will be utilized to achieve our objective, with bilateral resources targeted on strengthening community organizations to implement natural resources management activities and on GOZ policies to facilitate this. SARP resources will concentration on protection and conservation of the natural resources base.

Choice of Modalities: The original Natural Resources Management Program was authorized in 1989 and has helped finance wildlife conservation, community development, planning and applied research, and regional communication and training activities. Given the severity of financial constraints of the Department of National Parks, precluding its ability to conduct even routine resource inventories, let alone elephant and rhino protection activities, the follow-on project assistance activity will include a significant component for operational support to the Department of National Parks to protect the wildlife within its jurisdiction. Conditionality will be built on the GOZ adoption of a broader definition of income-producing natural resources to include wildlife, mineral, water and forest land, and to grant "appropriate authority" at a level lower than the District level, specifically the household, village (100 households) and ward (10 villages).

Policy Agenda:

* Extend definition of "appropriate authorities" to the household, village and ward levels
* Extend definition of natural resources to include minerals, forest land and water resources

● TARGET 1-3: More Marketed Grain Available, at Lower Cost, for Rural Households in Communal Areas of Natural Regions IV and V

Rationale: One of the problems of food security is the existence of poorly functioning agricultural input and product markets that constrain commercial development, distort consumer and producer prices and limit market access to food. The current pricing system affords a very large subsidy to selected large millers, making the smaller miller unable to compete. Moreover, the retention of the subsidy keeps consumer prices higher than would exist under a truly competitive system. The GOZ's pricing policy creates incentives to distribute the more refined meals, with retailers receiving a higher profit per bag by stocking the more expensive meals. Compounding the pricing issue is that of movement controls, limiting trade between contiguous food surplus and food deficit areas and access for the small miller to the urban market. Policy reform in the area of grain marketing will improve rural consumers' access to coarse grains (maize, sorghum and millet), particularly benefitting those most food insecure living on communal lands located in Natural Regions IV and V. In addition, by reforming policies to encourage participation of small millers, traders and transporters in grain trade, an opportunity for increased rural incomes is created.

GOZ Commitment and Absorptive Capacity: Specific grain marketing reforms were recommended in the Zimbabwe Agricultural Sector Assessment, and broad measures to address grain marketing constraints were incorporated in the GOZ's Framework for Economic Reform. USAID is engaged in an on-going dialogue with the Ministry of Lands, Agriculture and Water Development on the issue of deregulation in the agricultural sector. As a result of technical support provided by USAID to the Ministry, and USAID conditionality on its first Grain Marketing NPA program authorized in 1991, significant progress has been made in obtaining GOZ commitment to significantly liberalize grain marketing. During this past year, the GOZ removed movement controls within Natural Regions IV and V, and has stated its commitment to extend these policies throughout the country. In addition, the GOZ has granted the GMB autonomy in its hiring and firing practices, distribution and procurement procedures and export activities. The GOZ also formulated a plan to develop a medium-range strategy for rationalization of national grain marketing and the development of a competitive grain marketing system which permits and encourages private sector participation. The draft of this medium-range strategy is scheduled to be presented to the Minister of Agriculture for review and approval in May of this year. One of the key remaining hurdles is access by the small miller to the lucrative urban market. The GOZ has requested help to design its medium-term strategy and tackle technical issues related to pricing. With the assistance of targeted research, it appears that the GOZ has the absorptive capacity to implement the recommended reforms.

A more difficult and potentially explosive political issue relates to maize and maize meal pricing. Without reduction of the roller meal subsidy, the decontrol of maize movement from smallholder to urban areas would be unprofitable for small millers and traders. IBRD/IMF negotiations with the GOZ on elimination or reduction of maize and roller meal subsidies are anticipated. Thorny issues include whether and how to reduce or eliminate the subsidy and how to restructure prices so that consumers do not have to absorb the full cost of the elimination/reduction of the subsidy.

Other Donors: The World Bank identified the constraint posed by agricultural markets to the growth of the agricultural sector in its Agricultural Assessment. Currently, through SIDA financing, the World Bank is undertaking a broad analysis of agricultural output markets of all crops either previously or currently under GOZ control. While USAID's work has been focused on grain specifically, the World Bank is examining linkages between crops and is not limiting itself to grain. Most recently, USAID engaged the World Bank and IMF to work with the GOZ on reduction of the maize subsidy, given the large macro-economic impact of the subsidy on the budget deficit.

AID Interventions: AID's interventions are focused on: (1) creating more competitive food markets through liberalized grain marketing policies; and (2) increasing rural incomes generated by indigenous participation in grain marketing activities. Research will be provided to support implementation of grain marketing reforms including the GOZ's development and implementation of a medium-range grain marketing strategy and through support to private sector entities involved in the implementation of grain marketing reforms. Research assistance will be used to determine and evaluate intra-sectoral linkages of reform measures. The nature of the support will incorporate analysis of: increased liberalization for grain movement; potential changes in Government pricing policy and the impact of that on food security; and non-policy issues and constraints such as access to credit, transport and grain milling capacity. A follow-on NPA activity is planned to support further reform in grain marketing, to effectively deregulate maize prices and trade throughout the country, permitting small millers to buy directly from commercial farmer and sell in the urban areas, if so desired.

Choice of Modalities: The choice of non-project assistance was based on the policy direction of the GOZ as stated in the Framework for Economic Reform, a recognition of the existence and availability of highly skilled technical expertise to assist with policy analysis and dialogue, USAID's historical involvement with agriculture in Zimbabwe and the existence of binding policy constraints in agricultural markets. In addition, the GOZ's moves to improve the transparency of the foreign exchange allocation mechanism through the operation of the OGIL and ERS qualify Zimbabwe for cash-disbursing NPA. This combined with the need for balance of payments support to assist with financing the GOZ's achievement of structural adjustment objectives makes NPA the most appropriate programming option. Research assistance was chosen as a preferred modality to complement and assist in the analysis of the policy reform process, to track temporary economic dislocation caused by grain pricing policies and to build on the existing technical expertise within the Ministry of Agriculture.

Policy Agenda:

* Unrestricted movement controls to permit small millers to purchase grain directly from surplus producers and to sell in urban areas
* Removal/reduction of roller meal subsidy (to be considered concurrently with advice from the World Bank and IMF)

● SUB-GOAL: De-Controlled Enabling Environment Conducive to Investment

One reason for the marginal economic growth experienced since independence is the inadequate level of investment during this period. This low level of investment has effectively perpetuated the existing skewed industrial and corporate structure inherited at independence. Despite the solid infrastructure, educated and low-cost work force and natural resource endowment of Zimbabwe, Government policies have created an unattractive climate for both domestic and international investment. Indeed, net foreign investment has been negative since independence. The Foreign Investment Advisory Service has enumerated a list of actions needed to enhance the climate for foreign and domestic investment. Among the recommended measures are the removal of legislated monopolies and the dilution of Government equity in commercial enterprises. The unfortunate political reality is that Government will not wrest its overwhelming control over the economy -- through legislated monopolies, agricultural marketing boards, equity ownership, directed subsidies and the like -- until it has been clearly demonstrated that blacks are in the mainstream of the economy, as owners and as producers. We believe it is only when increased black ownership of Zimbabwe's economy is evident, that Government will begin to unravel its control. The Government will not divest its holdings until it sees that indigenous blacks have the opportunity to participate in the economy and compete for a stake as owners.

The Mission has identified as its second strategic objective increased black ownership and investment at all levels of Zimbabwe's economy, recognizing that measures to increase majority ownership in Zimbabwe's economy, measures that are within the Mission's manageable interest, are necessary conditions for overall increased non-racial investment and economic growth.

The various targets to be pursued to broaden black ownership -- increased black access to efficient infrastructure that reduces the transactions cost of trade and production, an improved policy and regulatory environment, improved technical and management capacity of the private sector, and greater access to capital -- are important not only in their own right but in their synergistic and demonstration effect on the rest of the economy. While black ownership does not by itself imply growth, without it, the possibility of a de-controlled enabling environment conducive to investment, employment and economic growth is untenable.

● STRATEGIC OBJECTIVE 2: Increased Black Ownership and Investment at All Levels of Zimbabwe's Economy

Rationale: The economy of Zimbabwe is characterized by high levels of concentration,[59] an uncompetitive and insular private sector dominated by whites and an unacceptably large role of the Government in the productive sector. Government ownership of productive assets and regulatory control over the economy has stifled private sector growth and investment and perpetuated the inequitable access to economic assets inherited at independence. The limited economic growth experienced since independence has been all but erased by the high population growth, resulting in marginal improvement in living standards for the vast majority of the population. Export growth as a measure of international competitiveness and as an ingredient for economic growth averaged less than 2% (in constant US$) during the last decade, despite potential agricultural, mining and manufacturing export opportunities. With the advent of ESAP and the opening of the economy to both imports and exports, the ability

[59] 80% of the industrial sectors are highly concentrated; half of the 7,000 items produced in Zimbabwe are produced by only one firm and 80% are produced by three or fewer firms.

1-5

of domestic manufacturers to compete with imports and to compete internationally becomes critical to the survival of domestic industry.

By addressing the need to increase black ownership and investment at all levels in Zimbabwe, USAID is responding to both an economic and a political imperative. In particular, there is an opportunity to redistribute assets from the Government to the black majority through privatization, employee stock ownership plans (ESOP's) and subcontracting, without disrupting the productivity of existing white investments or deterring foreign investment. Improved financial intermediation and government deregulation can enhance the attractiveness of investment in Zimbabwe -- foreign and domestic -- to grow the economic pie. A dynamic cycle is created whereby the opportunity for ownership results in increased competition, and through competitive forces, lower prices and improved products will result. This improved market efficiency will help Zimbabwe gain access to regional and international markets, increase exports and provide opportunities for economic growth, resulting in improved employment and ownership opportunities. Moreover, this strategy addresses the need to remove a barrier to greater receptivity to private investment, that is, increasing blacks' stake in the economy. The Mission recognizes that Government reticence to deregulate further and enhance Zimbabwe's attractiveness to foreign investors is based on GOZ fears of South African, white Rhodesian, multi-national and Asian domination, a mind-set developed during years of colonial domination and still alive today. It is only when black private investment and ownership become more viable and visible, will the Government's fear of foreign domination be mitigated and policies to de-regulate and open the economy to domestic and foreign private investment be enhanced.

The proposed strategy is consistent with the mandate of the GOZ to "indigenize the economy". In February 1993, following the recommendations by a Parliamentary Committee, a task force reporting to Cabinet, comprising seven ministries was established. Their mandate is to examine the existing state of financial institutions and their behavior toward small enterprises; review legal instruments governing these enterprises, and discuss issues such as management skills and technical expertise, suggesting necessary remedial measures.

The need to increase black ownership and investment at all levels of the Zimbabwean economy is important not only in its impact on the indigenous population, but is critical to create a more hospitable Government environment for non-racial private investment.

The proposed strategy will target the poor majority using project interventions that will address the need for investment at all levels of the economy, not just among the black elite. The interventions proposed will impact those economically disenfranchised through work with small and medium-scale enterprises, through increased availability and affordability of low income housing and through employment to be generated from a growing economy.

Strategy: The ingredients for increased black Zimbabwean ownership and investment include: access to efficient infrastructure (transport, telecommunications, energy, water); a conducive policy and regulatory environment; human and technological resources; and access to capital. Blacks need to be afforded increased access to efficient infrastructure that will reduce the transactions cost of trade and production and enables them to compete domestically and internationally. Policies must be created that facilitate blacks' participation in the economy and both Government and the private sector must be equipped with the technical and management skills to support a greater role for blacks in the economy. Two infrastructure constraints that are not being adequately addressed include transportation and telecommunications. In transportation, the United States has both an historic involvement in transport infrastructure and operational efficiency in the region and in Zimbabwe; in telecommunications, the U.S. has both a comparative technical advantage and a U.S. trade interest. Although the human resource base for business is sufficiently educated in Zimbabwe, deficiencies exist among both the public and private sector in being able to maximize opportunities for increased ownership of the economy by blacks. Another major impediment to entry by blacks into the ownership class is their limited access to capital to finance business start-up and expansion. Finally, despite Zimbabwe's rich physical/natural resource endowment, opportunities for economic growth have not been exploited largely because of a regulatory and policy environment that has erected barriers to entry of the private sector, especially among blacks. Working with the GOZ, private sector, IMF and World Bank, we believe it is possible to remove these barriers and create a level playing field for all those seeking ownership opportunities.

This strategic objective addresses the need for both growth and participation through ownership. Moreover, it complements the benefits from ESAP, namely, improving access to foreign exchange through the OGIL and ERS. It is important to note that broadened ownership does not necessarily imply fragmentation. This can be accommodated by decreasing the GOZ's control over the economy and broadening ownership opportunities through such mechanisms as employee stock ownership plans. The specific activities to be pursued will: increase black access to efficient infrastructure that reduces the transactions cost of trade and production; improve the policy and regulatory environment; improve the technical and management capacity of the private sector, especially in areas that increase the potential for black ownership; and increase blacks' access to capital.

• TARGET 2-1: Increased Black Access to Efficient Infrastructure that Reduces the Transactions Cost of Trade and Production

Rationale: Both the railways, the largest means of commercial transportation in Zimbabwe, and the telecommunications systems are state-run monopolies. With no competition, the opportunity exists for monopolies rents. More evident to date, however, is the manifestation of flagrant inefficiencies in both systems, with documented poor reliability and operational inefficiencies in the management of the National Railways of Zimbabwe. Thanks to a World Bank/USAID program of restructuring, progress is being recorded. Not so in the telecommunications sector, where outmoded equipment, under-serviced demand and poor quality of transmission frustrate commercial as well as residential users. Opportunities exist for sub-contracting services and exploring possible restructuring, spin-offs and privatization. The competitive aspects of these options provide an opportunity to decrease cost for the ultimate user. The USAID program will promote privatization within these public enterprises with special attention to blacks, and introduce methods to broaden black ownership of these enterprises, while increasing the efficiency and reliability of the transport and telecommunications system to decrease the cost of trade and production for all users. Reforms in the transportation and telecommunications sectors are valid not only for their potential for increasing black ownership of rail and telecommunications assets and services, and making available more reliable and more competitively priced transport and telecommunications services for indigenous businesses, but for their policy demonstration impact to facilitate further sectoral reforms in the Zimbabwean economy.

GOZ Commitment and Absorptive Capacity: The GOZ has already undertaken significant reforms to improve the operational efficiency of its railway and to rationalize the equipment used through a multi-donor World Bank-led initiative, including involvement by the United States, Germany, Austria, Finland and Britain. The World Bank continues to take the lead in the railway's rationalization and is financing a Locomotive and Maintenance Study and Manpower Survey to address potential staff redundancies and explore the reduction in barriers to the employment and advancement of women. The continuing dialogue with the GOZ and NRZ is a demonstration of commitment, while past reforms indicate the Government's and the Railways' absorptive capacity. Examples of the capacity for change is the adoption by NRZ of an improved maintenance and inventory system, a reduction in operating costs, and the on-going standardization and scrapping of equipment.

With regard to telecommunications, the GOZ recognizes the need for improved telecommunications infrastructure both to service existing investment in Zimbabwe and as a necessary ingredient to attract further investment. A dialogue between the GOZ and USAID is now taking place to demonstrate the advantages of sub-contracting to the private sector and/or privatization. Additional assistance is needed to guide the Government to understand the policy, financial and technical advantages of private sector participation, especially black, and subsequently to provide financial and legal support to structure transactions.

Other Donors: With regard to railway restructuring, the World Bank is continuing to take the lead in financial restructuring and manpower rationalization. While USAID supported the Railway in ~~the past by providing~~ locomotives and engines, USAID could provide technical assistance, links to other business inputs and leverage reforms to encourage sub-contracting of goods and services to indigenous, privately-owned concerns.

A consortium of donors led by the World Bank is designing a US$ 263 million dollar telecommunications project that will address specific hardware constraints to the system. Donors include the World Bank (spare parts, telephones, cables, cellular radio), African Development Bank (digital microwave radio system, cellular radio network, auxiliary equipment), Switzerland (transmission equipment), CDC (switching equipment), Italy (cable), Japan (cellular switches and earth station), Belgium, and the European Investment Bank, among others.

AID Interventions: USAID/Zimbabwe anticipates a sustained involvement in issues of transport efficiency within the sub-region. The commitment to move from building infrastructure to improving efficiency was solidified after the completion of the SADCC Transport Investment Prioritization Assessment (STIPA Report), completed in December 1991. USAID financed a seminar on railway restructuring in June 1992 and anticipates the provision of technical assistance and possibly non-project assistance through either an amendment to the National Railways of Zimbabwe Project to incorporate restructuring efforts or the SADC Transport Efficiency Project (STEP), now being designed.

It is anticipated that Zimbabwe's telecommunications sector will benefit as part of a Southern Africa Regional Program telecommunications initiative. This is the continuation of the dialogue with SADC member states on telecommunications restructuring, which included USAID's sponsorship of a Telecommunications Seminar for SADC members held in February 1993. Future initiatives planned include the provision of technical assistance and training to the PTC and GOZ to help them approach the regulatory, financial and technical aspects of privatization and provision of transactions support in restructuring or privatization efforts. These could include introduction of such techniques as ESOP's and leveraged buy-outs to broaden black ownership of these enterprises. To complement this technical assistance, a policy-conditioned program is anticipated to make the telecommunications sector in Zimbabwe attractive to foreign investors, including U.S. telecommunications firms.

Choice of Modalities: The likely choice of non-project assistance accompanied by technical assistance in the transportation sector is based on the current high standard of equipment and infrastructure in that sector.

A policy-conditioned program is planned in the telecommunications sector to create a regulatory and policy environment conducive to private sector investment in Zimbabwe. Potential investors to benefit include the U.S. telecommunications industry which maintains a worldwide competitive advantage. This policy-based program will be preceded by a significant amount of technical assistance to guide the GOZ toward accepting greater private sector participation either through restructuring or privatization in the telecommunications sector.

Policy Agenda: Options in transportation:

* Creation of ESOP's
* Sub-contracting to blacks in the private sector
* Privatization

Options in telecommunications:

* Creation of ESOP's
* Permit foreign investment

* Permit only limited GOZ technical (vs. security) oversight
* Sub-contracting to blacks in the private sector
* Privatization

● <u>TARGET 2-2</u>: Improved Policy and Regulatory Environment

Rationale: A pervasive system of Government control over the economy exists through Government and ZANU-PF Party ownership and direct and indirect regulatory structures. The Government exercises direct control through parastatals, control of agricultural marketing, though the Minerals Marketing Corporation and through business and stock market holdings. Government and Party ownership of productive activity and the use of Government legislated monopolies have crowded out private sector productive opportunities.

In addition, Government's erection of regulatory barriers to entry has deterred domestic and foreign investment required for economic growth. As but one example was the use of directed subsidies to large grain millers, some with Government investment, which precluded entry of small millers into the market, while compounding the budget deficit problem. Detrimental policies are both macro-economic in nature -- such as restrictions on repatriation of capital and dividends and restrictions on off-shore borrowing, as well as micro in nature -- licensing, zoning and titling restrictions to name a few. The GOZ recognizes the inconsistencies of their involvement with the free-market foundation of ESAP. AID can play a role to lower these barriers to entry and help to redefine the role of the State to facilitate the private sector, rather than control it, and permit broader black private sector participation in the economy. Ultimately, policies should be created to ensure an environment for more equitable distribution of assets and means to the accumulation of wealth.

One pervasive problem impacting the entry of blacks into the ownership class is the access to capital. As a result of an overly restrictive regulatory environment, the financial sector in Zimbabwe remains segmented, contributing to high costs of financial intermediation, a slow responsiveness of the financial system to service demand and the rationing of credit through the GOZ's exercise of interest rate controls. The present scarce credit allocation system is skewed toward servicing existing clients with both a credit history and access to collateral, thereby discriminating against emergent black businesses. In addition, Government determination of interest rates has biased depositors toward the Government-owned institutions including the Post Office Savings Bank, prompting a significant withdrawal of funds from commercial credit sources, most notably building societies. With the general liberalization of the economy as part of ESAP, and national and local government deregulation, financial sector reform is required to complement productive sector reforms and ensure that as barriers to entry are removed, emergent black businesses are not restrained by lack of access to credit either from traditional or new banking institutions and instruments.

GOZ Commitment and Absorptive Capacity: In introducing its <u>Framework for Economic</u>

Reform, and the Government's continuing dialogue with the World Bank and IMF on ESAP and the loan facilities put in place, the GOZ has clearly acknowledged its awareness of the problem at hand. Nearly two years after the introduction of its "Framework", the GOZ has taken a number of difficult steps, both politically and economically, to correct imbalances in the economy including significant price and wage de-controls and reducing redundancy in the civil service. Despite the announced reforms, there has been no supply side response. Recognizing the need for major policy liberalization to elicit the supply side response and growth intended, the GOZ is in the midst of deliberations with the Foreign Investment Advisory Service and the World Bank. Wholesale investment deregulation is to be addressed. Although GOZ commitment is apparent, the depth in technical ministerial staff to design new regulations appears lacking. The World Bank has elicited USAID support for FIAS assistance to help the GOZ implement the investment deregulation measures recommended.

With regard to domestic deregulation, USAID experience in the housing finance sector is illustrative of both GOZ commitment and absorptive capacity. Initial conditionality on the Private Sector Housing Program involving lowering housing and plot size standards to minimize cost were easily adopted. Although expansion of the OGIL to include certain raw materials for the building materials trade has been difficult, progress is being made. It is significant that the Ministry of Local Government has established a Committee on Deregulation and has requested the Friedrich Naumann Foundation to fund deregulation consultancy services. Concurrently, Parliament has established a very active Sub-Committee on the Indigenization of the Economy to address these same issues.

With regard to financial sector reforms, the GOZ has acknowledged the need to pursue such reforms and has incorporated some initial reforms as part of the ESAP. According to the ESAP timetable, GOZ administration of interest rates will cease in 1995, with interest rates to be market-driven. Despite a recognition of the need for reforms, there is a need to further explore the potential for broadening the financial market in Zimbabwe. Although the financial sector is sophisticated by African standards, it is likely that the GOZ will need assistance in designing the procedures and regulatory mechanisms to ensure operational efficiency of the capital markets.

Other Donors/Private Sector: On the macro-economic side, the World Bank and IMF have been deeply engaged. The most recent draft Letter of Development Policy, includes substantial expansion in dividend and capital remittability with all "new" investment not requiring GOZ foreign exchange or switched block funds qualifying for 100% remittability on dividends and original investment. Expansion of the OGIL to cover all raw materials by July 1995, and major deregulation of investment approval and elimination of restrictions and punitive interest rates on blocked and surplus funds will all go a long way toward improving the investment climate in Zimbabwe.

Other donors have engaged on the issue of Government deregulation include ENDA-Zimbabwe (Environment and Development Activities-Zimbabwe) which is coordinating the inter-donor/Government work of the Small Scale Enterprise Advisory Group, the Friedrich Naumann Foundation which is providing deregulation consultancy services to the Ministry of Local Government, and British ODA which is examining the implications of tax policy on small enterprise development. In addition, UNIDO is examining small-scale enterprise development at growth points, SAFER (Southern Africa Foundation for Economic Research) is involved with legal issues including licensing and the Indigenous Business Development Center, a local indigenous business lobbying organization, is exploring issues of deregulation at the local level. Further, the Friedrich Naumann Foundation is following up with the Parliamentary Indigenization Committee on USAID's work on monopolistic practices in Zimbabwe.

With regard to policies relating to the intermediation of capital, with the exception of the United States, which has been involved in low-income housing finance through loan guaranties, no other donors (with the possible exception of the IFC which is interested in venture capital in Zimbabwe) are actively engaged in promoting increased competition in capital markets.

AID Interventions: AID's interventions to improve the policy and regulatory environment include:

- increased competition in capital intermediation;
- reduced monopolistic practices; and
- local and national government deregulation.

AID interventions include both technical assistance and program assistance through the Zimbabwe Private Sector Housing Program, and through the remaining activities of the Zimbabwe Business Development Project and a new Zimbabwe Black Equity Development Project. Our activities will screen to ensure that the benefits of indigenization of the economy reach down to the small entrepreneur. In addition, and closely linked with achievement of our first strategic objective, the Grain Marketing Reform Support Research Project and Non-Project Assistance Program will address the need for more competitive food markets through liberalized grain marketing policies to result in more marketed grain available at lower cost. The Zimbabwe Business Development Project will address the need to reduce monopolistic practices through a continuation of work conducted toward the establishment of a Monopolies Commission in Zimbabwe, while the Black Equity Development Project will help to introduce techniques to broaden black ownership of the economy, including employee stock ownership plans, sub-contracting arrangements and policy, financial and transactions support for privatization of public enterprises. Specific national level policy interventions include technical assistance to the Zimbabwe Investment Center to improve its operation. Local deregulation initiatives planned include studies and technical assistance to expedite business registration and licensing procedures.

In order to improve the intermediation of capital and improve black access to capital, AID anticipates focusing on policy and regulatory changes to: broaden and deepen traditional financial systems including mortgage finance; increase diversification of the financial market;

and create new financial instruments for indigenous investors, large and small. USAID/Zimbabwe's Private Sector Housing Program, has been designed to result in an increased role for the private sector housing finance industry in servicing mortgage demand. Building societies will enjoy improved access to financial resources for low income household mortgages through the introduction of new financing instruments and the complementary deregulation of interest rates as part of ESAP. Increasing housing creation is commendable not only from a social perspective, but from an economic one -- not only will jobs be created in the construction sector and downstream industries, but housing itself is a principal source of collateral for business financing, thereby improving access to capital for emergent businesses.

In addition, the financial sector will be deepened to improve its capacity to respond competitively in attracting funds and lending for investment. Among the technical analyses planned under the Private Sector Housing Program are: a financial overview of the sector exploring opportunities for expanded black participation; a desegmentation analysis; municipal bond analysis; secondary mortgage market analysis; and construction finance analysis. With regard to diversification of the financial market and innovation of new financial instruments for indigenous investors, potential activities include studies on interest in ESOP's, exploration of broadening the mutual fund market and introduction of an over-the-counter market. The creation of indigenous mutual funds offers an alternative to current local equity requirements for new investors. It serves as a more acceptable vehicle for increasing local participation in the economy than attempting to find a suitable joint venture partner, and provides capital to black entrepreneurs. While initially technical studies will be conducted to assess interest and regulatory barriers to the diversification of the financial market, the potential exists for non-project assistance to leverage the policy and regulatory reforms required to broaden financial market participation.

USAID's Private Sector Housing Program addresses both the need to improve the intermediation of capital and leverage regulatory reform at the local and national levels. Specifically, it will address the policy of foreign exchange availability for the construction and building materials industry resulting in upgraded plant and equipment and reduced production costs. Further, the role of the Government in the provision of low cost shelter will be limited to the provision of primary infrastructure such as roads, water and sewerage systems. Policies will be adopted to: permit the private sector to become a major developer of low-cost shelter; to rationalize land use and building standards to reduce unit costs; and to shift financing from the public sector to the private sector. These policies are consistent with our objective of transferring responsibility for provision of shelter from the public to the private sector.

Choice of Modalities: The Mission anticipates the combined use of technical assistance, non-project assistance and policy reform-leveraged Housing Guaranty resources to implement the objectives of Target 2.2. Given the policy component of this target, it is appropriate to leverage desired reforms with NPA resources as is being done in the Zimbabwe Private Sector Housing Program and Grain Marketing Program. Zimbabwe is an appropriate candidate for non-project assistance given the moves underway to improve the transparency of the foreign exchange allocation mechanism through the OGIL and ERS.

The Private Sector Housing Program incorporates technical assistance and training components with non-project assistance to leverage needed reforms. The large policy conditioned component (US$ 50 million in housing guaranties and US$ 25 million in AEPRP and bilateral resources) is appropriate considering the need for significant liberalization of regulations impacting the housing finance sector and the GOZ's need for untied foreign exchange to finance the Structural Adjustment Program. The Housing Program's design and choice of modalities were based on the constraints analysis of the sector and the recognition that the housing financial sector can serve as an entry point for further reforms to increase competition in the financial sector to improve availability of capital in the economy. The choice of program resources responded to the "transitional" need for foreign exchange for the immediate resource requirements of the sector, while the policy conditionality leverages the financial system to develop mechanisms to attract new capital on a sustainable basis. Complementary technical assistance will examine policy impediments to the introduction of new financial instruments and financial sector reforms necessary to intermediate funds into low income housing. It will also explore opportunities for diversifying the financial market and introducing innovative financial instruments in order to increase competition and efficiency of capital intermediation.

Additional technical assistance will be provided through the Black Equity Development Project to develop the regulatory and policy instruments required to improve capital intermediation, reduce monopolistic practices, introduce methods to increase black ownerships and effect national and local level government deregulation. The use of NPA remains an option to be explored during the project/program's design.

Policy Agenda: In competition in capital intermediation:

* Approval of new financial instruments
* Competitive interest rate structure
* Real interest rates

In housing:

* Elimination or reducing costly housing and plot-size and infrastructure standards
* Expanding construction/building materials on OGIL

In reducing monopolistic practices:

* Establishment of a Monopolies Commission to regulate restrictive business practices

In local and national Government deregulation (under consideration):

* Zoning revisions
* Improved registration and licensing procedures

● TARGET 2-3: Improved Technical and Management Capacity of the Private Sector

Rationale: As a result of a comprehensive Private Sector Training Needs Assessment conducted in December 1990, USAID/Zimbabwe developed a private sector training plan with the following objectives:

- To support the expansion of small and medium-scale enterprises;
- To improve the managerial expertise of key decision-makers at existing large enterprises;
- To upgrade the efficiency and managerial ability of managers of established enterprises;
- To strengthen the private sector training capacity;
- To enhance Government's understanding of the private sector.

The Mission's training strategy is designed to strengthen the capacity of local training institutions and the private sector itself to deliver training. It also targets those areas of public policy which hamper the development of the private sector.

By increasing the capacity of private training institutions to provide technical skills training, training-the-trainer and concentrating on training in country, USAID intends to develop the skills and management capacity of the Zimbabwean business community. These interventions will be supported by concurrent support to ease regulatory barriers that deter entree of black businessmen and women into the business ownership class, and will help promote a competitive black Zimbabwean business sector.

GOZ Commitment and Absorptive Capacity: The GOZ is an active participant in the Small-Scale Advisory Group, a donor sponsored and supported initiative to engage the Government on issues critical to the development of the small scale sector, including Government policy, finance, training and institutional support and information dissemination and advocacy. The newly created Ministry of National Affairs, Employment Creation and Cooperatives focuses on research and training, collaborating with academic institutions, bilateral agencies, NGO's and the private sector in gathering research findings on means to generate employment. The Ministry of Labor and Social Welfare has undertaken an Employment Promotion and Training Project, working in collaboration with organizations such as IBDC/BESA (Indigenous Business Development Center/Business Extension Advisory Services), EMPRETEC, ZNCC (Zimbabwe National Chamber of Commerce), SEDCO (Small Enterprises Development Corporation) and others in a training project for retrenched workers. Although the Government is committed to empowering local blacks with appropriate business skills, it is constrained by budgetary resources and must rely on collaborative efforts with the donor/NGO community.

Other Donors/Private Sector: In recognition of the need to develop a black entrepreneurial class, a host of donors have become engaged in various aspects of improving the technical and managerial capacity of the private sector. Donors include the UNDP which provides direct support for training activities through existing training organizations such as EMPRETEC, the ILO, whose Improve Your Business program emphasizes practical business networking, and Opportunity International which supports micro organizations and provides funds for training programs. The Friedrich Naumann Foundation (German NGO) is supporting the Small Business Support Unit of ZNCC which has developed a trainer's guide on initial business counselling, start-up training and follow-up support. In addition, BESA has trained 60 retrenched people on how to run a small business, and IMAGO Business Training Consultants provide consultancy services and training programs in enterprise promotion. EMPRETEC has an extensive training program in business including topics such as business plan formulation and quality management. In addition to embarking on generic business skills training, the private sector is actively engaged in technical on-the-job skills training, with in-house training institutions becoming increasingly visible.

AID Interventions: USAID will continue to work on improved business planning, managerial and technical expertise especially among blacks through the Zimbabwe Manpower Development II (ZIMMAN II) Project, and the extension of a grant to the International Executive Service Corps, which cross-subsidizes the cost of training undertaken by small businesses. In addition to complementing the work of other donors to improve the competitiveness of black businesses through the provision of technical training, USAID will focus on the provision of technical assistance and training to both the public and private sector to create a more conducive enabling environment for the growth of the private sector. Areas targeted include:

- Improved business planning, managerial and technical expertise especially among the black population;
- Improved technical mastery of techniques to broaden black ownership;
- Improved understanding of the impact of local and national Government regulations.

In order to broaden black ownership in the economy, there is the need to introduce the advantages and technical aspects of alternative methods of ownership such as: employee stock ownership plans (ESOP's), mutual funds, business spin-offs, sub-contracting, and indigenous mutual funds. Not only must the business community become familiar with options for greater black ownership in the economy, but government policy makers must become aware of the benefits that will accrue to the majority population through such techniques. Finally, through technical assistance and training, the government and business community will become sensitized to the impact of both local and national regulations on business creation and development. Policy makers must become aware of the regulatory impediments to broader ownership of the economy and potential owners must become aware of the avenues open to ownership. The areas discussed above will complement the AID interventions planned to improve the regulatory and policy environment to broaden economic ownership.

Choice of Modalities: Project assistance incorporating both technical assistance and training are anticipated. Under the ZIMMAN II Project, a local currency trust fund has been established, with for-profit organizations contributing the local currency equivalent of the foreign exchange cost of training undertaken. Proceeds of the trust fund (estimated at Z$ 7 million during the CPSP period) will finance in-country training and training tuition costs for targeted companies and individuals. If it is deemed that policy conditioned non-project assistance is required, that would be pursued under Target 2.2, "improved policy and regulatory environment to broaden economic ownership", with technical assistance and training to support these regulatory changes pursued under Target 2.3..

Policy Agenda:

* Consistent with the policies pursued under Target 2.2.

● TARGET 2-4: Improved Access to Capital

Rationale: Despite the existence of a relatively sophisticated financial infrastructure in Zimbabwe, the sector remains dominated by white-owned/controlled financial institutions and its loan portfolio is skewed toward established white-owned firms. The current credit allocation system is biased toward serving existing clients with both a credit history and access to collateral, thereby discriminating against the emergence of a black entrepreneurial class. The impact of this barrier was clearly identified in the 1991 GEMINI survey conducted in Zimbabwe, which recognized that lack of capital and inability to source funds were predominant impediments to the growth of the black ownership class. Contributing factors were financial institutions' lending policies, an absence of collateral security and high interest rates.

The Mission plans to address the policy and regulatory barriers to effect increased competition in capital intermediation. Interventions will promote decreased segmentation of the market and introduction of new financial instruments and players to facilitate a more efficient allocation of capital within the economy. In order to complement the reforms anticipated in the financial sector, including the introduction of a completely market-driven interest rate structure, the Mission anticipates using technical assistance and training to help operationalize the reforms envisioned to ensure the creation of more efficient capital markets.

GOZ Commitment and Absorptive Capacity: As demonstrated by the progress made to date under the Economic Structural Adjustment Program, the GOZ is committed to the need for reforms in the financial sector. This is bolstered by recent policy statements by the Government to "indigenize the economy", including the establishment of a Cabinet-level task force to institute this mandate. In order to effect the changes envisioned under regulatory and policy changes in the financial sector, the GOZ and the private sector will need complementary technical assistance to introduce new methods of capital intermediation at the local and national level.

Other Donors/Private Sector: A number of other donors and the private sector in Zimbabwe are involved in improving access to capital, especially that available to black owners. ZAMBUKO Trust is funding a Credit Facility for micro-enterprises. The Zimbabwe Development Bank continues to offer soft loans of between Z$ 50,000 to

Z$ 500,000 through the Zimbabwe Development Fund and increasingly other commercial banks are opening small-loan windows to supplement the credit available through the Government parastatal, SEDCO.

Credit for the informal sector, however, is virtually non-existent, except through non-institutionalized savings clubs. The IMF is currently undertaking a financial sector assessment in Zimbabwe. USAID and the World Bank remain the predominant donors involved in intermediation of mortgage finance.

AID Interventions: Among the planned intervention to improve access to capital, training and technical assistance will be provided to lending institutions in techniques to assess small business credits including the shift from reliance on collateral to discounted cash flow analysis. Credit unions may be assisted in lending techniques, such as evaluating group credits, which will help make available credit to rural borrowers. These activities will be pursued through the remaining activities of the Zimbabwe Business Development Project, and its follow-on, the Zimbabwe Black Equity Development Project. In addition, under the Private Sector Housing Loan Program, technical assistance and training will be provided to improve the intermediation of mortgage capital, including the possible introduction of a secondary mortgage market in Zimbabwe.

Choice of Modalities: Project assistance will be utilized in the form of technical assistance and training under the ZIMMAN II Project, the Black Equity Development Project and Private Sector Housing Program's technical assistance component. The choice of project assistance will complement the regulatory and policy-conditioned reforms to be pursued under Sub-Target 2.2.1, Increased Competition in Capital Intermediation, as an element of an Improved Policy and Regulatory Environment. For example, in order to complement the policy agenda central to the Private Sector Housing Program, technical assistance will be used to examine the merits of introducing new financial instruments to increase the efficiency of the capital markets.

Policy Agenda:

- Approval of new financial instruments
- Competitive interest rate structure
- Real interest rates

● <u>STRATEGIC OBJECTIVE 3</u>: Sustainable Decrease in Fertility

Rationale: Zimbabwe's population grew by 3.1% annually between 1982 and 1992. At this rate, the population will double in 22 years, diminishing the prospect of substantive increases in per capita incomes, food, jobs and growth. A sustainable reduction in the fertility rate would help achieve a lower population growth rate, and concurrently, contribute to improved health among women and children. Zimbabwe boasts many factors associated with fertility rate reduction. School enrollment is relatively high, infant and child mortality relatively low, with urbanization rates and the proportion of workers in non-agricultural areas increasing. These enabling factors and the country's relatively high contraceptive prevalence rate--43% in 1988--have not been matched by corresponding reductions in the total fertility rate, 5.5 children per women. This disparity largely appears due to almost complete reliance on recurring methods of contraception, i.e., birth control pills and condoms. The long-term viability of the family planning is also threatened by the high program costs borne by the public sector. High recurrent costs and dependence on donor support threaten the long-term viability of the Zimbabwean family planning program.

Since introduction of USAID's first family planning project in Zimbabwe in 1982, a close and professional relationship has developed between the Ministry of Health and Child Welfare, the Zimbabwe National Family Planning Council (ZNFPC) and USAID. Institutionally, the ZNFPC, has both the commitment and capacity to deliver high quality family planning services to a broad spectrum of the population, and has successfully done so in the past. This includes rural service delivery through family planning clinics and community based distributors. It is constrained, however, by the need for more trained personnel and the recurrent costs of program implementation.

As an indication of GOZ commitment, the Government, as part of the Family Planning Project Agreement in 1990 acquiesced in assuming increasing responsibility for financing the provision of public sector contraceptives. Moreover, the Government has been more receptive than in the past to suggestions of method mix. Although at independence family planning was negatively perceived as a method for whites to control the indigenous population, today family planning is widely accepted as an acceptable means of improving family health through child spacing and family size limitations. Even depo-provera, once banned in Zimbabwe as an colonialist method of birth control, has been legalized in Zimbabwe and widespread interest in its use has been expressed.

Strategy: In order to assure that the high contraceptive prevalence in Zimbabwe leads to fertility reduction, and the long-term viability of the family planning program is not undermined by high recurrent program costs, USAID will pursue four concurrent paths: (1) increased contraceptive use through provision of modern, long-term and permanent methods; (2) better contraceptive use through promotion of longer-acting methods and improved contraceptive practices; (3) increased private sector support for family planning; and (4) more sustainable financing of public sector family planning service delivery. The first two program objectives reflect a program thrust on reducing fertility and the latter two on increasing sustainability of family planning services in Zimbabwe. Through a well-focused program, USAID will assist the GOZ to achieve a decrease in fertility to 4.9 by 1998, with the Government assuming an increasing proportion of program costs. Given USAID/Zimbabwe's historic involvement in the family planning area, and the progress achieved to date, USAID is committed to help ensure the long-term sustainability of this program.

● TARGET 3-1: Increased Contraceptive Use

Rationale: Since independence, the vast majority of Zimbabwean contraceptive users have relied on short-term methods requiring frequent resupplies. Oral contraceptives are taken by 86% of women dependent on modern contraceptive methods. Condoms likewise are widely available and distributed, although primarily for the purpose of prevention of sexually transmitted diseases and AIDS. Expanded use of modern methods, especially long-term and permanent methods would enhance the family planning program and contribute to a decrease in fertility for a number of interrelated reasons. First, there is a sizeable "unmet need" for family planning. About 33% of women would like to limit their family size rather than space their children. Long-term and permanent methods are appropriate for women in this category. Second, unwanted pregnancies due to poor compliance appear to be a major problem compounded by very high utilization of progestin-only pills (approximately 50% of oral contraceptives) which lose effectiveness with very minor compliance irregularities.[60] This is aggravated by failure of traditional methods -- 7% of contracepting women use traditional methods of birth control. Finally, expansion of long-term methods, which require fewer re-visits, would lessen the strain on the overextended health system, and thus reduce recurrent costs.

GOZ Commitment and Absorptive Capacity: The Government of Zimbabwe's commitment to expansion of long-term methods is articulated in the 5-year strategy for the Zimbabwe National Family Planning Program. Implementation of the strategy is constrained, however, by the dramatic, recent loss of doctors who have emigrated to neighboring countries offering higher wages. There is some evidence this "brain drain" is slowing down. Nonetheless, policy reform which would allow qualified nurses to provide long-term and permanent methods would help ameliorate the problem.

Other Donors: USAID's family planning program is closely linked to family planning activities sponsored by other donors. USAID has provided nearly 100% of Zimbabwe's oral contraceptives in the past, although the GOZ has recently started to assume greater responsibility for this. The World Bank Family Health Project seeks to expand the availability of family planning services in Ministry of Health clinics by offering courses based on material developed under USAID's project. GTZ, and the United Nations Population Fund (UNFPA) are providing complementary assistance in development of a decentralized capacity to conduct Information, Education and Communications (IEC) campaigns. With regard to contraceptives, the Bank and UNFPA have provided approximately a 2-year supply of depo-provera and an adequate supply of intra-uterine devices (IUD's). In addition, the UNFPA is supporting a small pilot study on alternative delivery methods, and is supporting the development of a population policy for Zimbabwe.

---

[60] Robert A. Hatcher et. al., Contraceptive Technology, 1990 - 1992, (New York, New York, Irvington Publishers, Inc., 1990) p. 318.

AID Interventions: In order to increase utilization of modern methods of contraception and a more diversified method mix, USAID is implementing a bilateral project with the ZNFPC. Through the provision of technical assistance, training, commodities, and support for local costs, the project seeks to strengthen the ZNFPC's ability to counsel in and provide modern contraceptive methods, especially longer-acting methods. The Project will fund Demographic Health Surveys in 1994 and 1998 to measure contraceptive prevalence. In addition, as discussed below, USAID seeks to change policies which inhibit greater availability of contraceptives, including long-term methods.

● TARGET 3-2: Better Contraceptive Use

Rationale: Despite the high contraceptive prevalence rate in Zimbabwe (43% for all methods; 36% for modern methods), the anticipated decline in total fertility has not been evidenced. The rationale for this "population paradox" is the overwhelming reliance on oral contraceptives in Zimbabwe, and the problems associated with this short-term method. As with condoms, poor compliance with this user-intensive method has resulted in a high rate of unwanted pregnancies. There is an unmet need to promote longer-acting methods among contraceptors, especially among those who wish no more children. An example of poor contraceptive use is the current promotion of oral contraceptives among breastfeeding women -- while providing a double measure of protection during the breastfeeding period, the sustained use of the progestin-only pill appears to lead to "pill fatigue" and eventual abandonment of the contraceptive method. For these reasons, it is important not only to address the problem of reduced fertility through increased use of contraception but through better use of the methods available and greater promotion of long-term and permanent methods of contraception.

GOZ Commitment and Absorptive Capacity: As discussed, although the GOZ and ZNFPC are committed to the promotion of more appropriate methods of contraception, they are constrained both in terms of budgetary and human resources, with the continual outflow of trained medical personnel to neighboring countries at times stymieing service delivery. Improved utilization of the skills available could be facilitated through policy reforms to permit a greater range of service providers to supply contraception. This coupled with information, education and communication, can be used to promote the concept that different methods are appropriate at different times in one's reproductive life and for different purposes (e.g., spacing births, preventing births temporarily, permanently preventing births) and the appropriate method can be accessed in Zimbabwe.

Other Donors: USAID is coordinating with the World Bank and UNFPA in making available an array of longer-term methods in Zimbabwe, including Depo-Provera. USAID is currently conducting Norplant trials in Zimbabwe, and although highly popular, we will need to assess the appropriateness of promoting this method given the relative high cost implied in delivery of the method.

AID Interventions: USAID will utilize evaluative studies including the Demographic Health

Survey and Situation Analyses to better understand the technical, cultural and policy impediments to improved contraceptive use and develop interventions to overcome these barriers. Building on our cumulative understanding of this sector in Zimbabwe, USAID will direct technical assistance, training, development of IEC materials and policy dialogue to promote improved utilization of existing methods and greater availability and acceptance of longer-acting methods.

• TARGET 3-3: Increased Private Sector Support for Family Planning

Rationale: Since independence, the private sector has played a negligible role in the provision of family planning services. Increased participation by the private sector would enhance the program's sustainability and is supportive of the Mission second strategic objective.

GOZ Commitment and Absorptive Capacity: The Government of Zimbabwe recognizes the necessity of expanding the role of the private sector, given the rapidly escalating costs of the health system. However, due to economic and social inequities prior to independence, this recognition is offset by a deep-seated distrust of the private sector. Policy reforms, therefore, must be accompanied by activities which seek to demonstrate the benefits to be gained though expansion of the private sector.

Other Donors/Private Sector: No other donors are providing assistance in this area. USAID has engaged the private sector in social marketing delivery mechanisms. Pure private sector involvement in family planning (not distribution of donated contraceptives) is currently extremely limited. As part of its continuing program, USAID will rely increasingly on the private sector to address contraceptive demand in Zimbabwe.

AID Interventions: In order to increase the participation of the private sector in family planning service delivery and reverse the experience of the past decade where the costs of the family planning program were borne by the public sector and by donors, USAID will encourage a greater role by private physicians and nurses, private clinics, hospitals and pharmacies to reduce the burden on the public sector. Interventions include: reform of policies which impede private sector expansion, such as price controls and tariffs on imported contraceptives; training of private sector medical personnel in long-term contraceptive methods; training of corporate medical staff and provision of start-up equipment to enable employers to integrate family planning into benefits provided to employees; assistance to pharmaceutical companies seeking to produce contraceptives locally; and renegotiation of fees paid by insurance companies for family planning services.

● TARGET 3-4: More Sustainable Financing of Public Sector Family Planning Service Delivery

Rationale: Zimbabwe's success in increasing contraceptive prevalence and lowering fertility in the last decade earned worldwide acclaim. However, that successful expansion now poses the challenge of sustainability. The program is based on numerous costly elements including over 700 salaried community based distributors and about 500 other health employees; a comprehensive supervision program; and a national IEC program. Over the next decade, family planning program costs will continue to escalate given inflation, potential growth in demand for contraceptives, need for more trained personnel, and the GOZ's commitment to assume increasing responsibility for the purchase of public sector contraceptives. While costs will rise, the revenue base will not expand without new health financing measures. These must be accompanied by cost containment measures.

GOZ Commitment and Absorptive Capacity: During the decade after independence, the Zimbabwean Government made important strides in reducing gross inequalities in health services by expanding the availability of primary health services. Capital expenditures on the health sector rose to 5.3% of the GDP and recurrent expenditures were as high as 5.4% of Government expenditure.[61] The Ministry of Health recognizes that in the era of ESAP, levels of financing will decline. The Ministry's official policy states, "There is an urgent need.. to institute measures for increasing efficiency an improving the value of money." The majority of Parliamentarians, however, do not appear to accept the urgency of such measures. As a result of political pressures, the Ministry of Health often adopts measures which seem out of synch with its official stance. For instance, the Ministry of Health recently adopted an official policy that free health care will be provided to all persons living in rural areas. Such a blanket policy makes health recovery measures difficult to achieve.

Other Donors: Efforts to increase the efficiency and cost effectiveness of the family planning program are complemented by efforts, and matched by concerns, of other donors. The World Bank sponsored a study in Financing Health Services which offers a number of policy and program options to help resolve the crisis in financing health services. In addition the Bank funded a manpower assessment of the ZNFPC which recommended structural changes. DANIDA is now providing long-term technical assistance in program management.

AID Interventions: USAID will furnish a declining proportion of oral contraceptives used in country, and conversely, the GOZ will provide an increasing proportion through 1996, when the GOZ will assume full responsibility for providing oral contraceptives. In order to increase efficiency and cost-effectiveness, USAID will provide training and technical assistance to the Ministry of Health and the Zimbabwe Family Planning Council in the following areas:

---

[61] Zimbabwe Ministry of Health, Planning for Equity in Health, 1992 Revision, (Harare, Zimbabwe, Department of Health Services, Planning and Management, 1992).

- improved capacity to recover program costs;
- enhanced ability of management to make decisions based on cost analysis; and
- enhanced ability to conduct studies seeking to improve cost-effectiveness.

In addition, USAID will provide support which seeks to help the GOZ become efficient in procurement of contraceptives and management of contraceptive logistics.

Choice of Modalities (Targets 3-1, 3-2, 3-3, and 3-4): The on-going bilateral family planning project will finance interventions in all four of the target areas described above. The project consists primarily of technical assistance and training, with limited funding for equipment and commodities. In addition, an opportunity exists for non-project assistance to leverage policy reforms to permit greater participation of the private sector in family planning service delivery and greater cost recovery for the public sector family planning system.

Policy Agenda: There are a number of policies which impede the sustainability of the family planning program and constrain contraceptive availability. Some of the laws and regulations which inhibit sustainable program expansion include:

* Restrictions on who can receive certain methods and under what conditions
* Regulations which restrict delivery of certain services to physicians
* Requirement of prescriptions for birth control pills
* Registration and licensing requirements for imported contraceptives
* Prohibitions on advertising and promotion of family planning products
* Tariffs and excise taxes on imported contraceptives and equipment
* Regulations restricting the participation of nurses and midwives in private practice

● TARGET OF OPPORTUNITY: Decreased HIV High Risk Behavior by Selected Occupational Groups

Rationale: AIDS in Zimbabwe is already of epidemic proportions. It will have significant, measurable effects on population growth rates, employment, the structure of the labor force, and the welfare of individual households nationwide, especially in urban areas and along transport routes in Natural Regions IV and V. Measures to prevent additional HIV infections will not result in immediate alleviation of the worst effects of AIDS, but they are essential to improve the economic and social outlook for Zimbabwe in the next century. The outlook for AIDS is grim enough that it provides a compelling reason for USAID/Zimbabwe support.

A related problem is that of STD's. Although STD data is limited, there is sufficient evidence to establish that STD's are a major health burden in Zimbabwe. The number of STD's reported in Zimbabwe rose from approximately 300,000 in 1980 to 600,000 in 1986, to over 1 million by 1989, an increase far exceeding the estimated population growth rate during this period. The current figure of 1 million STD episodes represents one visit for every 10 individuals in the population or one visit for every four adults of sexually active age. STD's are the most common reason for outpatient presentation in urban Zimbabwe, accounting for 25% of urban outpatient visits for those over 5 years of age.

GOZ Commitment and Absorptive Capacity: Significant progress has been made during the last five years in getting the Government to acknowledge the magnitude of the problem and agree to act. The Ministry of Health is responsible for overall health care in Zimbabwe, serving as a principal source of services for the treatment, if not prevention, of sexually-transmitted diseases (STD's) and HIV/AIDS cases. Three other sources of health services (mission hospitals, municipal authorities, and workplace-based health services) share the burden of providing care. The Ministry of Health recognizes the magnitude and sweep of the epidemic and has enlisted the assistance of the traditional healers' association, ZINATHA. With as many as 40,000 members, this organization is seen as an important link to the most rural Zimbabweans.

The Ministry of Education and Culture, with support from UNICEF, is including AIDS education in Education for Living and Environmental Science and Agricultural lessons. AIDS awareness is not, however, being included systematically in the program of the Ministry of Higher Education, reportedly for lack of resources. Only sporadic AIDS education efforts have been undertaken at teachers' colleges, vocational and technical colleges. The University of Zimbabwe has a reasonably effective Student Health Service which is promoting greater awareness of STD's and AIDS. It also counsels students wanting blood testing and provides condoms on request. The Zimbabwe Teachers Union (ZIMTA), which includes tens of thousands of teachers in its membership, has not yet been mobilized to conduct research and to develop counselling courses aimed at youth. Although the military and other uniformed services have disproportionately high rates of HIV infection, there is little evidence of concerted efforts to mount and evaluate HIV prevention programs within the defense forces.

With regard to absorptive capacity, the Zimbabwe National AIDS Coordination Program (ZNACP), serves as the principal organization responsible for coordination of national AIDS efforts. First established in 1988 under a different name, it is largely funded by outside donors. ZNACP has, so far, been more effective in implementing its own program than in serving as a coordinating body. ZNACP's efforts have not been encouraged by top-level government policy pronouncements or direct MOH support. Other ministries routinely send junior staff to coordinating meetings, thereby vitiating ZNACP's capability to put together a policy and program which fully utilizes others' resources.

Other Donors/Private Sector: There are literally scores of programs, both public and private, beginning to address the issues associated with HIV/AIDS in Zimbabwe. Most of these programs have been developed since 1988, although screening of the blood supply began in 1985. ZNACP is almost exclusively funded by external organizations, including WHO, SIDA, UNDP, ODA, CIDA, USAID, DANIDA and NORAD.

Many bilateral donors have provided funds through UNICEF for its activities focusing on AIDS education/prevention in primary and secondary schools. In addition to support for the ZNACP, the major source of funding for AIDS prevention and treatment will be a US$ 64.5 million program by the World Bank. This is intended to focus on supplies --

condoms, laboratory materials, diagnostics, drugs, and perhaps vehicles -- for the Ministry of Health and the ZNACP, and equipment for hospitals.

AIDS service organizations have also begun to emerge from non-governmental organizations (NGO's), from communities (the community-based organizations, or CBO's), and from the religious community. A coordinating body for NGO's has been formed, Zimbabwe AIDS Network, with 80 NGO members working to better coordinate and target their programs. The NGO community is potentially important to an increased effort to reduce the rate of HIV infections as well as to help deal with the social problems resulting from AIDS deaths in families. Many of these local NGO's are receiving assistance from external NGO's and from small grants from official development agencies, including NORAD.

Importantly, the private business sector is assuming an increasingly important role in AIDS prevention and control. Employers in manufacturing, mining, commerce, financial and other services are required by law to provide health care services and, in some cases, health insurance to employees. It is estimated that at least 500,000 people have some private medical aid.[62]

In 1990, 94% of the 100 medium to large business companies included in a survey reported concerns about working days of employees lost due to AIDS. One third had already developed explicit policies with regard to AIDS and 22% had instituted HIV screening and almost double this number endorsed pre-screening of candidates for employment. Of the survey sample, 61% of companies already provided AIDS education in the workplace. Most of the information seems to be targeted at workers rather than management and most information events are one-time presentations. Condoms are distributed in some places but generally from distribution points which do not guaranty confidentiality.

Of the three umbrella bodies which cover the non-manufacturing business sector, only one, the Zimbabwe Congress of Trade Unions, with some encouragement from the AALC has demonstrated any interest in AIDS prevention. It undertook research on factors contributing to the spread of AIDS in 1990 and has since mounted a training program to enable workers to organize their own HIV prevention activities. The National Employment Council for the Transport Operating Industry has developed an active program of AIDS education, solely self-funded although it is seeking additional funding for follow-on activities.

Some of the more innovative programs in AIDS awareness and prevention have taken place in the commercial agricultural and forestry sectors. The Commercial Farmers' Union (CFU) program has had a measurable impact in terms of raised AIDS awareness, condom distribution, and reduction in STD rates as well as in mobilizing some groups of farm workers to become involved in peer education.

---

[62] Wilson et al, Vol. III, p.60.

With regard to STD prevention and control, the World Bank is designing a program, (75% grant, 25% loan) to address the problem of STD's. The proposed program includes condoms, HIV testing, STD drugs and diagnostics, TB drugs, gloves, needles and syringes. This US$ 64.5 million program will cover a five year period. Further, British ODA is discussing additional assistance for the National AIDS Coordination Program, including IEC, training and condom provision.

AID Interventions: In order to best contribute to achievement of this target of opportunity, USAID/Zimbabwe will focus its efforts on:

- Decreased HIV high risk behaviors within target groups;
- Strengthened service delivery for reducing the spread of HIV and other STD's in target groups.

Anticipated interventions to be undertaken as part of the US$ 15 million Zimbabwe AIDS Prevention and Control Project include workplace interventions for those at high risk and those in the productive sector including the military and armed forces, the transport sector, agricultural workers, and teachers and students at tertiary institutions. The rationale for these interventions is that the workplace provides an effective forum to reach large numbers of the productive workforce, with easy to demonstrate impact. In addition, prostitutes would be targeted in locations that overlap with workplace activities.

Facilitation mechanisms will include policy dialogue on employment policies for those with AIDS and notification of those with HIV, media training to expand accurate reporting of AIDS and work with traditional healers. Research will focus on conditions leading to need for counselling and testing, development of condom distribution systems to ensure condom availability, and data collection and evaluation efforts to analyze the impact of potential interventions. Even before the start of the project in late 1993, Project Development and Support (PD&S) resources will be used to help to rank policy interventions, incorporating the perspectives of business, the medical community, the legal profession and anthropologists.

Choice of Modalities: Technical assistance and training will be the largest project components. The project modality was selected to ensure that interventions are targeted to those most at risk. In addition, it appears that awareness, cultural mores and behavior are the binding constraints to a reduced incidence of AIDS in Zimbabwe, not specific policies per se, thereby precluding the use of non-project assistance.

Policy Agenda:

* Employment policies regarding AIDS patients
* Notification policy for those with testing seropositive

G. Mission's Plan to Focus the Portfolio: Managing/Redirecting Activities Outside Our Strategic Focus

In developing Zimbabwe's Country Program Strategy Plan for the ensuing five years, a conscious effort was made to focus our staff and budgetary resources on those activities both developmentally critical and within the Mission's manageable interest. The interventions identified as part of each of our three strategic objectives and one target of opportunity meet both of these criteria.

Numerous other interventions were considered but have been rejected either because they stretched the Mission beyond what was manageable and/or were outside the Mission's area of strategic concentration. (See Annex O, Rationale for Discarded Options.) This is true both for bilaterally-funded and regionally-funded activities. The Heartwater Project, funded from SARP resources through 1993, financed the development of a tick decoy against a bacteria attacking ruminants. Based on the anticipated technical expertise of the Mission during the 1994-1998 period, it was determined to be beyond our manageable interest to sustain research to develop a vaccine; moreover, the activity is not within our three strategic objectives. In order to sustain the research progress made to date which will ultimately have worldwide benefits, responsibility for managing the project is being transferred to R&D/Agriculture. Another activity, the proposed support for the establishment of a Maize and Wheat Research Center for Southern Africa in Zimbabwe was not deemed manageable and was dropped as a future SARP-funded activity. The ICRISAT project is being redesigned to disseminate research results in Natural Regions IV and V in support of our food security strategic objective, with funding phased down over time so that the research center and other donors assume increasing responsibility for its funding.

A similar policy of rationalizing and focusing our activities has been pursued for bilaterally-funded activities. The need to focus and limit activities to those within the Mission's manageable interest is reflected in the Mission's decision to reduce the number of family planning cooperators operating in Zimbabwe from eleven to six. Further reduction is anticipated during the CPSP period. In addition, the Mission is phasing out of the provision of oral contraceptives with the GOZ to assume total responsibility for their financing by 1996. Similarly, The ZIMMAN II Project, the Mission's major training project, has been focused to provide training support only to those activities within the Mission's strategic areas. Hence, ZIMMAN II resources could be channeled to fund training of new grain traders or public sector officials regarding the benefits of privatization, but would not fund ancillary activities. In but one other example, local currency programming, the Mission has demonstrated its resolve to restrict itself to manageable activities and, as a result, redefined the parameters of the activity. The programming of local currency, which had become an overwhelming and time-consuming demand on staff resources, has been transformed from programming and monitoring of individual projects to much simplified attribution of local currency resources to GOZ budgetary line items. As a result, a significant burden on staff resources has been minimized.

In order to stay our course, remain focused and not stretch our fixed staff and budgetary resources, it is important that we strictly limit centrally-funded AID/Washington activities, NGO/PVO proposals and those for university linkages to those within our strategic focus. A Mission policy has been established to guide the implementation of this objective. Only if this policy is strictly adhered to, will Mission staff be able to adequately monitor and integrate centrally-funded activities assigned to Zimbabwe.

V. Implementation Plan

A. Overview

USAID/Zimbabwe operates in a unique position as both a bilateral Mission and one with regional responsibilities for the Southern Africa Regional Program. The Mission's annual bilateral portfolio has grown from US$ 5 million in FY 1990 to approximately US$ 20 million today with a decrease of one direct hire staff. The concurrent responsibility for SARP program coordination has grown by leaps and bounds by a series of events beyond the Mission's control -- the freeze on new starts by Botswana, Lesotho, Swaziland, Namibia and Angola; Malawi's unwillingness to assume responsibility for SARP new starts given its already overwhelming design and management responsibilities for its bilateral program; and Tanzania's limited ability to identify projects benefitting it yet with true regionality to warrant SARP funding. As a result, the remaining SARP countries, Zimbabwe, Zambia and Mozambique, have been left with the burden of programming US$50 million earmarked by Congress each year. Given de-mobilization, peace and reconstruction activities underway in Mozambique, it is increasingly unlikely that Mozambique will be able to design and manage SARP resources without additional staffing, increasing the programming workload for USAID/Zimbabwe.

Although a policy of "devolution of SARP responsibilities" was agreed to in 1991, intended to give each USAID in countries in which SARP activities were to be implemented responsibility for design and management, in few cases has this actually occurred. Increasingly, USAID/Zimbabwe must design and manage new activities, especially those that are truly regional in nature and do not clearly have one beneficiary country. Of the twenty SARP projects being designed or implemented, USAID/Zimbabwe is managing nine. In discussing budgetary and staff resources, this dual responsibility must be borne in mind, for every staff member must divide his time between managing two portfolios.

B. Level and Use of Resources

In order to carry out our three strategic objectives and one target of opportunity, we anticipate the need to manage 11 distinct bilateral projects and 4 SARP activities that will directly contribute to the achievement of our Country Program Strategic Plan. This includes 3 new bilateral designs (AIDS, Family Planning NPA and Black Equity Development) and 4 bilateral project amendments (ZIMMAN II, Grain Marketing, Family Planning, and Natural Resources Management). This is in addition to design of a Regional Telecommunications Restructuring Program including technical assistance and non-project assistance, the SADC Transport Efficiency Project, an amendment to the ICRISAT project for Phase III and a proposed Regional Rail Restructuring Program. In addition to these previously mentioned activities that will contribute to Zimbabwe's CPSP, we must take the lead in such future

SARP activities as SADC Regional Economic Integration and provide technical advise and guidance on design of all regional transport, agriculture, water, trade and investment projects through the staff services of a Transport Economist, Engineer, General Development Officer, and Trade and Investment Advisor.

In order to implement Zimbabwe's Country Program Strategic Plan for FY 1994-1998 period, a planned level of US$ 111 million is anticipated, straight-lining our FY 1993 level of US$ 19.5 million for FY 1994 and FY 1995, increasing the budget modestly in FY 1996 to US$ 22 million and then again in FY 1997 and FY 1998 to US$ 25 million. All funds will be sourced from DFA resources, with the exception of an additional US$ 15 million currently planned in FY 1995 from Housing Loan Guaranty resources as part of the Private Sector Housing Program. No additional food aid requirements are anticipated during the Program period.

Mortgages on our current bilateral portfolio of US $33.9 million are divided among our portfolio as follows:

Project Name	Mortgage Amount ($000)	Strategic Objective
Grain Marketing NPA	15,000	Strategic Objective I
Private Sector Housing NPA	10,000	Strategic Objective II
ZIMMAN II	6,956	Strategic Objective II
Family Planning	1,911	Strategic Objective III

This represents 31% of our total anticipated programming resources for the coming five years. The remaining 69% were programmed with consideration of the following:

- project requirements to ensure measurable impact;
- directive to program 50% of budgetary resources for earmarked areas;
- forward funding guidelines for project and non-project assistance.

The following table represents the various interventions planned to achieve our CPSP objectives and targets through 1998:

PROGRAM FOCUS AREAS	PROJECT / PROGRAM INTERVENTIONS/ FUNDING SOURCE	BUDGETARY RESOURCES
I. Increased Household Food Security in Communal Areas of Natural Regions IV and V		
Increased production and productivity of sorghum and millet by farm households in communal areas of Natural Regions IV and V	ICRISAT - PA (SARP)	($4.0 million)
Increased household income generated by community-based natural resources management activities	Natural Resources Project - PA (Bilateral and SARP)	$16.0 million bilateral; ($5.0 million SARP)
More marketed grain available, at lower cost, for rural households in communal areas of Natural Regions IV and V	Grain Marketing Reform - PA and NPA (Bilateral)	$16.0 million

II. Increased Black Ownership and Investment at All Levels of Zimbabwe's Economy		
Increased black access to efficient infrastructure that reduces the transactions cost of trade and production	Telecommunications - PA and NPA (SARP); STEP - PA (SARP); NRZ Railway Restructuring - NPA (SARP)	($20.0 million) ($5.0 million) ($5.0 million)
Improved policy and regulatory environment	Private Sector Housing - PA and NPA and Loan Guaranty (Bilateral); Black Equity Development - PA (Bilateral)	$10.0 million plus ($15.0 million in loan guaranty) $10.0 million
Improved technical and management capacity of the private sector	ZIMMAN II - PA (Bilateral)	$6.0 million
Improved access to capital	Black Equity Development - PA (Bilateral); ZIMMAN II - PA (Bilateral);	$8.6 million $3.0 million
III. Sustainable Decrease in Fertility		
Increased contraceptive use	Family Planning - PA and NPA (Bilateral)	$6.5 million
Better contraceptive use	Family Planning - PA and NPA (Bilateral)	$5.4 million
Increased private sector support for family planning	Family Planning - PA and NPA (Bilateral)	$6.0 million
More sustainable financing of public sector family planning service delivery	Family Planning - PA and NPA (Bilateral)	$7.0 million
Decreased HIV High Risk Behavior by Selected Occupational Groups		
Modified behavior among target populations	AIDS Prevention and Control - PA (Bilateral)	$13.0 million

The next table shows for each of the planned interventions the impact on related strategic targets. It is intended to show that a high degree of linkage exists in our portfolio, with individual projects supporting one or more targets or strategic objectives:

PROGRAM INTERVENTIONS	RELATED TARGETS
I. Increased Household Food Security in Communal Areas of Natural Regions IV and V	
Sorghum & Millet Improvement (SARP)	Target 1.1
Natural Resources Management (Bilateral and SARP)	Target 1.2, 2.2 and 2.3
Grain Marketing Research (Bilateral)	Target 1.3 and 2.2
Grain Marketing NPA (Bilateral)	Target 1.3 and 2.2
II. Increased Black Ownership and Investment at All Levels of Zimbabwe's Economy	
Regional Telecomm Restructuring (SARP)	Targets 2.1 and 2.2
NRZ Railway Restructuring (SARP)	Targets 2.1 and 2.2
SADC Transport Efficiency Project (SARP)	Targets 2.1 and 2.2
Private Sector Housing TA (Bilateral)	Targets 2.2 and 2.4
Private Sector Housing NPA (Bilateral)	Targets 2.2 and 2.4
Private Sector Housing Loan Guaranty (Bilateral)	Targets 2.2 and 2.4
Black Equity Development Project (Bilateral)	Targets 2.1, 2.2, 2.3, 2.4 and 1.3
Zimbabwe Manpower Dev. II (Bilateral)	Targets 2.1, 2.2, 2.3, 2.4, 1.2 and 1.3
III. Sustainable Decrease in Fertility	
Family Planning TA (Bilateral)	Targets 3.1, 3.2, 3.3, 3.4 and Target of Opportunity
Family Planning NPA (Bilateral)	Targets 3.1, 3.2, 3.3, 3.4 and Target of Opportunity
Decreased HIV High Risk Behavior by Selected Occupational Groups	
AIDS Prevention and Control Project (Bilateral)	Target of Opportunity and Targets 3.1, 3.2, 3.3 and 3.4

Based on bilateral resources of US$ 111 million over five years, excluding loan guaranties and SARP resources, our budgetary resources, (excluding US$ 3.5 million for PD&S), will be allocated as follows: 30% of resources will support accomplishment of Strategic Objective I, 35% for Strategic Objective II, 23% for Strategic Objective III and 12% for our Target of Opportunity. (See graphs on following pages.)

Just over 50% of budgetary resources will be programmed for earmarked areas. A summary of bilateral earmarks follows:

EARMARK AREAS	AMOUNT ($ Millions)
Natural Resources Management	16.0
Family Planning	24.9
AIDS	13.0
Total	**53.9**
Percentage of Total Bilateral Resources	**50.1%**

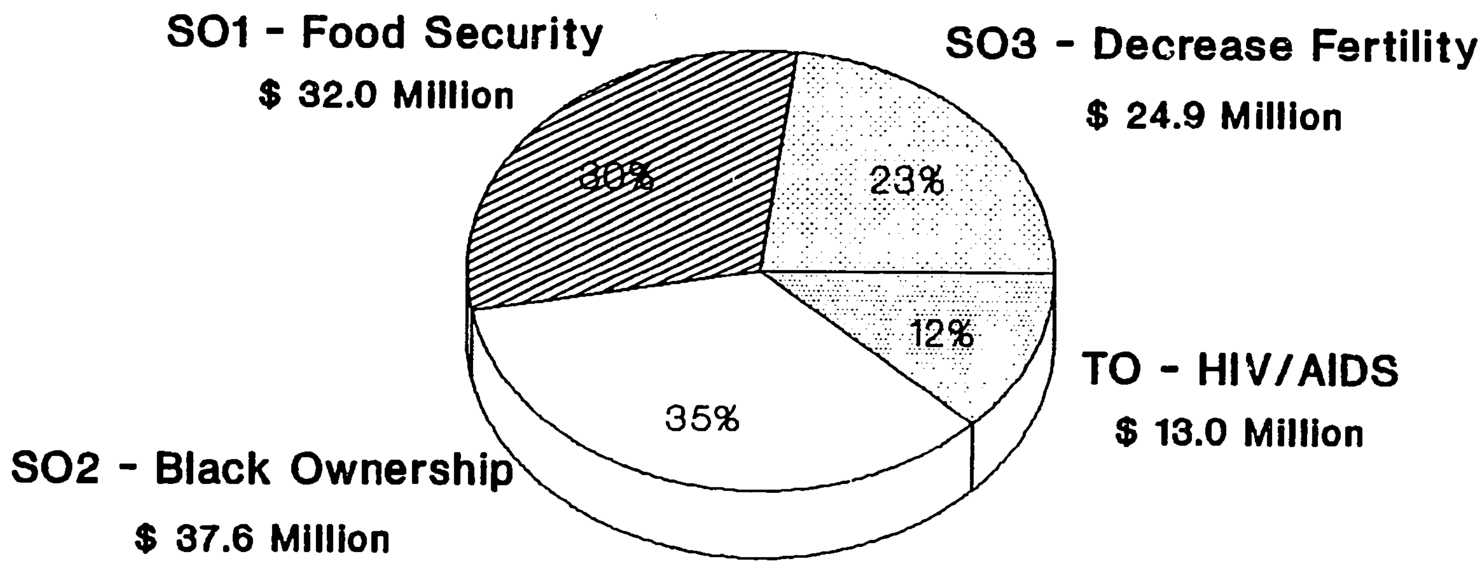
This is in addition to an US$ 5 million to be programmed for Natural Resources Management activities from the SARP portfolio.

Should SARP resources not be available, the Mission believes it will still be able to achieve the first strategic objective relating to food security given the large reliance on bilateral resources. On the second strategic objective relating to black ownership of Zimbabwe's economy, given our current bilateral resources, the Mission would be unlikely to be able to fund NPA in rail restructuring and telecommunications. The Mission would likely reprogram funds, however, to support technical assistance in these areas so that black access to efficient infrastructure is achieved, and therefore not jeopardize achievement of the second strategic objective. Achievement of our strategic objective in family planning and target of opportunity in AIDS are not affected by availability of SARP funds as they are entirely bilaterally funded.

C. Management Implications

In discussing the management of our program during the next five years, it is important to reiterate the demands placed on staff at all levels as a result of the Mission's dual bilateral and regional responsibilities. Regional responsibilities entail taking the leadership in overall regional program development (regional concept papers and strategic plans), sectoral scoping studies (as in the transport and telecommunications sectors), as well as design and implementation support for a growing number of regional umbrella projects. A survey of our current direct hire staff, including a regional housing officer, revealed that of the

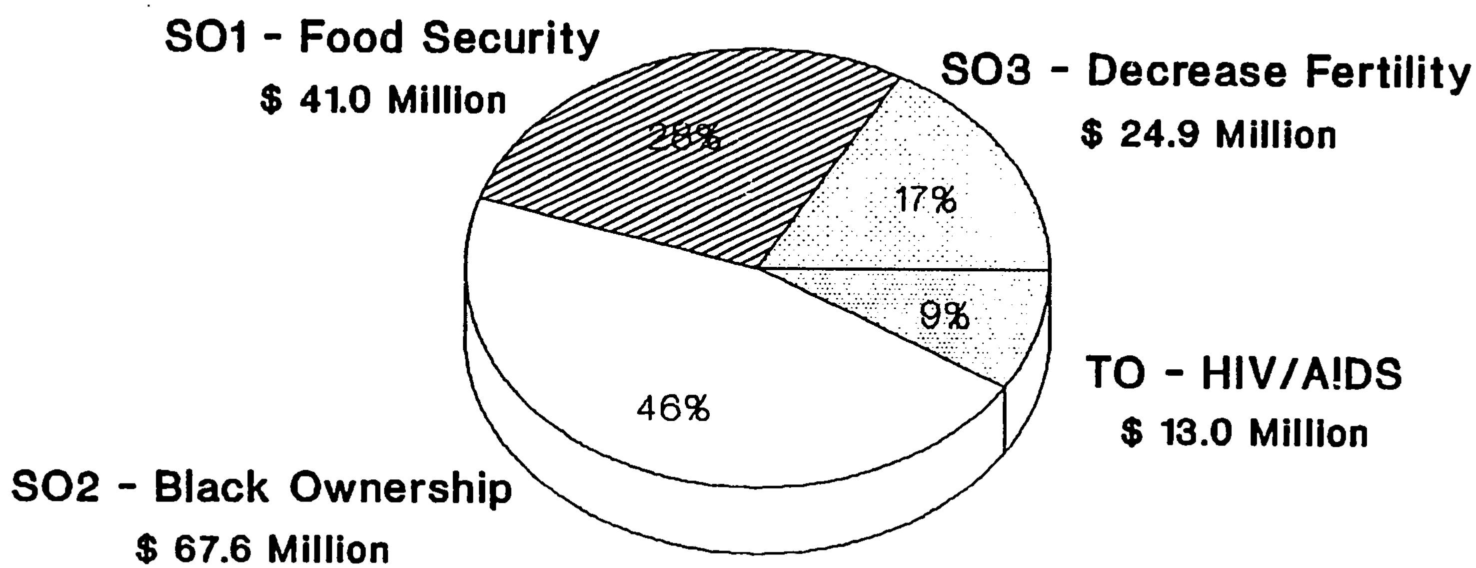
Bilateral Resource Allocation
By Strategic Objective (FY 1994-98)



Total = $ 107.5 Million

Excludes $ 15 M in Housing Loan Guarantees & $ 3.5 M in PD&S

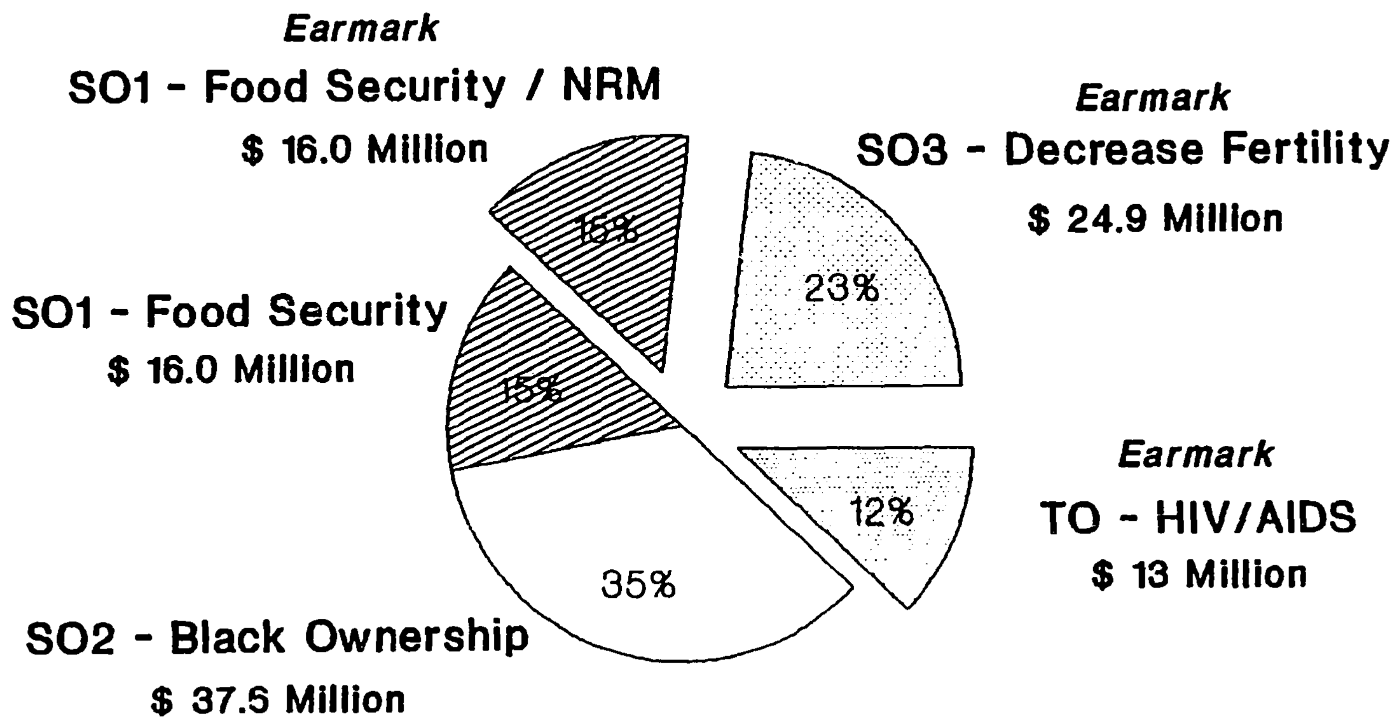
Bilateral & SARP Resource Allocation
By Strategic Objective (FY 1994-98)



Total = $ 146.5 Million

Excludes $ 15 M in Housing Loan Guarantees & $ 3.5 M in PD&S

Bilateral Resource Allocation
By Strategic Objective (FY 1994-98)



Total = $ 107.5 Million
Excludes $ 15 M in Housing Loan Guarantees & $ 3.5 M in PD&S

currently approved 12 US direct hire positions, 6.5 person years were committed to bilateral work, while 5.5 person years were devoted to regional staff work. This pattern is characteristic of the Mission as a whole; unfortunately, AID/Washington most often does not reflect the dual responsibilities of the Mission in staffing considerations.[63]

The problem is particularly acute in the Controller's Office, which is currently maintaining six sets of books -- that for Zimbabwe, SARP, Botswana, Namibia, Angola and for the RHUDO (Regional Housing and Urban Development Office) operating from Harare. Despite these overwhelming financial responsibilities, there is currently only one US direct hire position in the Controller's Office. In order to maintain the financial integrity of the system, which oversees 160 person years of USAID-funded activity, a second controller is needed now.

The Mission's current organization, redesigned and implemented in 1991, reflects what the Mission believes is the best organizational arrangement to implement the CPSP. (See Organization Chart on next page.) The on-going staffing pattern includes 71 positions (excludes two drought-related positions not expected to continue into 1994), including 13 US direct hires, 5 FSN direct hires, 6 USPSC's and 47 FSNPSC positions. The vulnerability of only 13 USDH in this accountability chain with 160 person years of activity is unacceptably high.

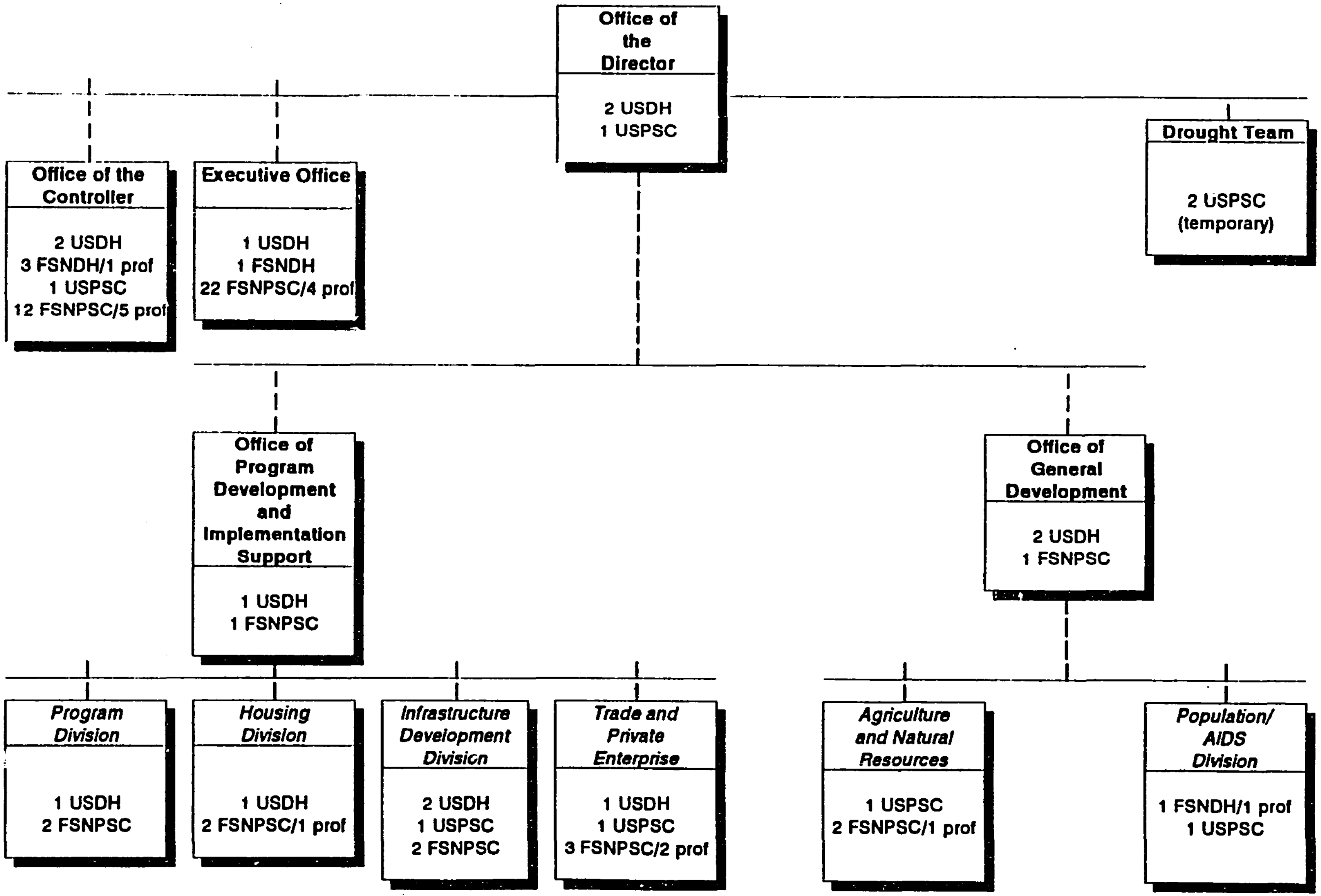
The General Development Office, which includes the Agriculture/Natural Resources Division and the Population/AIDS Division will take the lead in implementation of Strategic Objective I, III and our Target of Opportunity in AIDS. The Program Development Implementation Support Office will lead in the implementation of Strategic Objective II and will continue to provide design support on all bilateral and SARP initiatives. Two programs, the Grain Marketing Reform Support Program and Private Sector Housing Program are now funding local currency trust funds amounting to 20% of the Mission's total operating expense requirements. Despite the contribution from trust funds, growing constraints on our operating expense budget will force the Mission to increasingly rely on program resources to fund critical personnel. Currently eight staff members are program funded. The Mission anticipates the need for additional program-funded staff to support the Telecommunication Sector Development Program (one USPSC and two institutional contractors), AIDS Prevention and Control Project (one USPSC and one institutional contractor) and the Black Equity Development Project (one USPSC and one FSNPSC).

In order to better manage the workload and improve our coordination with other missions in the region and with AID/Washington, the Mission is phasing in installation of the LAN system, E-mail as well as CD-ROM, and transferring MACS to a UNIX environment. It is our plan that adequate resources will be available so that all Mission staff has use of these

---

[63] A recent Africa Bureau listing comparing OYB management responsibilities with USDH staff totally ignored the US$ 50 million of SARP resources the Mission manages.

USAID/ZIMBABWE ORGANIZATION AND STAFF, 1993



Note: Professional=FSN–08 and above

invaluable information resources by mid-1994.

D. Monitoring, Evaluation and Reporting

The Mission is establishing a multi-layered plan to create a more integrated monitoring and evaluation system with the following elements:

- project management - continual
- on-going MACS financial reporting reviews
- project-level mid-term and final evaluations
- receipt and analysis of CDIE evaluation data from other Missions and development institutions
- project audits
- sectoral surveys and research
- Semi-annual Portfolio Reviews (SPR's)
- annual Assessment of Program Impact
- monitor centrally-funded AID/Washington activities

This system will integrate financial reporting with project impact reporting which will be consolidated each April and October in the Semi-annual Portfolio Reviews. Working with the MER (Monitoring, Evaluation and Reporting) team from AID/Washington in July 1993, the Mission refined the indicators to measure program impact. Baseline data not yet collected for the annual Assessment of Program Impact will be gathered during the last quarter of 1993 and first quarter of 1994. Projects that have been designed in the last year have incorporated discrete, gender-specific measurable people-level impact indicators. The Mission will increasingly require gender and race disaggregated data on project interventions and will utilize Gray Amendment firms to the extent possible in design, implementation and evaluation of project activities.

The Program Division of the Program Development and Implementation Support Office will coordinate the annual Assessment of Program Impact, enlisting a local contractor to assist in data collection. The Mission anticipates a buy-in to the PRISM contract to help train the local contractor in appropriate data collection techniques.

In addition to reporting on results, it is critical that sectoral surveys and research results are disseminated within the Mission and conclusions impact future program design. Among the initial research efforts to be conducted are:

- research services to 11 "client" organizations involved in grain marketing reforms;
- sorghum and millet research including on new variety adoption rates;
- community development research and analysis of non-farm income going to food security;
- black business and investment opportunities;
- GOZ attitudes on private investment expansion;

- follow-up GEMINI small-business survey which will disaggregate business ownership in Zimbabwe by race, among other variables;
- various financial sector assessments undertaken as part of the Private Sector Housing Program;
- research into the dichotomy between rising CPR and static fertility rates;
- a new Demographic Health Survey to be conducted in 1994 to help assess program impact in family planning;
- further analysis of the 1992 Census for baseline demographic data.

Our management and evaluations will be shared with the GOZ and its Ministries, the NGO community and where appropriate, the private sector, and will help guide the Mission to adjust project and program priorities to ensure optimum allocation of budgetary resources for high-impact interventions in our areas of strategic focus.

U.S. Agency for International Development
Bureau for Africa

ZIMBABWE COUNTRY PROGRAM STRATEGIC PLAN

ANNEXES

08

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Goal:				
Increased economic growth that is participatory and equitable.	GDP per capita (Z$ in constant 1980 dollars)	Z$ 397 in 1993	Z$ 445 in 1998	IBRD World Dev. Indicators
	GDP annual growth rate (%)	4% average during 1980's 2% in 1993	5% in 1998	CSO, IBRD, IMF
	Value of merchandise exports/GDP (%)	26.2% in 1990	38.9% in 1998	CSO, Reserve Bank of Zimbabwe
	More equitable distribution of income (Gini Coefficient)	Gini Coeff. = 0.[XX] in 1992	G.C. = [0.35] in 1998	Income, Consumption and Expenditure Surveys, CSO
Strategic Objective No. 1:				
Increased household food security in communal areas of Natural Regions IV and V.	Average household foodgrain availability	884.03 kg/household/year in 1993	[X] kg/household/year in 1998	FEWS Survey; Grain Marketing Board (GMB)
(Note: will measure communal areas falling predominantly within Natural Regions IV and V)	Own-production retained for household consumption	533.36 kg/household/year in 1993	[X] kg/household/year in 1998	Probe Rural Household Survey
	Estimated actual foodgrain/meal purchases	319.14 kg/household/year in 1993	[X] kg/household/year in 1998	Probe Rural Household Survey

109

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Target No. 1.1				
Increased production and productivity of sorghum and millet by farm households in communal areas of Natural Regions IV and V.	Total hectares planted to sorghum and millet in communal areas of Natural Regions IV and V	137,100 ha sorghum; 159,600 ha pearl millet in 1988–90	168,000 ha sorghum; 155,000 ha pearl millet in 1998	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe
	Total production of sorghum and millet in communal areas of Natural Regions IV and V	87,100 tons sorghum; 113,800 tons pearl millet in 1988–90	110,000 tons sorghum; 120,000 tons pearl millet in 1998	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe
	Area planted to improved varieties of sorghum and pearl millet	Nil in 1988–90	38,000 ha sorghum; 43,000 ha pearl millet in 1998	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe
	Sorghum and pearl millet yields per hectare	635 kg/ha sorghum; 700 kg/ha pearl millet in 1988–90	660 kg/ha sorghum; 600 kg/ha pearl millet in 1998	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe
	Production cost per unit output (productivity) of sorghum and pearl millet	Z$[X]/ton sorghum; Z$[X]/ton pearl millet in 1988–90	Z$[X]/ton sorghum; Z$[X]/ton pearl millet in in 1998	ICRISAT/MLAWD Second Crop Forecast for Zimbabwe
Target No. 1.2				
Increased household income generated by community-based natural resources management activities.	Average household cash income from participation in community-based natural resource management activities	Z$200 per household in 1989	Z$[X] per household in 1998 (1989 prices)	CAMPFIRE and CASS surveys
	Number of households actively participating in community-based natural resource management activities	8,863 households in 1989	[X] households in 1998	CAMPFIRE Association

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Target No. 1.3:				
More marketed grain available, at lower cost, for rural households in communal areas areas of Natural Regions IV and V.	Retail market prices of foodgrains and processed foodgrains in selected markets of communal areas of Natural Regions IV and V	Z$ 18.27 for maize grain Z$ 18.41 for roller meal per 15 kgs in 1993	Z$[X] in 1998	National Early Warning Unit
	Volumes of foodgrain marketed through private channels as compared to GMB channels at the national level	[X] MT/year in 1993	[X] MT/year in 1998	Probe Rural Household Survey
	Volumes of foodgrains processed by selected hammermill operators in communal areas of Natural Regions IV and V	[X] MT/year in 1993	[X] MT/year in 1998	Probe Rural Household Survey

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Sub-Goal:				
De-controlled enabling environment conducive	Private investment as a % of GDP	15.6% in 1990	25.0% in 1998	Central Statistics Office; IMF; IBRD
	Private domestic investment in U.S. dollar terms	US$ 1,109 million in 1993	US$ [X] million in 1998	Central Statistics Office; IMF
	Net direct foreign investment	US$ 5 million in 1993	US$ [X] million in 1998	Central Statistics Office; IMF
	Black employment	[X] in 1994	[X] in 1998	GEMINI follow-up survey
Strategic Objective No. 2:				
Increased black ownership and investment at all levels of Zimbabwe's economy.	% of total homes owned by blacks	[X]% in 1992	[X]% in 1998	Private Sector Housing Program, MPCNH; Census
	% of total homes owned by black women	[X]% in 1992	[X]% in 1998	1992 Census Data; Follow-up survey
	% of total businesses owned by blacks	[X]% in 1994	[X]% in 1998	GEMINI follow-up survey
	% of total businesses owned by black women	[X]% in 1994	[X]% in 1998	GEMINI follow-up survey

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Target No. 2.1				
Increased black access to efficient infrastructure that reduces the transactions cost of trade and production.	Aver. rail transport cost per ton/km (in constant 1989 Z$)	.048 in 1991	[X] in 1998	NRZ Reports; Railway Restructuring Project
	Telephone density among blacks (telephones per hundred persons)	[X] in 1994	[X] in 1998	GEMINI follow-up survey
	Average telephone completion rate (domestic calls) in black communities	30% in 1993	[X]% in 1998	PTC
	Number of black-owned businesses with telephones	[X] in 1994	[X] in 1998	GEMINI follow-up survey
Sub-Target No. 2.1.1:				
Privatization of public enterprises to blacks.	Privatization of non-core telecommunications services to black-owned firms (Y/N)	PTC is GOZ parastatal; all telecommunications services government operated	[X] non-core business units privatized	PTC (Note: Non-core businesses include directories, billing, equipment sales, maintenance)
	Privatization of non-core railway services to black-owned firms (Y/N)	NRZ is GOZ parastatal in 1990	[X] non-core business units privatized	NRZ; Railway Restructuring Proj. (Note: Non-core business include maintenance, catering, laundry, hotels, road haulage)
	Volume of telecommunications business sub-contracted to blacks or supplied by black-owned firms	[Z$X] in 1993	[Z$X] in 1998	PTC; special telecommunications survey
	Volume of railroad business sub-contracted to blacks or supplied by black-owned firms	$0 in 1990	[Z$X] in 1998	Railway Restructuring Project

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Sub-Target No. 2.1.2:				
Introduction of methods to broaden black ownership.	Introduction of Employee Stock Ownership Plans (ESOP's) in target sectors	None in 1993	Available by 1998	Black Equity Development Project documentation
	Introduction of alternative equity ownership methods (e.g., mutual funds, stocks) in target sectors to access small investors	Not available in 1993	Available by 1998	Black Equity Development Project documentation
	Number of GOZ policy makers introduced to advantages of sub-contracting, privatization and alternative equity ownership methods in target sectors	None in 1990	[X] in 1998	ZIMMAN II project documentation; NRZ Project documentation
	Training in implementation to encourage Government promotion of equity ownership methods in target sectors	Not promoted in 1993	Promoted by 1998	Black Equity Development Project documentation
Target No. 2.2:				
Improved policy and regulatory environment.	Policy(ies) in place to facilitate licensing of private grain marketers/traders	Policy(ies)not in existence in 1991	Policy(ies) gazetted	Grain Marketing Research Project
	Policy(ies) in place to facilitate black private sector ownership/provision of railway services	Policy(ies)not in existence in 1991	Policy(ies) gazetted	National Railways of Zimbabwe
	Number of serviced plots for low income households (annually)	5,500 in 1992	[X] in 1998	MPCNH
	Average real cost of a minimum unit (Z$) (newly constructed)	Z$18,000 in 1992	Z$9,600 in 1997 (constant 1992 value)	MPCNH
	Number of construction/building materials on free import list	5 in 1992	[X] in 1994	Private Sector Housing Program
	Land registration coverage (portion of urban areas covered by land registration system)	[X]% in 1994	[X]% in 1998	Private Sector Housing Program

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Sub-Target No. 2.2.1:				
Increased competition in capital intermediation.	Regulations governing building society deposit, interest and surplus fund rates are lifted	Regulations remain	Regulations lifted	Private Sector Housing Program
	Real interest rates for housing finance (%)	Negative interest rates for low-income shelter in 1992	Positive interest rates for low-income shelter in 1998	Association of Building Societies
	Number and type of institutions providing mortgage finance	3 building societies in 1992	[X] building societies; [X] other institutions	Association of Building Societies; Registrar of Banks
	Number of blacks owning unit trusts, mutual funds and other small equity investments	[X] in 1994	[X] in 1998	Financial Sector Survey
Sub-Target 2.2.2:				
Reduced monopolistic (restrictive business) practices.	Number of GOZ parastatals in target sectors (housing; transport; telecommunications; grain marketing; natural resources management; sorghum and millet) acquired in whole or part by blacks	[X] in 1994	[X] in 1998	Survey of GOZ parastatals
	Four-firm concentration in target sectors	CR4=100% in 1990 in cement manufacture; rail transport; telecomm.; grain marketing	CR4=50% in 1998	Monopolies Commission Report follow-up studies
	Black business ownership in whole or part among largest 4 firms in target sectors	[X] in 1994	[X] in 1998	Monopolies Commission Report follow-up studies

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Sub-Target No. 2.2.3:				
Local and national government deregulation.	Minimum plot size (sq.m.)	300 sq. meters in 1992	150 sq. meters in 1993	Private Sector Housing Program
	Minimum housing size	four rooms with wet core in 1992	wet core and one room slab	Private Sector Housing Program
	Off-site infrastructure costs are treated equally for public and private housing developments	private sector bears full cost of off-site infrastructure in 1992; public sector can amortize cost in rates received	public and private sector treated equally	Private Sector Housing Program
	Residential access road standards reduced from tarred surface to compacted gravel	tarred surface in 1992	compacted gravel	Private Sector Housing Program
	Minimum size of school sites reduced by 15%	No in 1992	Yes in 1993	Private Sector Housing Program
	Standards for water and sewerage system reduced	No in 1992	Yes	Private Sector Housing Program
	Reduced amount of time to register a business in target sectors	[X] months in 1994	[X] months in 1998	Black Equity Development Project documentation

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Target No. 2.3:				
Improved technical and management capacity of the private sector.	Number of black company officers in target sectors	[X] in 1994	[X] in 1998	Manpower Survey
	Number of blacks introduced to new legal, strategic, managerial and operational skills relevant to their business remaining in business 2 years later	[X] in 1994	[X] in 1998	ZIMMAN II Project documentation
Target No. 2.4:				
Improved access to capital.	Number of loans made by formal financial sector to blacks	[X] in 1994	[X]% in 1998	Financial sector survey
	Number of mortgages granted to low-income households	[X] in 1992	[X] in 1998	Survey of banking institutions
Strategic Objective No. 3:				
Sustainable decrease in fertility.	Total Fertility Rate (TFR) – National Rural	6.5 in 1984; 5.5 in 1988 6.2 in 1988	4.9 in 1998 5.8 in 1998	Demographic Health Surveys
Target 3.1:				
Increased contraceptive use.	Use of contraception (contraceptive prevalence rate) – all methods – modern methods	 38% in 1984; 43% in 1988 27% in 1984; 36% in 1988	 50% in 1998 48% in 1998	Demographic Health Surveys
	Annual use of longer-acting methods	[X] CYP in 1992	[X] CYP in 1998	SEATS/FPLM Survey
	Annual use of other modern methods	[X] CYP in 1992	[X] CYP in 1998	SEATS/FPLM Survey

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Target 3.2:				
Better contraceptive use.	Use of longer-acting methods	3.9% of total modern methods CPR in 1988	12% of total modern methods CPR in 1998	Demographic Health Surveys
	Use of longer-acting methods by those who wish no more children	17.6% of limiters using longer-acting methods in 1988	25% of limiters using longer-acting methods in 1998	Demographic Health Surveys
	Pill use by breastfeeding women	16% of breastfeeding women using wrong OC formulation in 1988	10% of breastfeeding women using wrong OC formulation in 1998	Demographic Health Surveys
	Modern contraceptive practice by high risk women	44.9% among "too young/ too close" in 1988; 35% among "too old/ too many" in 1988	50% among "too young/ too close" in 1998; 35% among "too old/ too many" in 1998	Demographic Health Surveys
Target 3.3:				
Increased private sector support for family planning.	Service provision by the private sector	4% of current users served by the private sector in 1988	10% of current users served by the private sector in 1998	Demographic Health Surveys
	Private sector payments for family planning	Z$[X] family planning expenditures by third party providers in 1994	Z$[X] family planning expenditures by third party providers in 1998	Survey of insurers and private sector
	Annual service provision by the private sector	[X]% of CYP provided by the private sector in 1993	[X]% CYP provided by the private sector in 1998	SEATS/FPLM Survey

USAID/ZIMBABWE CPSP
PROGRAM IMPACT INDICATORS

Objective	Indicator	From	To	Source
Target 3.4:				
More sustainable financing of public sector family planning service delivery.	GOZ financing of oral contraceptives	0% of cost of oral contraceptives paid by GOZ in 1992	100% in 1996	GOZ budget data
	GOZ support for ZNFPC	0.9% of GOZ budget in 1992	0.9%+ of GOZ budget in 1998	GOZ budget data
	ZNFPC cost recovery	Fees and contraceptive sales [X]% of ZNFPC operating budget in 1994	Fees and contraceptive sales [X]% of ZNFPC operating budget in 1998	Cost effectiveness study
	ZNFPC rural service delivery cost	Z$[X] cost per CYP in 1994	Z$[X] cost per CYP in 1998	Cost effectiveness study
	ZNFPC urban service delivery cost	Z$[X] cost per CYP in 1994	Z$[X] cost per CYP in 1998	Cost effectiveness study
Target of Opportunity:				
Decreased HIV high risk behavior by selected occupational groups.	Condom use in most recent sexual intercourse of risk	[X]% of respondents in 1994	[X]% of respondents in 1998	Knowledge, Attitude and Practice (KAP) Studies
	Sexual partners the previous month	[X] in 1994	[X] in 1998	Knowledge, Attitude and Practice (KAP) Studies

119

BIBLIOGRAPHY

"Affirmative Action" The Financial Gazette, (Feb. 25, 1993), p. 4.

Butcher, Colleen, Land Delivery for Low Cost Housing in Zimbabwe, Phase 1: Draft Report of Findings, Harare, Zimbabwe, October 1989.

"Call to End Laws Which Inhibit Growth of Small Enterprises" Business Herald, (Mar. 11, 1993), p. 4.

Central Statistics Office, 1992 Census, Harare, Zimbabwe, December 1992.

Davis, Tony, et al., (Abt Associates), Study of Monopolies and Competion Policy in Zimbabwe, USAID/Zimbabwe, September 1992.

The Economist Intelligence Unit, Zimbabwe: Country Profile, London, England, 1993.

The Economist Intelligence Unit, Zimbabwe: Country Report, No. 1993, London, England, January 18, 1993.

Forgy, Larry, The Economic Impact of AIDS in Zimbabwe: Economic Analysis for the AIDS Project Paper, January 1993.

Government of Zimbabwe, Estimates of Expenditure For the Year Ending June 30, 1993, Harare, 1992.

Government of Zimbabwe, Second Five-Year National Development Plan, 1991-1995, Harare, Zimbabwe, December 1991.

Government of Zimbabwe, Zimbabwe: A Framework for Economic Reform (1991 - 95), January 18, 1991.

Government of Zimbabwe, Zimbabwe Initiative for Road Preservation and Maintenance, Draft Project Document, July 1, 1991.

Grant, James P, The State of The World's Children 1993, Oxford, U.K., Oxford University Press, United Nations Children's Fund, 1993.

Guilkey, D. and Cochrane, Susan, Zimbabwe: Determinants of Contraceptive Use at the Leading Edge of Fertility Transition in Sub-Saharan Africa, June 1992.

Haslach, Robert et al., (Coopers & Lybrand), Zimbabwe: Business Linkages, Draft Report, USAID/Zimbabwe, July 1992.

International Bank for Reconstruction and Development, Consultative Group For Zimbabwe

Paris, February 18-19, 1992, Chairman's Report of Proceedings, Washington, D.C., August 12, 1992.

International Bank for Reconstruction and Development, Zimbabwe: Policy Framework Paper, 1992-1995, Washington, D.C., July 17, 1992.

International Monetary Fund, Zimbabwe: Enhanced Structural Adjustment Facility- First Annual Arrangement, Washington, D.C., October 21, 1992.

International Monetary Fund, Zimbabwe Enhanced Structural Adjustment Facility, Policy Framework Paper, 1992-95, Washington, D.C., July 20, 1992.

Labat-Anderson Incorporated and Probe Market Research, Country Training Strategy USAID/Zimbabwe, December, 1990.

Labat-Anderson Incorporated and Probe Market Research, Private Sector Training Needs Assessment USAID/Zimbabwe, December, 1990.

National Steering Committee on Food and Nutrition, The Nutrition Situation: Current Strategies and Plans, Harare, Zimbabwe, 1989.

Riddell, Roger, Zimbabwe to 1996: At the Heart of a Growing Region, London, Economist Intelligence Unit, February 1992.

Roth, Michael J., Analysis of Agrarian Structure and Land Use Patterns in Zimbabwe, Madison, Wisconsin, Land Tenure Center, *p910XO1990r

Rukuni, M., T.S. Jayne, J. Tagwireyi, and L. Rugube. "Alleviating Hunger in Zimbabwe: Toward a Food Security Strategy", Background Paper prepared by World Bank Zimbabwe Agriculture Sector Memorandum, Harare, Zimbabwe, 1990.

SATCC, Policy Issues in Financial rategy, Working Paper 3: Traffic Allocation and Financial Analysis Railways, Maputo, Mozambique, SADCC Transport Corridors Workshops, December 1989.

Standard Chartered Bank Consultancy Services, Zimbabwe's Economic Structural Adjustment Program, Harare, Zimbabwe, November 19, 1992.

Teleconsult, Telecommunications Sector Scoping Study for Southern Africa, December 1992.

UNDP, Development Co-Operation Zimbabwe 1990 Report, October 1991.

United Nations, World Investment Report, New York, New York, 1992.

UZ/MSU Food Security Research in Southern Africa, Integrating Food, Nutrition and Agricultural Policy in Zimbabwe, Department of Agricultural Economics and Extension, University of Zimbabwe, July 1990.

UZ/MSU Food Security Research in Southern Africa, Toward An Integrated National Food Policy Strategy, Department of Agricultural Economics and Extension, University of Zimbabwe, June 1991.

Wilson, David, et al, (IRT/Speciss Consulting Services Pvt Limited,) Zimbabwe AIDS Prevention and Control Project Analysis, Harare, Zimbabwe, January 15, 1993.

World Bank, Infrastructure Operations Division, SADCC Transport Corridors, Study of Financial Strategy, Washington, D.C., World Bank Southern Africa Department, March 1991.

World Bank, World Development Report 1992, New York, Oxford University Press, 1992.

World Bank, Zimbabwe Agricultural Sector Memorandum, (In Three Volumes), Washington, D.C., Southern African Department, May 31, 1991.

World Bank, Zimbabwe: Progress Report on Adjustment with Drought, Washington, D.C., November 16, 1992.

ANNEX C

The Status of Women in Zimbabwe

-Economic Role-

Agriculture in Zimbabwe is largely a female activity. Most women in Zimbabwe (86%) live in rural areas and, it is estimated, that women account for 70% of total agricultural labor.[1] Female-headed households account for approximately 40% of total households in commmunal areas because of the extent of male migration. In addition to providing the bulk of the labor on the family plot, women supplement household income with earnings from off-farm sources. Women provide more than 60% of casual labor within agriculture and the majority of labor in the rural informal sector. Women are largely responsible for food crop production and labor intensive tasks on other crops as well as fuel collection, child care and other domestic tasks. Despite this central importance in the rural production system, women have limited access to many of the factors of production. Further, this reliance on female labor results in severe labor constraints during certain parts of the agricultural season. Therefore, women would be major beneficiaries of improved technology in the communal areas.

-Social Status-

The actual status of women in Zimbabwe contrasts with their legal status. Since independence, Government has enacted numerous laws aimed at enhancing women's rights and reversing the traditional view of women as dependents or minors. The Legal Age of Majority Act and the Matrimonial Causes Act recognize the capacity of women to act independently of their husbands or fathers in the ownership of property, with the High Court adjudicating in their favor in the right to inherit property as stipulated in the Deceased Person's Family Maintenance Act of 1987.

Despite this legal framework, women, especially in rural areas, remain disadvantaged by legal ignorance, illiteracy, economic dependency and cultural mores. In education, for example, 73 females for each 100 males were enrolled in secondary schools in 1989[2], with 40% of women aged 15 and over illiterate compared with 26% for men in 1990.[3] Customary practices are entrenched and effectively demean and economically indenture women.

---

[1] World Bank, Zimbabwe Agriculture Sector Memorandum, Volume 1, (Washington, D.C., World Bank, May 31, 1991), p.21.

[2] World Bank, World Development Report 1992, (New York, Oxford University Press, 1992), p.280.

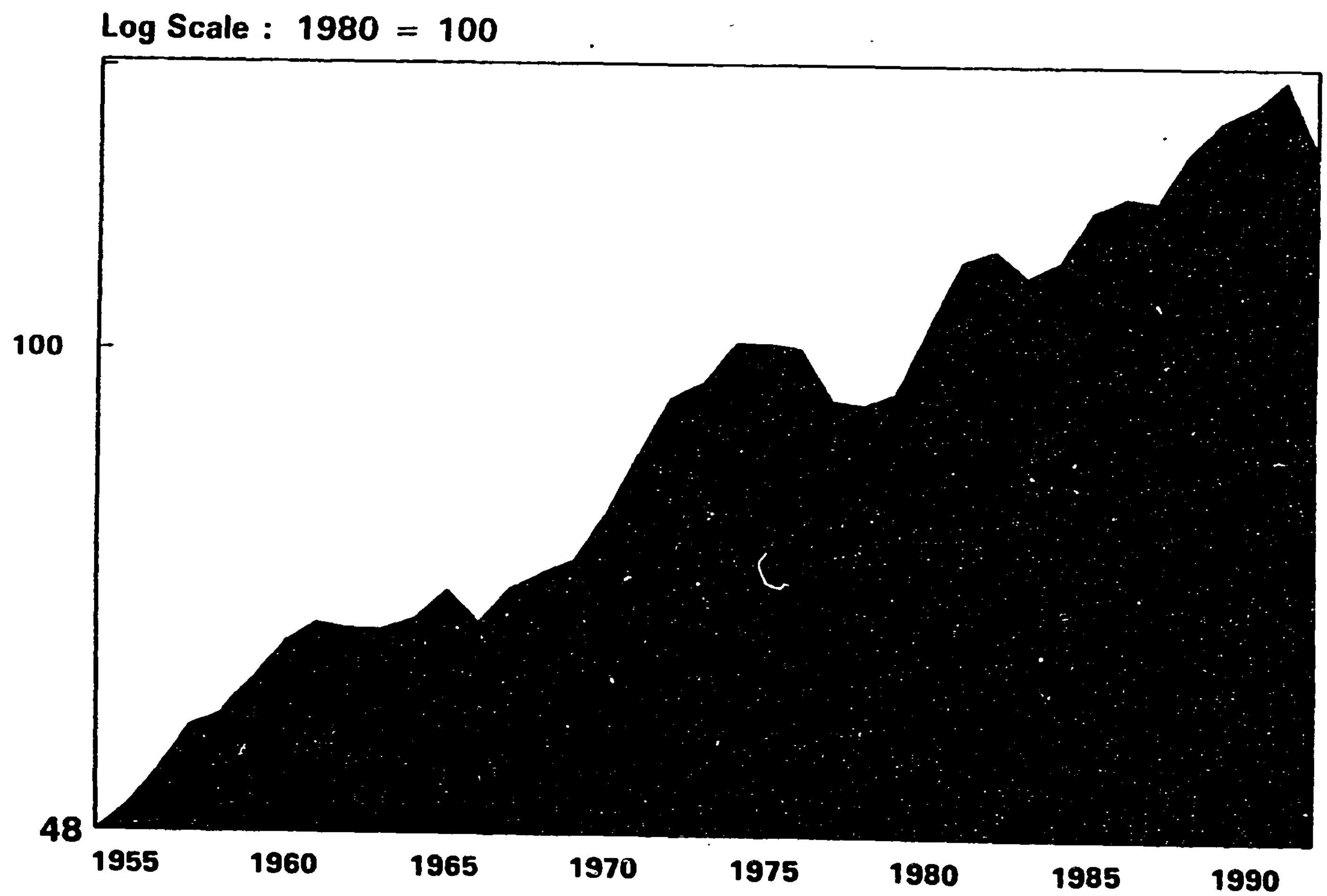
[3] James P. Grant, The State of the World's Children 1993, (Oxford, U.K., Oxford University Press, United Nation's Children Fund, 1993), p.74.

Practices include "kuzvarira", the pledging of a young woman to marriage with a partner not of her choice; "lobola", the price paid by a groom to the parents of the bride; and "ngozi", the practice of offering a young girl as compensation in interfamily disputes. "Lobola" has become a commercial venture, with huge sums of money demanded for daughters, and despite "ngozi" being declared illegal in late 1992, it is still widely used to settle interfamily disputes without regard to the exploitation of the woman sold.

There are no legal restrictions on women serving in political or governmental positions. Of the 152 Members of Parliament, 13 are women, with women occupying 6 of the 36 posts in the Cabinet. Two of the 18 high court justices are women and over 32% of Assistant Secretaries in the civil service are women. Legislation prohibits gender-based employment discrimination; however, women are concentrated in the lower echelons of the work force and face sexual harassment in the workplace. Unfortunately, fear of loss of jobs prevents women from condemning and reporting cases of sexual harassment, although a number of non-governmental organizations are addressing this issue.

Domestic violence against women is widespread, crossing racial and ethnic lines. Several social welfare organizations have responded by organizing counselling and research programs. In Harare alone, 5,000 cases of wife-beating were reported in 1990, far underestimating the magnitude of the problem. Cases of reported rape have been increasing, especially among adolescent girls. Cases of infanticide are on the increase, despite the 5 year sentence if convicted, largely attributed to transitional economic hardships associated with ESAP.

Real GDP growth since 1954



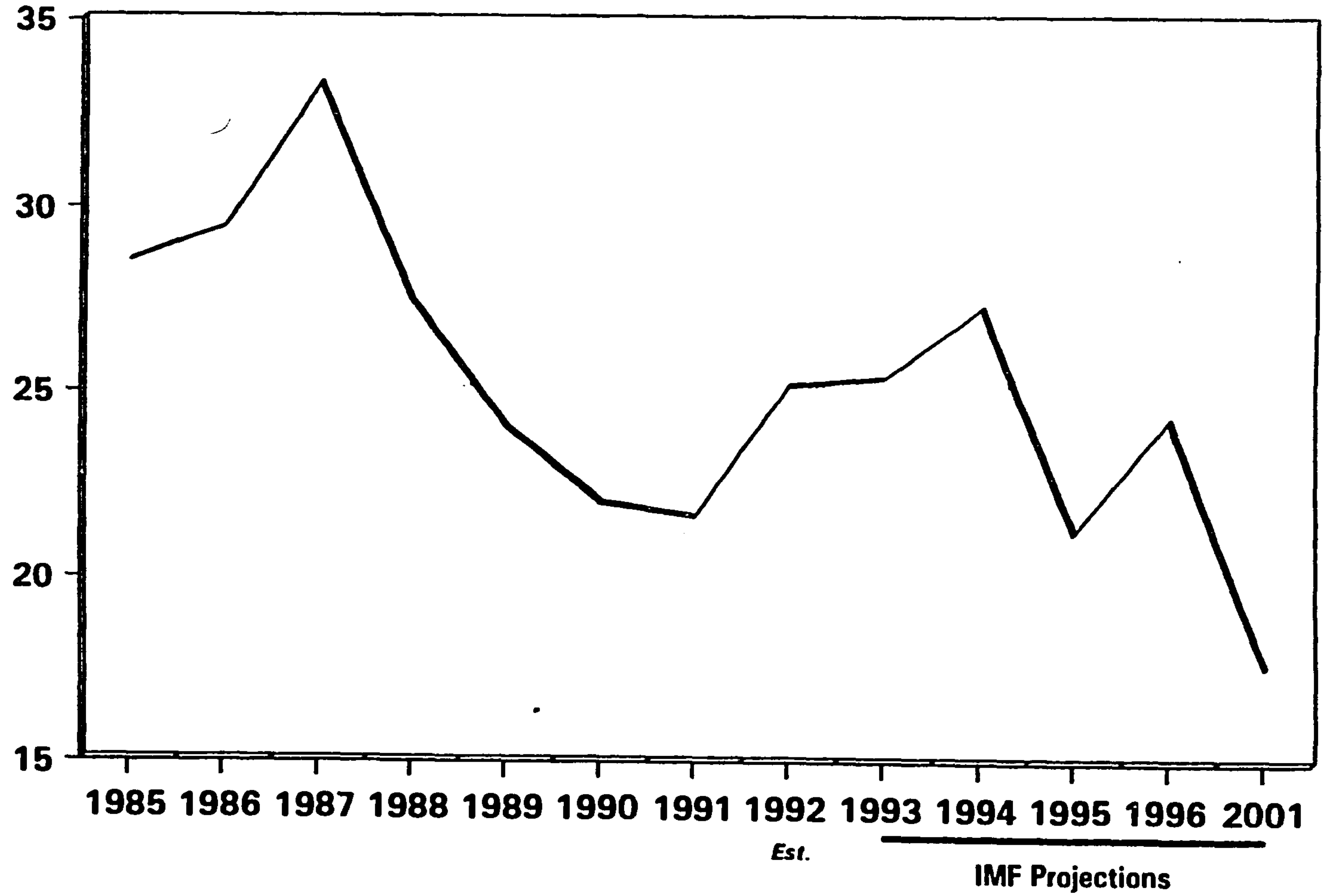
125

Gross Domestic Product at Factor Cost: Constant 1980 Prices.

	Rate of Change From Previous Year												Average
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1980-90
	(in percent)												
Agriculture and forestry	1.6	14.2	-7.2	-15.7	23.1	23.8	-6.2	-18.1	25.4	-0.8	-6.6	3.1	3.0
Mining and Quarrying	-2.4	-2.5	2.2	-1.4	3.9	-1.0	1.7	2.4	-1.7	4.1	1.0	5.5	0.6
Manufacturing	15.1	9.9	-0.5	-2.9	-5.0	11.5	3.4	1.7	5.0	5.9	6.1	2.5	4.6
Electricity and Water	9.4	0.0	-10.0	7.9	2.9	12.9	19.0	30.9	3.3	18.1	-2.7	-2.1	8.3
Construction	2.2	15.4	-3.8	-7.9	-7.5	-25.6	4.7	-7.5	-1.6	3.3	-9.5	-15.8	-3.4
Finance and insurance	2.6	9.4	19.5	-2.4	-6.9	-1.1	-3.2	10.5	5.5	9.5	2.2	3.0	4.1
Real Estate	-10.4	0.0	0.0	2.3	0.0	0.0	2.3	0.0	2.2	2.2	0.0	0.0	-0.1
Distribution and Hotels	33.0	1.1	-1.1	-13.1	-6.6	5.5	8.3	2.4	5.4	7.1	6.0	2.0	4.4
Transport and communication	22.0	4.7	2.3	-0.9	0.9	4.9	3.0	-4.1	6.0	2.4	2.4	2.3	4.0
Public Administration	5.1	16.5	-1.8	1.5	7.7	2.2	-0.5	4.3	6.0	3.4	0.5	4.0	4.1
Education	33.1	39.6	20.3	9.2	8.1	6.9	4.7	3.2	0.5	2.8	0.3	0.5	11.7
Health	4.4	7.0	15.8	1.1	4.5	4.3	3.1	3.0	3.9	2.8	5.5	10.3	5.0
Domestic Services	0.0	-3.1	-3.2	-1.6	-1.7	1.7	0.0	1.7	0.0	1.6	0.0	-1.6	-0.4
Other Services	-13.3	23.1	15.0	14.1	6.7	2.7	8.7	-13.6	38.9	10.0	12.7	31.7	9.5
GDP at factor cost	10.7	9.7	1.5	-3.6	2.3	7.4	2.1	-0.5	7.3	4.7	2.1	3.6	4.0
Memorandum Items:													
Material Production sectors	7.1	8.8	-2.5	-5.9	3.3	11.1	0.8	-2.9	8.7	4.4	0.8	2.3	3.1
Other than agriculture	9.3	6.9	-0.7	-2.4	-2.9	6.1	4.1	3.4	3.1	6.5	3.6	2.0	3.4
Non-government services	16.3	4.3	4.2	-4.9	-3.1	3.3	4.3	0.3	8.5	6.4	4.9	6.2	4.0
Government Services Sectors	12.5	22.6	8.3	4.5	7.5	4.4	2.2	3.7	3.3	3.1	1.0	3.3	6.6

Debt Service Ratio

Total debt service as % of exports of goods & services



Economic Structural Adjustment Program (ESAP)

-Public Service Reform-

Cuts in recurrent expenditure are to take place through the virtual elimination of public enterprise subsidies, a reduction in the civil service wage bill, increased cost recovery measures and general expenditure restraints. (Direct subsidies and transfers to parastatals were to be reduced from Z$ 650 million in 1990/91 to Z$ 133 in 1992/93 and Z$ 40 million by 1994/95.) A 25% reduction in public service employment and decline in average real wages are to be introduced. This will be accomplished through attrition, incentives for early retirement and reorganization to minimize redundant functions. While social sector activities were to be maintained, rationalization of continuing activities and increased cost recovery were called for. This is evident in health care, where cost recovery fees are to double versus a 4.7% increase in expenditures. Similarly, the education budget is to grow by 3% annually, while cost recovery fees are to rise from Z$ 40 million to Z$ 75 million by 1995.

-Economic Deregulation-

The objective of these reforms is to increase competition through reforms focused on price and distribution controls, labor and wage legislation, and regulations impeding the growth of the small and informal sectors. Under the Program, specific price controls are to be removed from all but a few "critical" products including maize meal; however, price increases could occur for even these core products.

Two major changes governing labor market regulations were introduced -- the establishment of a system of collective bargaining in all industries except agriculture and domestic service, and an amendment to the law to permit retrenchment of employees when economically necessary. To encourage the expansion of the small-scale and informal sectors, the Government will strongly encourage local authorities to liberalize strict zoning regulations and licensing requirements for shops and vendors. Reforms extended to the transport system and a new venture capital company will be established to assist emergent small-scale businesses.

-Monetary Policy-

Among the Program's objectives is the reduction in the rate of inflation to 12% in 1993 and 10% by 1995. More importantly, the Government is to move toward improving the efficiency of the financial sector and to move from a system of administered interest rates to one determined by market forces. Over time, open market operations are to become the primary instrument for money market intervention to regulate monetary aggregates and interest rates, with greater reliance on use of reserve requirements during the transition period.

-Trade and Foreign Exchange-

The core of trade liberalization involves a managed transition from administered import controls through licensing and foreign exchange allocations, to a tariff and tax-based system of protection by 1995. As goods are progressively placed on the Open General Import License (OGIL) list, quantitative administrative restrictions will be eliminated. Import restrictions will be progressively removed thereby exposing domestic producers to international competition. Eventually, the only form of domestic protection from imports will be through tariffs and taxes.

Reforms to the foreign exchange allocation system and tariffs are to be accompanied by specific export promotion facilities. These included special lines of credit for capital imports to re-equip, continued depreciation of the currency, investment incentives and export incentives. The major ones are outlined below:

- *Export Incentive System* - non-traditional exporters [illegible] cash payment of 9% of the value of their exports, providing the [illegible] ium local content of 25% of their export (f.o.b.) value.

- *Extended Export Promotion Program* - import requirements for exports in the agricultural and mining sectors are provided for under this program.

- *Refunds of import or sales tax on import and/or local purchase of capital goods for export projects* approved by the Ministry of Finance.

- *Export Retention Scheme* - introduced as part of the Economic Structural Adjustment Program (ESAP), this allows exporters to retain a percentage[4] of export receipts from previous six months to purchase any goods not included on a negative list, and has been further extended to cover a number of invisible items. Further expansion of the ERS is anticipated. (See Attachment---Schedule of Import Liberalization.)

- *Pre and Post-Shipment Export Financing Scheme* - provides low interest rate funding to exporters in order to enhance their competitiveness with its most favorable rates aimed at small-scale exporters.

-Investment Incentives-

Even before the formal introduction of the ESAP, the GOZ undertook measures to improve the investment climate in Zimbabwe, including joining MIGA in September 1989 and signing the United States' OPIC Agreement in June 1990. Regulations introduced in June 1989 provide the opportunity for new foreign investors to buy Zimbabwe dollars from blocked account holders (whose funds' remittability was severely restricted) at substantial discount.

---

[4] This percentage, now 35%, is incomparably low by international standards.

Another of the major initiatives was the establishment of the Zimbabwe Investment Center for "expedited" approval of new domestic and foreign investment. The major investment incentives /introduced as part of ESAP focused on new export-oriented projects, including a more favorable treatment for capital repatriation and profit and dividend remittances.

-Social Dimensions of Adjustment-

In order to minimize the transitional hardships from the SAP implementation process, three areas of additional assistance are addressed in The Framework for Economic Reform.

- assistance to those in the formal sector who lose their jobs;
- assistance to those most hurt by price increases
- assistance to those who cannot afford to pay user fees, including the introduction of school fees in the primary grades.

These are in addition to the Government's on-going program of targeted food, health care and other social safety nets.

Schedule of Import Liberalization

(Cumulative minimum percent of imports 1/ for OGIL and exports 2/ for ERS).

	Dec 91	Jun 92	Dec 92	Jun 93	Dec 93
OGIL	15	15	20	35	35
ERS	15	25	30	30	35
Imports free of licensing restrictions	30	40	50	65	70
(Share of total imports excluding petroleum and goods imported for projects funded by aid agencies)	(50)	(56)	(63)	(88)	(88)

1/ Excluding emergency food imports.
2/ In the previous six-month period.

Source: World Bank: Policy Framework Paper, 1992-1995. July 17, 1992.

Zimbabwe: Structural Performance Criteria and Benchmarks, 1992/93

Policy Action	Timing
1. Expansion of the Export Retention Scheme to 35 percent of export earnings (performance criterion)	End-June 1993
2. Expansion of Open General Import Licence to cover	
-- 20 percent of imports 1/ (performance criterion)	End-Dec. 1992
-- 35 percent of imports 1/ (performance criterion)	End-June 1993
3. Elimination of civil service positions (cumulative from July 1, 1991)	
-- 8 500 positions (performance criterion)	End-Dec. 1992
-- 13 000 positions (performance criterion)	End-June 1993
4. Maintenance of positive real interest rates (benchmarks)	End-Sept. 1992 End-Dec. 1992 End-Mar. 1993 End-June 1993

1/ The ratio will be calculated in relation to total imports excluding those relating to drought.

Investment Climate and ESAP

While foreign exchange constraints and rules governing remittability of capital and dividends have impeded foreign investment, another deterrent has been the cumbersome investment approval process. After more than three years in existence, the Zimbabwe Investment Center (ZIC) has finally been given independent legal status. ZIC's authority to approve investment proposals, however, is restricted to projects involving less than Z$ 10 million (currently less that US$ 1.6 million) and any larger project must be referred to the Senior Minister of Finance.[5] The low ceiling for ZIC investment approval leaves a large portion of potential investment projects subject to the lengthy government approval process, further deterring new investment. Moreover, the almost total lack of transparency within the existing investment regulations limits the predictability of investment approval and awarding of incentives, with ZIC's long response time[6] compounding the problem. All projects that may require expenditure and/or investment of convertible foreign currency must be submitted to the ZIC. It is intended, however, that ZIC is to be progressively transformed from an investment sanctioning agency to a promotional one.

Many of the impediments to investment will be addressed by the ESAP. For example, the import surtax, which is currently 20%, is scheduled to be reduced to 10% by 1993/94 and to be eliminated by 1995. Once implemented, this will leave an effective maximum top rate of tariff protection of 30%. The Government aims to establish a fully fledged Tariff Commission to replace the existing Industrial Tariff Committee within the Ministry of Industry and Commerce. Preliminary work has begun with the goal of introducing a more coherent and consistent means of managing tariffs as they progressively become the primary instruments of protection for local industry. Ultimately, the Commission will approve import tax exemptions and provide enhanced tariff protection in selected cases.

The International Finance Corporation's Foreign Investment Advisory Service (FIAS) has enumerated a list of actions required to enhance the climate for foreign investment in Zimbabwe. These measures, if implemented, would also enhance the environment for domestic investment. The list of opportunities follows:

- Allow unrestricted remittance of after-tax profits
- Deregulate the domestic use of surplus and blocked funds
- Liberalize capital repatriation provisions
- Clarify local equity requirements and establish transparent indigenous participation

---

[5] The GOZ is believed to be considering the exemption from ZIC approval for investments of less than US$ 50 million.

[6] ZIC's response time to review new investment applications is currently averaging 2 months, or 3 weeks for projects of less than Z$ 10 million. This compares with an average response time of 7.5 months during ZIC's overall life span of 3 years.

arrangements

- Reduce the negative list of sectors proscribed for foreign investment
- Liberalize the use and trading of Export Retention Scheme (ERS) credits, eliminate the restricted OGIL list and "approved importer" classification
- Remove legislated monopolies and allow dilution of Government equity in commercial enterprises
- Deregulate overseas borrowing and local borrowing provisons
- Simplify approval of short-term work permits
- Restrict the investment approval process to health and safety considerations
- Allow outward bound investment.

Consistent with the FIAS recommendations, and as part of a renewed drive to attract foreign investors, the GOZ is believed to be actively considering a major restructuring of its investment regulations. A package is expected to be announced shortly and this will likely include a major liberalization of existing restrictions on dividend and capital repatriation for both existing and new foreign investors.

INTERLOCKING DIRECTORSHIPS AND CROSS OWNERSHIPS: ZIMBABWE CORPORATIONS

AFRICAN DISTILLERS LTD

Gunn,KD Chairman ..... (ALSO: Chairman Rothmans of Pall Mall Zim)
Chiura,ED Director ... (ALSO: Chairman Delta Corp, Chairman Zimbabwe Sun, Director FMB Holdings, Director PG Industries)
Nyandoro,GB Director .. (ALSO: Chairman Art Corporation, Chairman Kadoma Consolidated Industries, Chairman Zagrinda)
Barnard,R Director .... (ALSO: Executive Director Rothmans of Pall Mall, Alternate Director Zimplow)

OWNERSHIP:
LikobrandS.A.
    50.00% Rothmans Of Pall Mall Zim
Old Mutual Investment Corp (Pvt) Ltd
    15.31% Rothmans Of Pall Mall Zim
        25% Afdis Holdings (Pvt) Ltd
            58.46% African Distillers Ltd
    Security Nominees (Pvt) Ltd
            4.52% African Distillers Ltd
    First Nominees (Pvt) Ltd
            3.94% African Distillers Ltd
    Ketay Nominees (Pvt) Ltd
            3.47% African Distillers Ltd
    Fidelity Life Assurance Of Zim (Pvt) Ltd
            2.69% AfricanDistillersLtd

AGRICOR LTD

Tracey,CG Chairman ... (ALSO: Chairman TSL Ltd, Director Cluff Resources Zimbabwe Ltd)
Nicholson,JS Director . (ALSO: Managing Director TSL Ltd)
Tawengwa,SC Director .. (ALSO: Chairman Rio Tinto Zimbabwe Ltd, Director TSL Ltd, Director Circle Cement Ltd)

OWNERSHIP:
Corner Properties (Pvt) Ltd
    70.52% TSL Ltd
        35.89% Agricor Ltd
    Bonkem Incorporated
        32.53% Agricor Ltd
    Old Mutual Investment Corp (Pvt) Ltd
        15.26% Agricor Ltd
    Corner Properties (Pvt) Ltd
        3.90% Agricor Ltd
    Subsidiaires:
        Agricair
        Agricura
        Premier Milling
        Rumevite
        Protea Zimbabwe
        General Chemical Corp
        Protea Chemical & Medical Services
        Propak
        Willis Faber Associates (Pvt) Ltd

AGRICULTURAL DEVELOPMENT AUTHORITY

Mhlanga,DrL Man. Dir... (ALSO: Vice Chairman Development Trust of Zimbabwe, Director Art Corporation)

APEX CORPORATION

Carter,JAL CEO .... (ALSO: Director More Wear Industrial Holdings Ltd)
Mapondera,HE Director . (ALSO: Director Merlin, Director T.A. Holdings, Director Zimplow)
Vambe,LC Director ..... (ALSO: Director Z.S.R. Ltd)
Cole,RH Director....... (ALSO: Director Zimplow)

OWNERSHIP:
Old Mutual Investment Corp (Pvt) Ltd
20.92% Apex Corp
Angwa Properties (Pvt) Ltd
20.17% Apex Corp
Mayfair Buildings (Pvt) Ltd
15.18% Apex Corp
Apex Corp owns:
20.47% More Wear Industrial Holdings

ART CORPORATION LTD

Nyandoro,GB Chairman .. (ALSO: Chairman Zagrinda, Chairman Kadoma Consolidated Industries, Director African Distillers Ltd)
Mhlanga,DrL Director... (ALSO: Vice Chairman Development Trust of Zimbabwe, Managing Director Agricultural Development Authority)
Renshaw,MT Director ... (ALSO: Managing Director Kadoma Consolidated Industries Ltd)
Wakeling,JB Director .. (ALSO: Director Kadoma Consolidated Industries Ltd)

OWNERSHIP:
Nedlaw Investment and Trust Corp
46.04% Art Corporation Ltd
Old Mutual Investment Corp (Pvt) Ltd
21.17% Art Corporation Ltd
Art Group Employees Trust (Pvt) Ltd
11.81% Art Corporation Ltd
Art Corporation Ltd owns:
50.61% Kadoma Consolidated Industries

BARCLAYS BANK ZIMBABWE LTD

Carter,JD Chairman .... (ALSO: Director FMB Holdings Ltd, Director Delta Corporation)
Lander,RP Director ... (ALSO: Chairman FMB Holdings, Chairman Bindura Nickel, Chairman Hippo Valley, Chairman Zimalloys, Chairman National Foods)
Lewis,DJ Director .... (ALSO: Chairman Dunlop Zimbabwe, Chairman Truworths, Director FMB Holdings, Director TSL Ltd, Director Schweppes Central Africa)
Chambati,AM Director .. (ALSO: Chairman & CEO T.A. Holdings)
Zamchiya,DM Director .. (ALSO: Director Edgars Stores, Director Zimbabwe Newspapers)
Mupawose,RM Director .. (ALSO: Director Zimbabwe Sun)

OWNERSHIP:
Afcarme Zimbabwe Holdings (Pvt) Ltd
71.06% Barclays Bank Zimbabwe Ltd

BINDURA NICKEL CORPORATION LTD

Lander,RP Chairman .... (ALSO: Chairman FMB Holdings, Chairman Hippo Valley, Chairman Zimalloys, Chairman National Foods, Director Barclays Bank Zimbabwe)
Kudenga,N Director .... (ALSO: Chairman Wankie Colliery)
Mancama,BV Director.... (ALSO: Director Border Timbers, Director National Foods)
Masunda,MA Director ... (ALSO: Chairman Mhangura Copper Mines, Director Zimalloys, Director Zimbabwe Sun)
Wishart,AB Director ... (ALSO: Director Commercial & Industrial Holdings, Director Zimalloys)
Nicholson,DG Director . (ALSO: Director FMB Holdings, Director Hippo Valley)
Taylor,JR Director ... (ALSO: Director Zimalloys)
Groom,DJ.DG Director .. (ALSO: Director Wankie Colliery, Director Zimalloys)
Ngugama,EG Fin. Dir. .. (ALSO: Financial Director Zimalloys)
Smart,WK Man. Dir ..... (ALSO: Managing Director Zimalloys, Director FMB Holdings)

OWNERSHIP:
Security Nominees (Pvt) Ltd
64.70% Bindura Nickel Corp Ltd
Prospects Of Zimbabwe (Pvt) Ltd
8.68% Bindura Nickel Corp Ltd

BORDER TIMBERS LTD

Margesson,HV Chairman (ALSO: Director Hippo Valley, Director National Foods, Director Portland Holdings)
Mancama,BV Director.... (ALSO: Director Bindura Nickel, Director National Foods)
Dennett,DE Director ... (ALSO: Managing Director Hippo Valley)
Bruce,LR Director ..... (ALSO: Dpty Managing Director Hippo Valley)
Fry,DJ Director .... (ALSO: Director Wankie Colliery)
Tasker,ML Alt.Director (ALSO: Director Wankie Colliery)

OWNERSHIP:
Security Nominees (Pvt) Ltd
54.19% Border Timbers Ltd
Tanks Investment Zimbabwe Ltd
25.00% Border Timbers Ltd

CENTRAL AFRICAN CABLES LTD

Mkushi,HP Director .... (ALSO: Dpty Chairman Zimbabwe Newspapers, Director National Foods)
Botsh,AA Director ..... (ALSO: Chairman More Wear Industrial Holdings, Director Mashonaland Holdings)

OWNERSHIP:
BICC plc UK
78.07% Central African Cables Ltd
Old Mutual Investment Corp (Pvt) Ltd
3.42% Central African Cables Ltd

COMMERCIAL & INDUSTRIAL HOLDINGS
Thompson,AC Chairman .. (ALSO: Director Tabex, Director Zimplow)
Wishart,AB Director ... (ALSO: Director Bindura Nickel, Director Zimalloys)
McClelland,AH Alt.Dir.. (ALSO: Alt. Director Hippo Valley)

OWNERSHIP:
Security Nominees (Pvt) Ltd
27.90% C&I Holdings Ltd
NRZ Contributory Pension Fund
25.90% C&I Holdings Ltd
First Nominees (Pvt) Ltd
9.52% C&I Holdings Ltd
Carsan Investment Co (Pvt) Ltd
6.23% C&I Holdings Ltd
Subsidiary: National Fencing (Pvt) Ltd

CAIRNS HOLDINGS LTD
Jackson,MJH Chairman .. (ALSO: Director National Foods)
Knight,AH Director .... (ALSO: Director FMB Holdings)

OWNERSHIP:
ZimbabweGovernment
85.00% AstraCorp
AstraFoods(Pvt)Ltd
55.30% Cairns Holdings
Old Mutual Investment Corp (Pvt) Ltd
10.43% Cairns Holdings
Cairns,John Horace
3.53% Cairns Holdings
The Bunny Cairns Trust
3.53% Cairns Holdings
Cairns Holdings Ltd owns:
5.98% TAHoldings

CAPRI GROUP
Morley,JW Director .... (ALSO: Chairman Circle Cement, Chairman PG Industries)

OWNERSHIP:
Standard Merchant Bank Nominees
26.98% Capri Group
Shimdor (Pvt) Ltd
18.40% Capri Group
Old Mutual Investment Corp (Pvt) Ltd
10.59% Capri Group
Capri Group owns: 22% World Radio

CAPS HOLDINGS LTD
Hove,MJ CEO .... (ALSO: Director More Wear Industrial Holdings)

OWNERSHIP:
Zimbabwe Government
42.76% CAPS Holding
Old Mutual Investment Corp (Pvt) Ltd
11.49% CAPS Holding
Security Nominees (Pvt) Ltd
9.48% CAPS Holding

CIRCLE CEMENT LTD
Morley,JW Chairman .... (ALSO: Chairman PG Industries, Director Capri Group)
Tawengwa,SC Director .. (ALSO: Chairman Rio Tinto Zimbabwe Ltd, Director TSL Ltd, Director Agricor Ltd)

OWNERSHIP:
Associated International Cement
76.45% Circle Cement
K.E. Thomson (Pvt) Ltd
4.01% Circle Cement
Subsidiary: Circle Trucking Ltd

CLUFF RESOURCES ZIMBABWE LTD
Tracey,CG Director ... (ALSO: Chairman Agricor Ltd, Chairman TSL Ltd)

OWNERSHIP:
Cluff Mineral Exploration Ltd
82.40% Cluff Resources Zimb Ltd
Cluff Resources Zim Employees Trust Fund
3.06% Cluff Resources Zim Ltd

DAVID WHITEHEAD LTD
Kruger,N Chairman ..... (ALSO: Director Northchart Investments)
Parvin,ACL Director ... (ALSO: Chairman Northchart Investments)
Rowland,RW Director ... (ALSO: Director Northchart Investments)
Munangatire,HMD Dir. .. (ALSO: Director Northchart Investments)
Richardson,GA AltDir .. (ALSO: Director Northchart Investments)
Kadhani,XM Director ... (ALSO: Managing Director Hunyani Holdings)

OWNERSHIP:
Textile Investment Co Ltd
64.87% David Whitehead
IndustrialDevelopmentCorp
9.10% DavidWhitehead
NorthchartInvestmentsLtd
5.00% DavidWhitehead

DELTA CORPORATION LTD
Chiura,ED Chairman .... (ALSO: Chairman Zimbabwe Sun, Director FMB Holdings, Director African Distillers, Director PG Industries)
Carter,JD Director .... (ALSO: Chairman Barclays Bank, Director FMB Holdings)
Rooney,JP Man. Dir. ... (ALSO: Dpty Chairman Zimbabwe Sun)
Turpin,WH Director .... (ALSO: Director T.A. Holdings)

139

OWNERSHIP:
Zimbabwe Development Corp
39.56% Delta Corp Ltd
Rainier Inc.
14.55% Delta Corp Ltd
Old Mutual Investment Corp (Pvt) Ltd
14.08% Delta Corp Ltd
Tigatel B.V.
8.17% Delta Corp Ltd
Delta Ltd owns:
64.04% Zimbabwe Sun, with:
Old Mutual Investment Corp (Pvt) Ltd
12.04% Zimbabwe Sun

DUNLOP ZIMBABWE
Lewis,DJ Chairman .... (ALSO: Chairman Truworths, Director Barclays Bank, Director FMB Holdings, Director TSL Ltd, Director Schweppes Central Africa)

OWNERSHIP:
Dunlop Holdings Ltd
75.42% Dunlop Zimbabwe

EDGARS STORES
Smith,DC Chairman ..... (ALSO: Director National Foods)
Mabodoko,NJ Director .. (ALSO: Director Zimbabwe Spinners & Weavers)
Mkushi,HP Director .... (ALSO: Dpty Chairman Zimbabwe Newspapers, Director Central African Cables, Director National Foods)
amchiya,DM Director .. (ALSO: Director Zimbabwe Newspapers, Director Barclays Bank)

OWNERSHIP:
Bellfield Ltd (S.A. Breweries -> Liberty Life 25%
60.15% Edgars Stores Ltd
Old Mutual Investment Corp (Pvt) Ltd
14.22% Edgars Stores Ltd
Sales House
Express Stores
Carousel - clothing factory

FALCON GOLD ZIMBABWE
Stephens,RG Chairman . (ALSO: Chairman & Managing Director Falcon Mines, Chairman Willsgrove Brick & Potteries)
Latilla-Campbell,P Dir. (ALSO: Director Falcon Mines, Director Willsgrove Brick & Potteries)
Palmgren,AM Director .. (ALSO: Director Falcon Mines, Director Willsgrove Brick & Potteries)
Beattie,AD Director ... (ALSO: Director Falcon Mines)
Jousse,CP Director .... (ALSO: Director Falcon Mines, Director Willsgrove Brick & Potteries, Director TSL Ltd)
Smart,WK Fin Director . (ALSO: Managing Director Bindura Nickel, Managing Director Zimalloys, Director FMB Holdings)

OWNERSHIP:
Falcon Mines plc
73.03% Falcon Gold Zim
Security Nominees (Pvt) Ltd
6.33% Falcon Gold Zim
United Factors (Pvt) Ltd
2.03% Falcon Gold Zim
Subsidiary: 40.00% Olympic Gold Mines Ltd

FALCON MINES

Stephens,RG Chairman .. (ALSO: Chairman & Managing Director Falcon Gold, Chairman Willsgrove Brick & Potteries)
Latilla-Campbell,P Dir. (ALSO: Director Falcon Gold, Director Willsgrove Brick & Potteries)
Palmgren,AM Director .. (ALSO: Director Falcon Gold, Director Willsgrove Brick & Potteries)
Beattie,AD Director ... (ALSO: Director Falcon Gold)
Jousse,CP Director .... (ALSO: Director Falcon Gold, Director Willsgrove Brick & Potteries, Director TSL Ltd)
Wigley,FL Director .... (ALSO: Director Willsgrove Brick & Potteries)
Marshall,DC Director .. (ALSO: Director Willsgrove Brick & Potteries)

OWNERSHIP:
London & Johannesburg Registers
49.56% Falcon Mines
Security Nominees (Pvt) Ltd
3.30% Falcon Mines
Anglo American Associated Cos Pension Fund
1.99% Falcon Mines

FMB HOLDINGS LTD

Lander,RP Chairman ... (ALSO: Chairman Bindura Nickel, Chairman Hippo Valley, Chairman Zimalloys, Chairman National Foods, Director Barclays Bank)
Carter,JD Director ... (ALSO: Chairman Barclays Bank, Director Delta Corp.)
Lewis,DJ Director ..... (ALSO: Chairman Dunlop Zimbabwe, Chairman Truworths, Director TSL Ltd, Director Schweppes Central Africa)
Chiura,ED Director .... (ALSO: Chairman Delta Corp, Chairman Zimbabwe Sun, Director African Distillers, Director PG Industries)
Smart,WK Director ..... (ALSO: Managing Director Zimalloys, Managing Director Bindura Nickel)
Lewis,DJ Director ..... (ALSO: Chairman Dunlop Zimbabwe, Chairman Truworths, Director TSL Ltd, Director Schweppes Central Africa)
Bloch,EW Director ..... (ALSO: Director Merlin, Director Zimbabwe Sun)
Nicholson,DG Director . (ALSO: Director Bindura Nickel, Director Hippo Valley)
Bain,GT Director ...... (ALSO: Director Hippo Valley)
Knight,AH Director .... (ALSO: Director Cairns Holdings)
Young,JRA Director .... (ALSO: Director Johnson & Fletcher)

OWNERSHIP:
Security Nominees (Pvt) Ltd
42.80% FMB Holdings
Old Mutual Investment Corp (Pvt) Ltd
13.83% FMB Holdings
International Finance Corp
10.00% FMB Holdings

141

DEVELOPMENT TRUST OF ZIMBABWE

Mhlanga,DrL V. Chairman (ALSO Managing Director Agricultural Development Authority, Director Art Corporation)

HADDON & SLY

Sly,JR Chairman .... (ALSO: Chairman Portland Holdings, Director Radar Holdings)

OWNERSHIP:

Marard Investments (Pvt) Ltd
46.75% Haddon & Sly
Sly,AG
17.03% Haddon & Sly
Turner,Mr.Roy
8.02% Haddon & Sly
Holt,Mrs.JF
4.76% Haddon & Sly

HIPPO VALLEY ESTATES LTD

Lander,RP Chairman .... (ALSO: Chairman Bindura Nickel, Chairman FMB Holdings, Chairman National Foods, Chairman Zimalloys, Director Barclays Bank)
Dennett,DE Man.Dir. ... (ALSO: Director Border Timbers)
Bruce,LR Dpty Man.Dir . (ALSO: Director Border Timbers)
Margesson,MV Director . (ALSO: Chairman Border Timbers, Director National Foods, Director PortlandHoldings)
Bain,GT Director ...... (ALSO: Director FMB Holdings)
Nicholson,DG Director . (ALSO: Director FMB Holdings, Director Bindura Nickel)
McClelland,AH AltDir .. (ALSO: Alt. Director Commercial & Industrial Holdings)

OWNERSHIP:

Security Nominees (Pvt) Ltd
43.39% Hippo Valley Estates Ltd
14.75% Old Mutual Investment Corp (Pvt)Ltd
8.31% Tate & Lyle Holdings Ltd

HUNYANI HOLDINGS

Sadza,DrDM Chairman ... (ALSO: Chairman Zimbabwe Newspapers)
Kadhani,XM ManDirector (ALSC: Director David Whitehead)
Midzi,DT Director ..... (ALSO: Group Managing Director Zimbabwe Newspapers)

OWNERSHIP:

Zimbabwe Mass Media Trust
25.45% Hunyani Holdings
Zimbabwe Development Corp
24.16% Hunyani Holdings
Old Mutual Investment Corp (Pvt) Ltd
12.69% Hunyani Holdings
Hunyani Workers Trust
12.00% Hunyani Holdings
Syfrets Nominees (Pvt) Ltd
6.11% Hunyani Holdings

142

APPENDIX A: Concentration and Directorships

INTERNATIONAL HOLDINGS LTD
Day,B Chairman .... (ALSO: Chairman Zimplow, Director Rothmans of Pall Mall)

OWNERSHIP:
EllerbyB.V.
71.50% International Holdings
MBCA Nominees (Pvt) Ltd
5.56% International Holdings
Security Nominees (Pvt) Ltd
5.48% International Holdings

JOHNSON & FLETCHER
Moxon,JRT Chairman .... (ALSO: Chairman Tanganda Tea, Chairman ZECO)
Cameron,MV ManDirector (ALSO: Director Tanganda Tea, Director ZECO)
Stephens,DE Director .. (ALSO: Director Tanganda Tea, Director ZECO)
Young,JRA Director .... (ALSO: Director FMB Holdings)

OWNERSHIP:
Donian Properties (Pvt) Ltd
44.45% Johnson & Fletcher
Saphic Holdings (Pvt) Ltd
4.25% Johnson & Fletcher
Johnson,Mr.DG
3.85% Johnson & Fletcher
Stow,Mrs.CEJ
3.02% Johnson & Fletcher
Johnson & Fletcher owns:
11.33% ZECO

KADOMA CONSOLIDATED INDUSTRIES
Nyandoro,GB Chairman .. (ALSO: Chairman Art Corp, Chairman Zagrinda, Director African Distillers)
Renshaw,MT ManDirector (ALSO: Director Art Corp)
Wakeling,JB Director .. (ALSO: Director Art Corp)

OWNERSHIP:
Nedlaw Investment and Trust Corp
46.04% Art Corporation Ltd
50.61% Kadoma Consolidated Industries
Old Mutual Investment Corp (Pvt) Ltd
15.94% Kadoma Consolidated Industries

MASHONALAND HOLDINGS
Botsh,AA Director ..... (ALSO: Chairman More Wear Industrial Holdings, Director Central African Cables)

OWNERSHIP:
Old Mutual Investment Corp (Pvt) Ltd
20.66% Mashonaland Holdings
First Nominees (Pvt) Ltd
17.25% Mashonaland Holdings

Security Nominees (Pvt) Ltd
5.11% Mashonaland Holdings
Electrical Systems (Pvt) Ltd
4.43% Mashonaland Holdings

MERLIN LTD
Bloch,EW Director ...... (ALSO: Director FMB Holdings, Director Zimbabwe Sun)
Mapondera,HE Director . (ALSO: Director Apex Corp, Director T.A. Holdings, Director Zimplow).

OWNERSHIP:
Old Mutual Investment Corp (Pvt) Ltd
20.16% Merlin Ltd
Arell Holdings (Pvt) Ltd
20.04% Merlin Ltd
First Nominees (Pvt) Ltd
11.97% Merlin Ltd
Security Nominees (Pvt) Ltd
10.81% Merlin Ltd
Broomday Holdings (Pvt) Ltd
7.96% Merlin Ltd
Broomberg,Mr.RL
3.19% Merlin Ltd
Production Consultants (Pvt) Ltd
1.87% Merlin Ltd
Broomberg,Mr.DJ
1.49% Merlin Ltd
Broomberg,Mr.CB
1.27% Merlin Ltd

MHANGURA COPPER MINES LTD
Masunda,MA Chairman ... (ALSO: Director Bindura Nickel, Director Zimalloys, Director Zimbabwe Sun)

OWNERSHIP:
Zimbabwe Development Corp
54.55% Mhangura Copper Mines
Old Mutual Investment Corp (Pvt) Ltd
6.33% Mhangura Copper Mines
Johannesburg Register
6.32% Mhangura Copper Mines

MORE WEAR INDUSTRIAL HOLDINGS LTD
Botsh,AA Chairman ..... (ALSO : Director Central African Cables, Director MashonalandHoldings)
Carter,JAL Director ... (ALSO: CEO Apex Corp)
Hove,MJ Director ...... (ALSO: CEO CAPS Holdings Ltd)

OWNERSHIP:
MBCA Nominees (Pvt) Ltd
27.71% More Wear Industrial Holdings
Apex Corporation Of Zim Ltd
20.47% More Wear Industrial Holdings

44

G.A. Ware Holdings (Pty) Ltd
17.19% More Wear Industrial Holdings
Subsidiary: F. Issels & Son Ltd

NATIONAL FOODS HOLDINGS LTD [illegible] (ALSO: Chairman Bindura Nickel, Chairman FMB Holdings, Chairman Hippo Valley, Chairman Zimalloys, Director Barclays Bank)
Jackson,MJ Director ... (ALSO: Chairman Cairns Holdings)
Mkushi,HP Director .... (ALSO: Dpty Chairman Zimbabwe Newspapers, Director Central African Cables, Director Edgars Stores)
Smith,DC Director ..... (ALSO: Chairman Edgars Stores)
Mancama,BV Director ... (ALSO: Director Border Timbers, Director Bindura Nickel)
Margesson,MV Director . (ALSO: Chairman Border Timbers, Director Hippo Valley, Director [illegible] Holdings)

OWNERSHIP:
Security Nominees (Pvt) Ltd
25.12% National Foods Holdings
Astra Foods (Pvt) Ltd (which is 85% GOZ)
16.96% National Foods
Old Mutual Investment Corp (Pvt) Ltd
14.95% National Foods Holdings
NFH Investments Ltd
12.79% National Foods Holdings
Subsidiary(60%) SAFCO (40% Agricor)

NORTHCHART INVESTMENTS LTD
Parvin,ACL Chairman ... (ALSO: Director David Whitehead)
Kruger,N Director ..... (ALSO: Chairman David Whitehead)
Rowland,RW Director ... (ALSO: Director David Whitehead)
Munangatire,HMD Dir. .. (ALSO: Director David Whitehead)
Richardson,GA Director (ALSO: Alt.Director David Whitehead)

OWNERSHIP:
Willoughbys Consolidated Co Ltd
46.42% Northchart Investments
African Industrial & Finance Co
9.76% Northchart Investments
Hayes,NF
6.00% Northchart Investments
Simms Electrical & Diesel Services (Pvt) Ltd
50.00% Greystone Development Co. (Pvt) Ltd
20.40% Kariba Minerals Ltd
30.00% Northern Minerals (Zambia) Ltd

PG INDUSTRIES LTD
Morley,JW Chairman .... (ALSO: Chairman Circle Cement, Director Capri Group)
Chiura,ED Director .... (ALSO: Chairman Delta Corp, Chairman Zimbabwe Sun, Director FMB Holdings, Director African Distillers)

OWNERSHIP:
Prestige Investments (Pvt) Ltd
45.39% P.G. Industries
Old Mutual Investment Corp (Pvt) Ltd
32.20% P.G. Industries

PORTLAND HOLDINGS LTD
Sly,JR Chairman .... (ALSO: Chairman Haddon & Sly, Director Radar Holdings)
Chipudhla,PWT Director (ALSO: Dpty Chairman Radar Holdings, Director Rothmans of Pall Mall, Director T.A. Holdings, Director Tedco)
Margesson,MV Director . (ALSO: Chairman Border Timbers, Director Hippo Valley, Director National Foods)
Stirling,JA Director .. (ALSO: Director Radar Holdings)

OWNERSHIP:
Security Nominees (Pvt) Ltd
19.32% Portland Holdings
Anglo American Associated Cos Pension Fund
6.51% Portland Holdings
Anglo American Corp Zim Pension Fund
6.33% Portland Holdings
Sagit Investments (Pvt) Ltd
4.65% Portland Holdings
Porthold Trust (Pvt) Ltd
3.48% Portland Holdings
Unilever South Africa Pension Fund
2.20% Portland Holdings

RADAR HOLDINGS LTD
Schofield,CJL Chairman. (ALSO: Director Zimalloys)
Chipudhla,PWT DptyChmn (ALSO: Director Portland Holdings, Director Rothmans of Pall Mall, Director T.A. Holdings, Director Teco)
Sly,JR Director .... (ALSO: Chairman Haddon & Sly, Chairman Portland Holdings)
Stirling,JA Director .. (ALSO: Director Portland Holdings)

OWNERSHIP:
Monomatapa Development Co (Pvt) Ltd
15.32% Radar Holdings
Old Mutual Investment Corp (Pvt) Ltd
8.77% Radar Holdings
LTA Trading (Pvt) Ltd
7.59% Radar Holdings
Fidelity Life Assurance Co Of Zimb (Pvt) Ltd
6.64% Radar Holdings
Radar Employees Trust (Pvt) Ltd
5.10% Radar Holdings
Subsidiaries: Radar Engineering Ltd
Radar Metal Industries
Metfab
Hogarths
Radar Building Supplies (Pvt) Ltd
United Builders Merchants & Timber & Hardware

Steyuns Engineering
Macol Agencies (Pvt) Ltd
Radar Metal Products Ltd t/a Copper Wares
Metfab
Zim-Steel
MacDonald Brothers (pvt) Ltd

RIO TINTO ZIMBABWE LTD
Tawengwa,SC Chairman .. (ALSO: Director Agricor, Director Circle Cement, Director TSL Ltd)

OWNERSHIP:
RioTintoHoldingsLtd
55.60% RioTintoZim
Rio Tinto Foundation Co (Pvt) Ltd
8.90% Rio Tinto Zim
Old MutualInvestment Corp (Pvt) Ltd
6.94% Rio Tinto Zim

ROTHMANS OF PALL MALL ZIMBABWE LTD
Gunn,KD Chairman ...... (ALSO: Chairman African Distillers)
Day,B Director .... (ALSO: Chairman International Holdings, Chairman Zimplow)
Chipudhla,PWT Director (ALSO: Dpty Chairman Radar Holdings, Director Portland Holdings, Director T.A. Holdings, Director Tedco)
Barnard,R ExecDirector (ALSO: Director African Distillers, Alt.Director Zimplow)
Lynton-Edwards,MAManDir (ALSO: Director Zimplow)

OWNERSHIP:
LikobrandS.A.
50.00% Rothman Of Pall Mall Zim
100% Valtobac Ltd S.A.
100% House of Raleigh Ltd
49.52% Zimplow
25% Afdis Holdings (Pvt) Ltd
58.46% African Distillers Ltd

SCHWEPPES (CENTRAL AFRICA) LTD
Dorward,PD Chairman ... (ALSO: Chairman Tedco, Executive Chairman Zimbabwe Spinners & Weavers, Director T.A. Holdings)
Lewis,DJ Director ..... (ALSO: Chairman Dunlop Zimbabwe, Chairman Truworths, Director Barclays Bank, Director FMB Holdings, Director TSL Ltd)
Chavhunduka,Dr.DM Dir. (ALSO: Director Truworths)

OWNERSHIP:
CadburySchweppesZimbabwe(Pvt)Ltd
46.10% Schweppes(CA)Ltd
Old Mutual Investment Corp (Pvt) Ltd
20.59% Schweppes (CA) Ltd
Northchart Investments Ltd
5.05% Schweppes (CA) Ltd
Financial Services (Pvt) Ltd
4.86% Schweppes (CA) Ltd

SECURITY NOMINEES (PVT) LTD

64.70% Bindura Nickel Corp Ltd
54.19% Border Timbers Ltd
53.28% Zimalloys
43.39% Hippo Valley Estates
42.80% FMB Holdings
27.90% C&I Holdings Ltd
National Fencing (Pvt) Ltd
25.12% National Foods Holdings
60% SAFCO (40% Agricor)
19.32% Portland Holdings
10.81% Merlin
9.48% CAPS Holding
6.33% Falcon Gold Zim
5.48% International Holdings
5.11% Mashonaland Holdings
4.97% Zimbabwe Spinners & Weavers

TABEX HOLDINGS LTD

Thompson,AC Director .. (ALSO: Chairman Commercial & Industrial Holdings, Director Zimplow)
Pichanick,ALA Director (ALSO: Member of Parliament, Director Zimbank)

OWNERSHIP:

BlairHoldings(Pvt)Ltd
60.25% TabexHoldings
50% THI (Pvt) Ltd
20% Shield of Zimbabwe Insurance Co Ltd
Zimbabwe Reinsurance Corp
4.82% Tabex Holdings

T.A. HOLDINGS LTD

Chambati,AM Chairman .. (ALSO: Director Barclays Bank)
Dorward,PD Director ... (ALSO: Chairman Schweppes Central Africa, Chairman Tedco, ExecChairman Zimbabe Spinners)
Chipudhla,PWT Direc. .. (ALSO: Dpty Chairman Radar Holdings, Director Portland Holdings, Director Rothmans of Pall Mall, Director Tedco)
Mapondera,HE Director . (ALSO: Director Apex Corp, Director Merlin,Director Zimplow)
Turpin,SH Director .... (ALSO: Director Delta Corp)

OWNERSHIP:

Old Mutual Investment Corp (Pvt) Ltd
22.64% T.A. Holdings
Zimbabwe Reinsurance Corp
8.48% T.A. Holdings
First Nominees (Pvt) Ltd
6.02% T.A. Holdings
Cairns Holdings Ltd
5.98% T.A. Holdings
Syfrets Nominees (Pvt) Ltd
3.16% T.A. Holdings

TANGANDA TEA COMPANY LTD
Moxon,JRT Chairman .... (ALSO: Chairman Johnson & Fletcher, Chairman ZECO)
Cameron,MV Director ... (ALSO: Managing Director Johnson & Fletcher, Director ZECO)
Stephens,DE Director .. (ALSO: Director Johnson & Fletcher, Director ZECO)
Sagonda,DMK Director .. (ALSO: Director Zimbank)

TEDCO LTD
Dorward,PD Chairman ... (ALSO: Chairman Schweppes Central Africa, ExecChairman Zimbabwe Spinners, Director T.A. Holdings)
Chipudhla,PWT Director (ALSO: Dpty Chairman Hadar Holdings, Director Portland Holdings, Director Rothmans of Pall Mall, Director T.A. Holdings)

TRUWORTHS LTD
Lewis,DJ Chairman ..... (ALSO: Chairman Dunlop Zimbabwe, Director Barclays Bank, Director FMB Holdings, Director TSL Ltd, Director Schweppes Central Africa)
Chavhunduka,DrDM Dir. (ALSO: Director Schweppes Central Africa)

T.S.L. Ltd
Tracey,CG Chairman ..... (ALSO: Chairman Agricor Ltd, Director Cluff Resouces)
Lewis,DJ Director ...... (ALSO: Chairman Dunlop Zimbabwe, Director Barclays Bank, Director FMB Holdings, Director Truworths, Director Schweppes Central Africa)
Jousse CP Director ..... (ALSO: Director Falcon Gold Zim, Director Falcon Mines, Director Willsgrove Brick & Potteries)
Tawengwa,SC Director .. (ALSO: Chairman Rio Tinto Zimbabwe, Director Agricor Ltd, Director Circle Cement)
Nicholson,JS Director. (ALSO: Director Agricor Ltd)

OWNERSHIP:
Corner Properties (Pvt) Ltd
70.52% TSL Ltd

WANKIE COLLIERY COMPANY LTD
Kudenga,N Chairman .... (ALSO: Director Bindura Nickel)
Parke,CCW Director .... (ALSO: Director Zimalloys)
Groom,DrJDG Director .. (ALSO: Director Bindura Nickel, Director Zimalloys)
Fry,DJ Director .... (ALSO: Director Border Timbers)
Tasker,ML Director .... (ALSO: Alt.Director Border Timbers)

WILLGROVE BRICK & POTTERIES LTD
Stephens,RC Chairman .. (ALSO: Chairman Falcon Gold Zim, Chairman Falcon Mines)
Latilla-Campbell,P Dir (ALSO: Director Falcon Gold, Director Falcon Mines)
Jousse,CP Director .... (ALSO: Director Falcon Gold, Director Falcon Mines, Director TSL Ltd)
Wigley,FL Director .... (ALSO: Director Falcon Mines)
Marshall,[illegible] Director .. (ALSO: Director Falcon Mines)
Palmgren,AM Director .. (ALSO: Director Falcon Gold, Director Falcon Mines)

149

ZAGRINDA Zimbabwe Agro-industrial Investment Agency
Nyandoro,GB Chairman .. (ALSO: Chairman Art Corporation, Chairman Kadoma Consolidated Industries, Director African Distillers)

OWNERSHIP:
Development Trust of Zimbabwe
51% Zagrinda
Agricultural Development Authority
49% Zagrinda

ZECO Ltd
Hoxon,JRT Chairman .... (ALSO: Chairman Johnson & Fletcher, Chairman Tanganda Tea)
Cameron,MV Director ... (ALSO: Managing Director Johnson & Fletcher, Director Tanganda Tea)
Stephens,DE Director .. (ALSO: Director Johnson & Fletcher, Director Tanganda Tea)

ZIMBABWE ALLOYS LTD
Lander,RP Chairman .... (ALSO: Chairman Bindura Nickel, Chairman FMB Holdings, Chairman Hippo Valley, Chairman National Foods, Director Barclays Bank)
Smart,WK ManDirector .. (ALSO: Managing Director Bindura Nickel, Director FMB Holdings)
Schofield,CJL Director (ALSO: Chairman Radar Holdings)
Parke,CCW Director .... (ALSO: Director Wankie Colliery)
Wishart,AB Director ... (ALSO: Director Bindura Nickel, Director Commercial & Industrial Holdings)
Groom,DrJDG Director .. (ALSO: Director Bindura Nickel, Director Wankie Colliery)
Taylor,JR Director .... (ALSO: Director Bindura Nickel)
Masunda,MA Director ... (ALSO: Chairman Mhangura Copper Mines, Director Bindura Nickel, Director Zimalloys, Director Zimbabwe Sun)
Ngugama,EG FinDirector (ALSO: Financial Director Bindura Nickel)

OWNERSHIP:
Security Nominees (Pvt) Ltd
53.28% Zimbabwe Alloys Ltd

ZIMBABWE BANKING CORPORATION LTD
Pichanick,ALA Director (ALSO: Director Tabex)
Sagonda,DMK Director .. (ALSO: Director Tanganda Tea)

OWNERSHIP:
ZimbabweGovernment
58.83% Zimbank

ZIMBABWE DEVELOPMENT CORPORATION

100% Bestobell Zimbabwe
100% Quick Haul (Pvt) Ltd
70% Zimfreeze (Pvt)Ltd j-v with Union International plc
54.55% MhanguraCopperMines
39.56% DeltaCorpLtd
[Rainier Inc 14.55% Delta Corp]
[Old Mutual Investment Corp (Pvt) Ltd 14.08% Delta Corp]
64.04% ZimbabweSun

150

ANNEX H

Other Infrastructure Components

-Air Transport-

Zimbabwe has two airlines: Air Zimbabwe, its commercial passenger airline and Affretair, its cargo airline. During the 1980's, Air Zimbabwe embarked on a far-reaching modernization program including the purchase of two new Boeing 767's and three new 737-200's. The present fleet is now adequate to meet current international and regional requirements. In conjunction with British Airways, Air Zimbabwe operates six flights a week to London, and flies to Frankfurt, Germany and Larnaca, Cyprus. Other extra-regional airlines now servicing the capital, Harare, include Lufthansa, Air France through UTA, and most recently negotiated, the Netherland's airline, KLM. Air Zimbabwe operates in a growing regional network servicing ten African countries, including South Africa's three major airports and all SADC countries. Affretair is servicing a growing export market in horticultural products to the European market and charters additional aircraft to meet seasonal demand.

Harare's US$ 95 million international airport modernization program is already underway and is expected to be completed this year. The French are financing a US$ 2 million master plan of the air transport network, as well as the US$ 10 million instrument landing systems for Victoria Falls and Bulawayo Airports. An opportunity exists for U.S. construction firms interested in bidding on the contract for the international airport.

-Energy-

Sourcing energy to service growing industrial and domestic demand is an increasing challenge. Zimbabwe has no known source of commercially exploitable oil, although Mobil Oil is exploring the Zimbabwean side of the Zambezi Valley to identify potential oil reserves. Therefore, oil is imported and blended with domestically produced ethanol in an 85:15 mix for domestic consumption and accounts for 15% of primary energy consumption. Since the early 1980's, oil imports have transitted the Beira-Mutare pipeline, experiencing periodic sabotage at the hands of MNR "bandits". The line is now considered stable and the key pumping stations are guarded.

Zimbabwe has historically benefitted from low-cost hydro-electric power. In 1980, Zimbabwe generated the majority of its power from the Kariba hydroelectric power station with another 35% imported. Ten years later, total generation from within Zimbabwe had more than doubled and imports had effectively ceased. The major change during the decade was the introduction of the Hwange thermal power station, Stage One in 1983 and Stage Two in 1987, raising capacity to 950 megawatts (mw).

Zimbabwe's current theoretical installed electrical generation capacity is 1,960 megawatts, although peak capacity is closer to 1,700 sourced as follows: Hwange (856 mw); Kariba (666 mw); and older power stations (180 mw). Actual demand in 1990/1991 was 1,667 mw

17

providing only a small margin of reserve capacity. This was supplemented with a long-term practice of importing a small amount of power from Zambia.

The drought in 1992 triggered an electricity supply crisis. Recognizing the potential shortfall in generating capacity, the Government temporarily instituted power rationing including levying punitive surcharges and a 130% increase in the price of electricity during the last year. This has resulted in the reduction of energy consumption of approximately 20%, with the supply situation improving as water levels rise at Kariba and new expatriate management improving the running of Hwange thermal power facility.

As a result of these measures, electrical supply has increased marginally -- Kariba is generating 200 megawatts of power and Hwange can generate up to 800 megawatts -- and demand has dropped sharply due to power rationing, the domestic economic recession and the seasonal downturn in consumption around the first of the year. Good rains in Zambia have allowed Zimbabwe to increase its imports from Zaire to 100 megawatts. For now the supply:demand situation is in equillibrium with demand averaging 1,100 megawatts with supply as follows: 600 megawatts from Hwange, 200 from Kariba, 100 from Zaire, 100 from the old thermal power plants, and 40 from South Africa through Messina.

Should rains persist in Zambia, ZESA will begin importing 100 megawatts from Zambia's Kafue power plant by mid-year. Perhaps, most importantly, Zimbabwe is negotiating a bilateral agreement with South Africa for the importation of power from the Matimba power station which should have a major long term impact on the stability of supply. Recognizing the critical nature of supplies over the longer term, Zimbabwe Electricity Supply Authority (ZESA), has begun a major investment program to maintain adequate levels of supply for the next decade and beyond. The World Bank, through its Power III loan, will invest in power system rehabilitation and installation, the Commonwealth Development Corporation is financing the refurbishment of the Kariba and Hwange power stations and the Belgians are financing US$ 6 million of ZESA equipment. This combined with the recently approved two interconnectors to Cahora Bassa in Mozambique and the construction of the large Batoka Gorge hydroelectric station on the Zambezi to provide 1600 megatwatts are the ingredients for security of power; however, these large projects will not be undertaken before 1995.

One interesting small initiative is a UNDP funded five-year program to make solar energy available in rural areas. This effort will attempt to minimize emission of greenhouse gases while conserving firewood resources. (Woodfuel is the principal source of energy for rural households and for rural industries including fish smoking, tea drying and brick burning.)

-Water-

The devastating drought highlighted the problem of water supply in Zimbabwe, especially in the southern parts of the country, in Matabeleland and Masvingo Provinces. Donor response to the situation has been wide-ranging with non-governmental organizations (including Africare, the American Red Cross, World Vision and Save the Children/USA) heavily involved in borehole drilling and potable water supply augmented by a US$ 130 million soft loan from the Kuwaitis for emergency borehole drilling, supply of drilling rigs and technical assistance. The Danish Government is supplying hand pumps and building latrines, are providing US$ 6 million toward the Nyamandhlovu project to build a 47 kilometer pipline to Bulawayo, and provided another US$ 10 million for emergency water supply. These funds are being supplemented by private sector fund-raising for the Bulawayo pipeline while the French are funding a feasibility study of Bulawayo-Zambezi water pipeline. It appears that the Scandanavians have long been interested in the water supply situation in Zimbabwe and have the experience and interest to continue to take the lead in addressing this problem. In addition, a water protocol on the shared waters of the Zambezi is scheduled for completion in August 1993, and USAID is undertaking a scoping study to evaluate how water resources can effectively be coordinated on a regional basis. These two undertakings, when completed, will provide greater direction on an appropriate long-term, regional approach to water resource planning and sourcing.

Most recently, good rainfall has helped to replenish the dams that serve Zimbabwe. On a nationwide scale, Zimbabwe's dams are more than 60% full, a significant improvement over the 11% of capacity experienced just before the onset of the rainy season in November 1992.

ANNEX I

Structure of the Financial Sector

Currently the financial system is structured as follows:

Reserve Bank of Zimbabwe - The Central Bank acts on Government's behalf to regulate the money supply, interest rates and control credit. It administers exchange controls and holds all foreign exchange reserves.

Discount Houses - There are three discount houses which provide a market for short term paper, taking up excess funds from the banking system including through discounting of trade bills. Their portfolios include negotiable certifies of deposit, trasury bills and Agricultural Marketing Authority bills.

Merchant Banks - There are four merchant banks which offer acceptance credit facilities against trade and stock bills, as well as loan finance, open letters of credit and external lines of credit. Additional services include corporate finance, project finance, countertrade and portfolio management.

Commercial Banks - There are five commercial banks' whose activities focus on current and savings accounts, fixed deposits, overdraft financing and acceptance credit financing.

Finance Houses - The five finance houses provide hire purchase, leasing and installment finance as well as factoring of debts.

Building Societies - There are four building societies which provide mortgage finance for residential, industrial and commercial borrowers.

Post Office Savings Bank - This state-owned institution allows tax free deposits within prescribed ceilings for companies and individuals. It provides a key source of government finance.

Agricultural Finance Corporation (AFC) - The state-owned AFC provides short to long term loans to companies, cooperatives and individuals for agricultural production.

Development Finance Institutions - These include the Zimbabwe Development Bank (ZDB), which is 51% Government owned, which provides medium to long term project financing, and the Small Enterprises Development Corporation (SEDCO), a parastatal whose mandate is to provide finance for the small enterprise sector.

Pension Funds, Provident and Retirement Annuities - These contractual savings institutions must invest 55% of their assets in Government securities.

Insurance Companies - There are more than 60 insurance companies in Zimbabwe, with the Zimbabwe Reinsurance Corporation reinsuring a percentage of all new insurable risk.

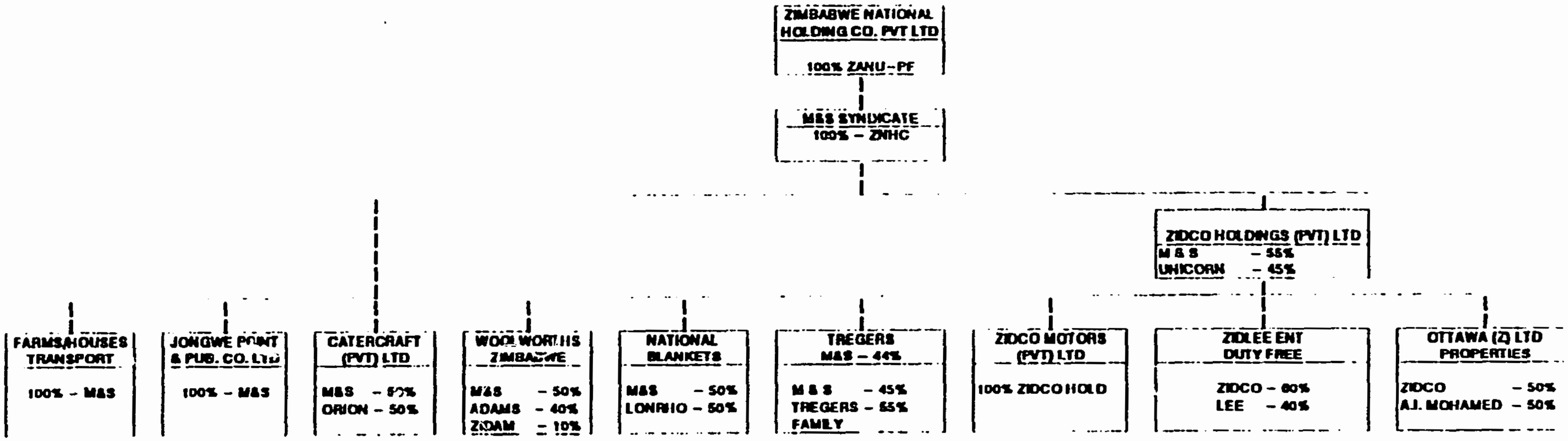
Zimbabwe Credit Insurance Company - This institution insures against commercial and political risk for export transactions and provides advice on the credit worthiness of potential foreign buyers.

TABLE

SEGMENTATION OF THE BANKING SECTOR IN ZIMBABWE

INSTITUTION	ASSETS	LIABILITIES
Commercial banks	Bills, Bull Money Advances	Demand Deposits, NCD's, Savings Deposits, Time (time) Deposits
Accepting Houses	Bills, Government Stocks, Call Money, Advances & loans	Demand Deposits Time (fixed) Deposits NCD's
Discount Houses	Bills, Government Stocks, NCD's	Call Money
Post Office Savings Bank	Government Stocks, Public Sector Debt	Savings Deposits Time Deposits
Building Societies	Mortgages, Call Money, Bills, Government Stocks	Savings Deposits Time Deposits Share Capital
Finance Houses	Call Money, Bills, Government Stocks Hire Purchase, Lease	NCD's Time Deposits

ZANU-PF HOLDINGS



ZANUPF:03/31/93

BEST AVAILABLE COPY

STRATEGIC OBJECTIVE NO. 1:

Increased household food security in comunal areas of Natural Regions IV and V

PRODUCTION

AGRICULTURAL PRODUCTIVITY

Ag Technology - Maize Sorghum & Millet

- GOZ/Agritex/NAR (maize)
- CFU/Private Sector (maize)
- U S A
- Germany
- Canada
- SADC

Livestock

- GOZ – Agritex, CSC, DR&SS, ADA, Dept of Vet Services
- UK (CDC)
- Germany
- EEC
- USA (AID/W)

Ag Inputs

- Private Sector
- ESAP

Ag Credit

- AFC
- SEDCO
- Zim Dev Bank
- World Bank
- AfDB
- EEC
- Denmark

Transport

- DDF/GOZ
- ESAP
- EC
- Canada

Storage

- GMB
- Canada
- U S A
- Netherlands
- Denmark

Water

- Private Sector
- Kuwait
- Denmark
- France
- Norway
- Sweden
- U S A
- U K
- World Bank
- Africare
- Misc NGO s

INCOME

NATURAL RESOURCES MANAGEMENT

Anti - Poaching

- EEC
- Norway
- Canada

Conservation

- Worldwide Fund for Nature
- African Wildlife Foundation
- Save AI Wildlife Foundation

Income from NRM: Activities

- GOZ (Agritex & Dept of Nat l Parks)
- U S A
- Germany
- Norway

MARKET ACCESS

ACCESS TO GRAIN

Policy Framework Including Pricing & Movement Regulations

- U S A
- World Bank
- Sweden

Transport

- DDF
- World Bank
- ESAP

Rural Credit

- AFC
- SEDCO
- World Bank
- Zim Dev Bank

Seasonal Credit

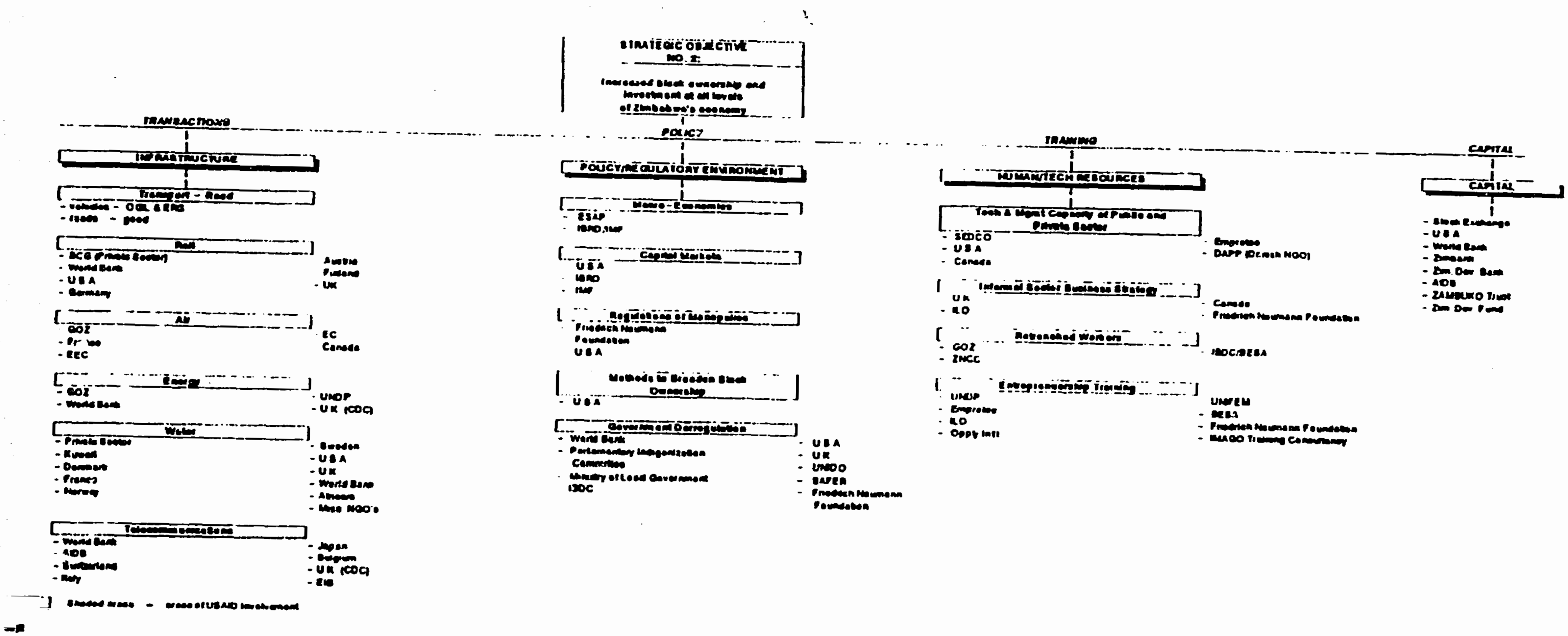
- AFC
- World Bank
- AfDB
- Denmark
- IFAB
- EEC

[ ] Shaded areas = areas of USAID involvement

a strobj1

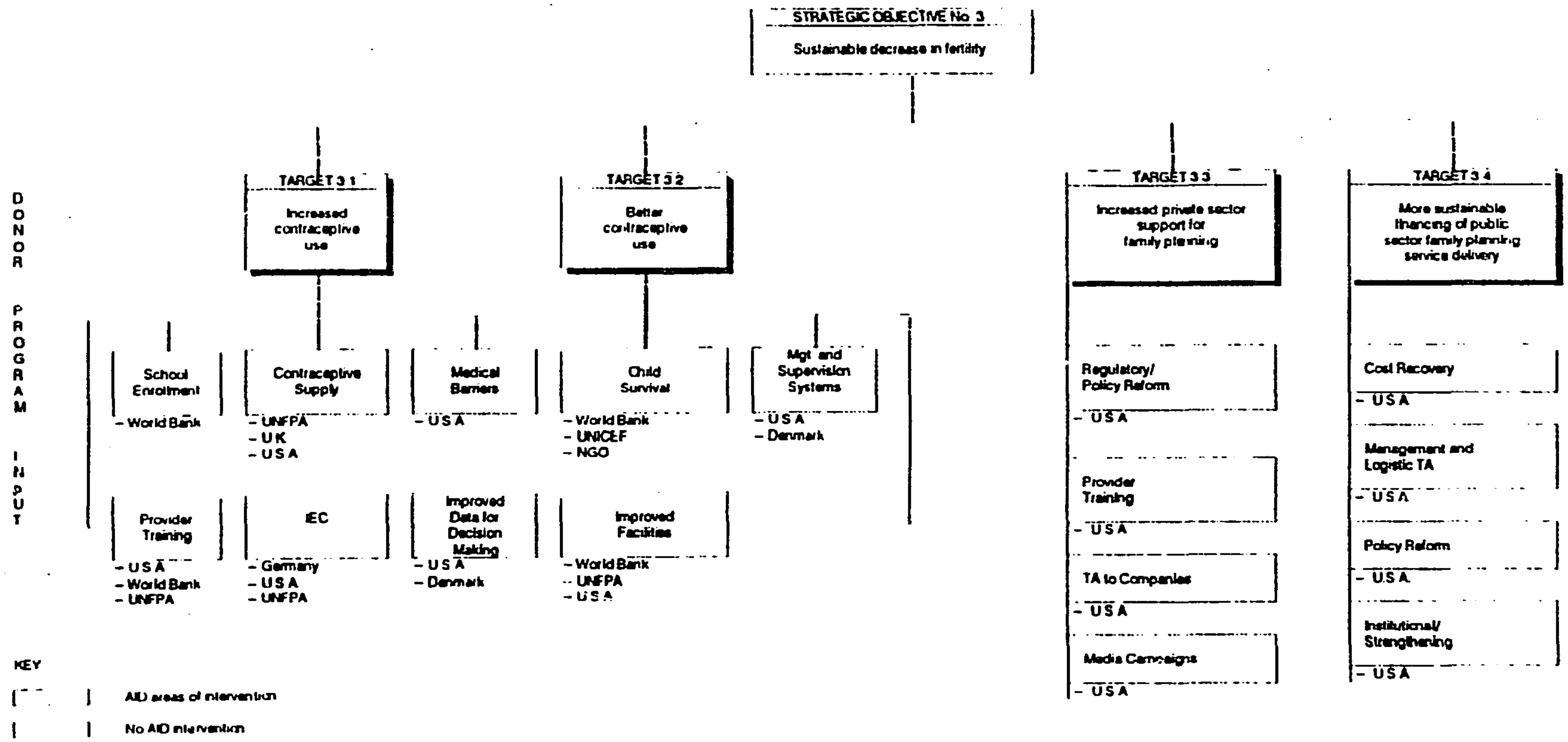
BEST AVAILABLE COPY

05-Aug-93



BEST AVAILABLE COPY

5



BEST AVAILABLE COPY

Fig4 27-Sep-93

19

ANNEX L

Summary of AID Achievements in Zimbabwe

-Business Development-

One of the most significant elements of the AID program in Zimbabwe has been the Commodity Import Program (CIP) which was funded by two commodity program grants of US$ 97 million; the Sugar Quota Compensation Program (US$ 4.9 million); and the Agricultural Sector (US$ 42.75 million) and Educational Sector (US$ 29 million) programs, totalling US$ 174 million through 1992. The US dollar component of the program financed manufacturing, agricultural, construction, and data processing equipment, as well as raw materials for the tire, textiles, and plastics industries, and cotton ginning equip ment geared to increasing smallholder cotton production. Nearly 90% of CIP foreign exchange dollar resources have been allocated to the private sector. The foreign exchange from these programs was very effective in helping the business sector to re-tool, buy raw material inputs and produce while the GOZ concurrently focused on redressing social imbalances. They were important vehicles for USAID to understand business development constraints and growth. More recently, we have used the pilot Zimbabwe Business Development (ZBD) Project activities, GEMINI small-business survey, and private sector involvement in grain milling and marketing, family planning and rural development to increase USAID's understanding of constraints on and opportunities for the private business sector in Zimbabwe. Some of these lessons relate to policy constraints; others relate to continuing GOZ suspicion of the private sector, especially its racial imbalance. Fundamentally, we have discovered that there is an entrepreneurial spirit in this culture that can be unleashed for growth.

-Social Services-

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

-Agriculture and Food Security-

USAID has historically been involved in the agricultural sector in Zimbabwe. This has been through the Zimbabwe Agriculture Sector Assistance Program (ZASA), two CIP's, the Regional Food Security Project, Grain Marketing Program, ICRISAT small grains research, Natural Resources Management Project, and local currency funded agriculture projects. For example the US$ 55 million ZASA Program helped to increase smallholder productivity and incomes by improving access to essential inputs and markets, improving the quality and appropriateness of research, building human and institutional capacity, and maintaining and restoring the resource base. Local currency generated by this project financed the expansion of two agricultural colleges, built Grain Marketing Board depots, supported irrigation schemes, funded the construction of a coffee factory and provided agricultural training. The program had a significant impact in helping the small-scale farmer diversify into production of cash crops such as cotton, coffee, tea and oilseeds. Our US$ 30 million investment in research on drought-resistant sorghum and millet for people in marginal lands is a strong base for extension of promising varieties and hybrids. Despite the progress made through these projects and supporting initiatives funded through SARP projects, it became increasingly evident that project assistance alone cannot ensure the transformation of the agricultural sector in the absence of agricultural policy reforms. This in-depth experience in agriculture and food security gives us a comparative advantage among donors to focus on these sectors.

Through USAID's pilot US$ 7.6 million Natural Resources Project in Zimbabwe, the technical, social, economic and ecological viability of community-based natural resources management for increasing household and community incomes has been demonstrated. Moreover, it has been shown that Zimbabwe's national and local level capacity to sustainably develop and utilize indigenous natural resources can be enhanced through training, education and protection. As a result of our involvement, we know more about what needs to be done to provide a very significant household level income resource for the most food-insecure sector of the population.

-Family Planning and AIDS-

USAID has had a long-standing involvement in the delivery of family planning delivery services in Zimbabwe. After the completion of a US$ 6.5 million bilateral family planning project in September 1987, eighteen AID/Washington centrally-funded organizations, closely monitored by USAID, continued important assistance to the sector. Activities ranged from the Johns Hopkins Program of International Education in Gynecology and Obstetrics (JHPIEGO) which provided training for health practitioners in family planning techniques, to the three private sector programs including social marketing to increase private sector involvement in providing sustainable family planning services. The USAID-funded 1988 Demographic Health Survey conducted by Westinghouse Corporation did indeed document the very significant progress made in increasing contraceptive prevalence from 36% to 43% and decreasing the total fertility rate from 6.5 to 5.5 children per woman. As a result of the continuity in this sector, USAID has developed a strong relationship with the Zimbabwe National Family Planning Council (ZNFPC). In order to build on the experience in the sector and address the previously unanswered problem of sustainability, a second bilateral Zimbabwe Family Planning Project was launched in 1990 to be funded with US$ 11.9 million in bilateral resources and US$ 6.7 from central AID funds.[7] The project design reflects both lessons learned regarding project management and program sustainability.

---

[7] An additional US$ 8 million amendment using bilateral funds is anticipated in FY 1994.

Between 1987 and 1992, a total of US$ 8.4 million, including US$ 1.4 million in local currency, has been provided to the Zimbabwe National AIDS Coordination Program. Activities have included the provision and distribution of condoms, support for the expansion of the Harare and Bulawayo Blood Transfusion Services, equipment for regional hospitals, training for peer educators, laboratory technicians and epidemiologists and extensive support for AIDS education. Building on the experience of the past few years in Zimbabwe, USAID/Zimbabwe is embarking on a bilateral project to address the need to effect behavioral change to reduce the rate of increase in HIV/AIDS prevalence in Zimbabwe. Given the magnitude of the problem, the Mission intends to initially target interventions to high risk groups, and expand on the successful experience gained to date on workforce interventions.

-Human/Technical Resources-

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

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

-Housing-

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

-Fostering Private Sector Growth-

In 1991, the Mission launched the experimental Zimbabwe Business Development Project directed toward the private sector. This pilot US$ 5.54 million project has provided continued technical assistance through a US$ 1.8 million sub-grant to the International Executive Service Corps, and has sponsored important studies of the small-scale enterprise sector, potential for business linkages, monopolies and competition policy in Zimbabwe. and the potential for Export Processing Zones. Designed specifically as a research activity to test potential private sector interventions, its findings, listed below, will help guide future Mission private sector initiatives:

- the productive sector in Zimbabwe remains highly concentrated with the GOZ maintaining a large stake in the economy through both direct ownership and indirect controls;
- deregulation and a positive climate must be created to attract growth-oriented private investment;
- employment creation and broader income opportunities will result from de-controlling small businesses to increase new start-ups and expand existing enterprises;
- the small enterprise sector is dominated by knitters and crocheters largely because of regulatory barriers to entry into other small businesses;
- despite initial interest, the potential growth of smaller businesses through business linkages (such as business spin-offs and sub-contracting by large businesses) in Zimbabwe is limited. Export processing zones may be more acceptable because of personal gain than openings for private sector-led growth of exports;
- in order to target the small business sector through IESC, a cross subsidization policy must be maintained;
- credit, technical management and marketing training are critical to business growth;
- the GOZ will not open the economy to broaden private participation until it has been demonstrated that blacks have an opportunity to participate as owners in the economy.

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

-Support for Structural Adjustment-

Support for macro structural adjustment is part of an on-going dialogue pursued with the Ministry of Finance, and the various sectoral ministries the Mission deals with. In highly general terms, we work with the World Bank and IMF on macro-economic reforms and they, in turn, work with us on sectoral reforms in areas in which we have in-depth involvement. Throughout, the Mission, working with the World Bank, has encouraged the Government to stay the course on the adjustment process, with the recent emphasis on eliciting the supply-side response required for benefits to accrue to the economy. A USAID-sponsored FIAS mission helped identify those policy constraints to investment, which hopefully will be incorporated into conditionality for the World Bank SAL II negotiations later this year. Recognizing the need to untie donor resources to support the expansion of the OGIL and the move away from a managed system of foreign exchange allocation, the Mission is increasingly utilizing NPA to support both sectoral and macro ESAP objectives. In 1991, for example, US$ 5 million was provided in untied NPA foreign exchange as part of the Grain Marketing Reform Support Program and in 1992, US$ 10 million in untied aid was provided as part of the Private Sector Housing Program. Once again in 1993, 50% of our portfolio will be untied NPA -- US$ 5 million for Grain Marketing and US$ 5 million for the Private Sector Housing Program. The Mission has come to recognize that structural adjustment is a medium-term process, and given the commitment by Government to stay the course, donors such a USAID must shape their portfolios to support Government efforts. All donors believe GOZ is generally on course with ESAP, and must be supported to pass through the painful transition.

-Women in Development-

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

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

-Regional Transport-

Zimbabwe, and the Southern Africa Region as a whole has learned much from the SARP-funded support to the transport infrastructure of the region. USAID funding supported the US$ 4.2 million Zim-Zam Road Project beginning in 1981, the US$ 39.4 million National Railways of Zimbabwe (NRZ) Project beginning in 1990 and through the US$ 15.02 million Regional Drought Emergency Relief Project in 1992, with US$ 2.3 million benefitting Zimbabwe directly. We have learned that the regional backbone transport infrastructure is largely in place, with two or three exceptions. What is now needed to support trade for growth is more efficiency in the transport system. The lessons learned during the past decade were reflected in the design of the Regional Drought Relief Project which sought to increase the long-term transportation efficiency and capacity in the SADC region through ensuring the cost effective, timely delivery of drought relief supplies throughout the sub-region. The SADCC Transport Efficiency Investment Prioritization Assessment Report (STIPA Report) of August 1991 documented that transport infrastructure in the region was adequate and what was still required was to effect improvements in efficiency and capacity utilization to support the landlocked private sector to grow under ESAP. The Mission's continuing work on NRZ is addressing this efficiency issue through restructuring and hopefully, in the end, privatization, with expanded opportunities for black ownership.

DIRECT USAID PROGRAM OBLIGATIONS FOR ZIMBABWE 1980-1993
($000's)

Appropriation Acct 613-	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93 Plan	TOTAL
Development Assistance															
0209 ZASA	0	0	0	0	0	0	0	0	5 000	5,000	0	0	0	0	10 000
0229 ZIMMAN II	0	0	0	0	0	0	2 000	0	0	0	2 964	1,080 1/	0	2 000	8,044
0230 ZIM FAMILY PLANNING	0	0	0	0	0	0	0	0	0	0	1,628	2,154	3,832 3/	1,077	8,789
0231 INT L EXEC SVC CORPS	0	0	0	0	0	0	0	0	0	0	185	0	0		185
0232 ZIM BUS DEV	0	0	0	0	0	0	0	0	0	0	0	2 000	2,540	1,000	5 540
0233 GRAIN MKT REFORM - NPA	0	0	0	0	0	0	0	0	0	0	0	5,000	0	5 000	10 000
0234 GRAIN MKT REFORM - TA	0	0	0	0	0	0	0	0	0	0	0	0	1,100 5/	1,400	2 500
0235 PRIVATE SECTOR HOUSING - TA	0	0	0	0	0	0	0	0	0	0	0	0	2,660	0	2,660
0236 PRIVATE SECTOR HOUSING - NPA	0	0	0	0	0	0	0	0	0	0	0	0	10,000 4/	8,000	18 000
0237 ZIMBABWE AID PREV & CONTROL	0	0	0	0	0	0	0	0	0	0	0	0	0	2,000	2 000
0510 PROG DEV & SUPPORT	0	0	0	0	0	0	0	0	0	0	225	300	488	833	1,844
OYB TRANSFER TO PROCURE CONTRACEPT	0	0	0	0	0	0	0	0	0	0	0	0	0	1 200	1,200
SUBTOTAL DA/DFA	0	0	0	0	0	0	2,000	0	5,000	5,000	5,000	10,534	20,738	19,510	87 782
Economic Support Fund															
0201 RECONSTRUCTION RURAL HEALTH SERVICES	2 000	0	0	0	0	0	0	0	0	0	0	0	0	0	2 000
0203 AFRICAN AMERICAN LABOR CENTER	418	0	0	0	0	0	0	0	0	0	0	0	0	0	418
0204 SCIENCE AND TECHNOLOGY	750	0	0	0	0	0	0	0	0	0	0	0	0	0	750
0205 LOW COST SHELTER	0	0	750	0	0	0	0	0	0	0	0	0	0	0	750
0208 BEST	0	0	0	15 000	15 000	9 869	5,000	0	0	0	0	0	0	0	44 869
0209 ZASA	0	0	15 000	3 700	15,000	11,300	0	0	0	0	0	0	0	0	45,000
0215 ZIMMAN	0	0	4,000	4 000	0	5,138	0	0	0	0	0	0	0	0	13,138
0216 CIP	0	0	50 000	37 000	10,000	0	0	0	0	0	0	0	0	0	97,000
0219 ZFPF	0	0	5 250	0	0	1,292	0	0	0	0	0	0	0	0	6 542
0220 ALOZ	0	450	0	0	0	0	0	0	0	0	0	0	0	0	450
0221 INSTITUTE OF ADULT EDUCATION	0	20	0	0	0	0	0	0	0	0	0	0	0	0	20
K-601 RECONSTRUCTION, RESETTLEMENT PROGRAM GRANT I	20,000	0	0	0	0	0	0	0	0	0	0	0	0	0	20 000
K-602 RECONSTRUCTION, RESETTLEMENT PROGRAM GRANT II	0	24 200	0	0	0	0	0	0	0	0	0	0	0	0	24,200
SUBTOTAL ESF	23,168	24,670	75,000	58,700	40,000	27,600	5,000	0	0	0	0	0	0	0	255,136
Country Total	23,168	24,670	75,000	58,700	40,000	27,600	7,000	0	5 000	5,000	5,000	10,534	20,738	19,510	322 918
Food Aid															
GSM (LOAN GUARANTY)	0	0	0	0	0	0	0	0	0	0	0	0	20 000	35,000	55 000
TITLE I	0	0	0	0	0	8,000	0	0	0	0	0	0	40,000	10,000	58 000
TITLE II	5,000	0	0	5 000	8 727	0	0	0	0	0	0	0	0	0	18,727
SEC 416 GRANT	0	0	0	0	0	0	1,700	3 200	0	0	0	0	72,000 6/	0	76,900
SUBTOTAL FOOD AID	5,000	0	0	5 000	8,727	8,000	1,700	3 200	0	0	0	0	132,000	45,000	208,627
															0
HOUSING GUARANTY	0	25,000	0	0	0	25,000	0	0	0	0	0	0	15,000	20,000	85 000
SUBTOTAL OTHER	5,000	25,000	0	5,000	8 727	33,000	1,700	3,200	0	0	0	0	147,000	65,000	291 627
Southern Africa Reg'l															
SUBTOTAL SARP	0	4 200	675	4 500	5,400	4,800	500	-	7,000	16,166	13,753	30,027	3,480	14,664	105,275
GRAND TOTAL	28,168	53 870	75 675	68,200	52,127	65,500	9,200	3,200	12 000	21,166	18,753	40 561	171,228	98,174	718,820

1/ Includes $80,277 of deobligated funds reobligated to ZIMMAN II project
2/ Excludes $38,000 OYB transfer to AFR/MDI for ZBD PID, $8,512 de-allowed
3/ Includes $348,820 of de-ob funds
4/ Funded from AEPRP
5/ Includes $400,000 of de-ob funds
6/ Includes $35M chanelled thru WFP
7/ Excludes centrally funded WILDAF, Human Rights and OFDA Grants

USOBLIG 07/06/93

ANNEX M

USAID/ZIMBABWE
INDICATIVE BILATERAL BUDGET
OBLIGATIONS
($000)

PROJECT TITLE	PROJECT NUMBER	OBLIG THRU FY92	FY93	FY94	FY95	FY96	FY97	FY98	PLANNED LOP
ZIMBABWE MANPOWER DEV. II	613-0229	6,044	2,000	2,000	500	2,000	2,000	2,456	17,000
FAMILY PLANNING	613-0230	7,712	1,077	2,000	2,500	2,000	1,000	2,411	18,700 1/
OYB TRANSFER TO PROCURE CONTRACEPTIVES	936-3057	0	1,200	0	0	0	0	0	N/A
FAMILY PLANNING II – NPA	613-0238	0	0	5,000	0	5,000	5,000	0	15,000
ZIMBABWE BUS. DEVELOPMENT	613-0232	4,540	1,000	0	0	0	0	0	5,540
PROJECT DEV. & SUPPORT	613-0240	0	833	500	500	700	1,000	800	N/A
ZIMB. GRAIN MKTG REFORM SUPPORT (NPA)	613-0233	5,000	5,000	5,000	0	5,000	5,000	0	25,000
ZIMB. GRAIN MKTG REFORM SUPPORT PROGRAM (TA)	613-0234	1,100	1,400	0	0	1,000	0	0	3,500
ZIMBABWE PRIVATE SECTOR HOUSING PROGRAM (TA)	613-0235	2,680	0	0	0	0	0	0	2,680
ZIMBABWE PRIVATE SECTOR HOUSING PROGRAM (NPA)	613-0236	10,000	5,000	0	10,000	0	0	0	25,000
ZIMBABWE AIDS PREVENTION AND CONTROL	613-0237	0	2,000	2,000	2,000	1,000	4,000	4,000	15,000
BLACK EQUITY DEVELOPMENT	613-0239	0	0	2,000	0	2,300	5,000	9,333	18,633
NATURAL RESOURCE MANAGEMENT	613-0241	0	0	1,000	4,000	3,000	2,000	6,000	16,000
SUB-TOTAL		0	19,510 2/	19,500	19,500	22,000	25,000	25,000	N/A
PRIVATE SECTOR HOUSING LOAN PROGRAM	HG-004	15,000	20,000	0	15,000	0	0	0	50,000
TOTAL OYB			39,510	19,500	34,500	22,000	25,000	25,000	N/A
EARMARK				51.3%	43.6%	50.0%	48.0%	49.6%	

1/ In addition to $6,312,000 to be provided under the Project from Central funds.
2/ $10,686 rolled over from FY92 to FY93.

BILBUDGTcpsp

67

14-Sep-93

ANNEX 0

Rationale for Discarded Options

The following filters were applied in evaluating various options for strategic interventions:

- impact on economic growth and broadened participation in Zimbabwe;
- GOZ absorptive capacity;
- complementary activities of other donors;
- AID's comparative advantage;
- Mission's ability to implement the strategy in terms of staff and budgetary constraints including space availability;
- synergism with other strategic elements;
- U.S. foreign policy priorities;
- DFA foundations;
- consideration of Congressional earmark and target areas.

As a result of applying these filters, the following strategic options were eliminated:

Water:

Although important to the food security of the nation, especially after this past drought, the Mission is not choosing to pursue water interventions as a strategic option because:

- other donor involvement in the sector, especially among those with historic involvement and experience in the sector, notably the Scandanavians;
- USAID/Zimbabwe has had no historic involvement in the sector;
- lack of Mission expertise to manage water project;
- limited budgetary resources to fund long-term water sourcing projects.
- not a Congressional earmark or target;

Note: Mission, however, is conducting a regional water sector assessment.

Land Redistribution:

- although a critical political equity issue, the GOZ is addressing the problem itself through new land redistribution legislation;
- this is not an area where the U.S. has historically been involved; however, the British have been involved in this sector since independence and are continuing to monitor the implementation of the land redistribution program to ensure minimal economic dislocation.

Investment:

- most of the impediments to investment are macro-economic in nature and are being addressed by the World Bank and IMF;
- Government hostility to foreign investment is in part the result of inadequate black participation in the economy; therefore the Mission will address this issue;
- Mission believes the dialogue for increasing investment was not within our manageable interest, especially in terms of budgetary resources available.
- not a Congressional earmark or target.

Improved Domestic Competition and International Competitiveness:

- while Mission perceived the need to improve the competitiveness of the private sector, we recognized the need to first address Government's desire to increase black ownership in the economy. The GOZ will not loosen its stranglehold on the economy and open it up to the potential for improved competitiveness until blacks have a stake in the economy. Hence, a political reality prevailed in the selection of our strategic objective, increased black ownership of Zimbabwe's economy.

Increased Contraceptive Prevalence as a Strategic Objective:

- Mission changed strategic objective to decrease in total fertility rate because of the population paradox in Zimbabwe. That is, increased contraceptive prevalence has not resulted in decreased fertility because of the overwhelming reliance on a single, patient-intensive, recurrent method of contraception. Since Zimbabwe has a well-educated population and low child mortality rates, it was deemed within the Mission's manageable interest to target decreased total fertility rate (usually a more difficult end to achieve within 5 years) as our strategic objective, as contraceptive prevalence alone will not necessary result in a decline in the population growth rate. ?