PD-AAG-772-A1 6130206

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*6130206 ZIMBABWE *
* REHABILITATION PROGRAM GRANT *
* FY81 TO FY82 *

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PROJECT SUMMARY DESCRIPTION

Economic Support Fund (ESF) Grant is provided to the Government of Zimbabwe (GOZ) to assist its post-revolution reconstruction efforts. GOZ will use ESF funds to alleviate commodity and physical infrastructure constraints in key sectors such as agriculture, education, and health. Specifically, ESF funds will be used to finance the distribution of 70,000 winter vegetable packs and 230,000 summer crop packs to refugees and the feeding of approximately 330,000 people. Also under this project, the water supply system for the Nyamaropa irrigation scheme will be restored, enabling 400 hectares of summer crop to be planted by 290 irrigators; the drilling and repair of 64 boreholes, rendering them operational; and the restoration and operation of 62 to 124 livestock dip tanks. Education sector outputs will include the establishment of 85 Day Training Centers, which are part of GOZ's refugee rehabilitation program aimed at approximately 100,000 farmers; the complete reconstruction of 684 primary schools; the initial reconstruction of 25 mission secondary schools; and the provision of transportation to all provincial schools. Other project construction will include the restoration of eight Mission clinics and hospitals and 14 other buildings. Road reconstruction will lead to the completion of 32 crossings, as well as to the rehabilitation of 178 km of roads; road construction equipment to be obtained locally includes trailers, fueled bowsers, towed graders, concrete mixers, compressors, and stone crushers. Project funds will also be used to provide housing for 110 village level extension workers.

DESCRIPTORS

AGR PRODUCTION	COMMOD FINAN	DIPPING VAT	DISEASE PRV CTL
EDUC FACL CNST	SCHOOL RENOVATN	FOOD DISTRIB	CLINIC
NATL DEVEL PLAN	ROAD CONSTRUCT	ROAD MAINT EQU	WATER DELIV SYS
REFUGEE RELIEF	IRRIGATION	IRRIG FARM	STUDENT REFUGEE
BALANCE TRADE	DISASTER ASSIST	PRIM SCHL CNST	SEC SCHL CONSTR
HLTH FACIL CNST			

SUB-PROJECT NUMBER: 00 BATCH NUMBER: 52

PD-AAG-772-B1

(2)

CLASSIFICATION:

AID 1120-1 (8-68)

PAAD

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

1. PAAD NO.: 613-K-602
2. COUNTRY: Zimbabwe
3. CATEGORY: Program Grant (Cash)
4. DATE: November 25, 1980
5. TO: Joseph Wheeler, Act. Administrator, A.I.D.
6. OYB CHANGE NO.:
7. FROM: AA/AFR, Goler T. Butcher
8. OYB INCREASE:
   TO BE TAKEN FROM:
9. APPROVAL REQUESTED FOR COMMITMENT OF: $ 20,000,000
10. APPROPRIATION – ALLOTMENT: ESF
11. TYPE FUNDING: ☐ LOAN ☒ GRANT
12. LOCAL CURRENCY ARRANGEMENT: ☒ INFORMAL ☐ FORMAL ☐ NONE
13. ESTIMATED DELIVERY PERIOD: o/a Dec. 15, 1980
14. TRANSACTION ELIGIBILITY DATE: Dec. 15, 1980
15. COMMODITIES FINANCED: Not applicable.

16. PERMITTED SOURCE		17. ESTIMATED SOURCE	
U.S. only:		U.S.:	
Limited F.W.:		Industrialized Countries:	
Free World:		Local:	$20,000,000
Cash:	$20,000,000	Other:	

18. SUMMARY DESCRIPTION

This program is justified on GOZ balance of payment and budgetary grounds. The $20 million local currency equivalent will be used to address general, across-the-board constraints in the agriculture, education and health sectors. Overcoming these constraints--shortages of skilled and professional manpower and a variety of physical facilities, as well as others--is vital if the GOZ is to achieve its short term reconstruction and resettlement objectives and its long-term development and equity goals.

To assist the GOZ it has been mutually agreed by USAID/Zimbabwe and the GOZ that the local currency equivalent of AID assistance will be directed toward the areas of training, construction/reconstruction, materials and equipment for these facilities, and related supporting development activities. The GOZ has agreed that this Program Grant will not be utilized for military or para military purposes.

19. CLEARANCES	DATE
REG/DP R. Stacy	12/17/80
REG/GC E. Dragon	
AA/PC A. Shakow	
FM/C A. Smith	
GC N. Holmes	12/19/80
AFR/SA: M. Dagata	12/16/80
AAA/AFR/DR: J.W. Koehring	

20. ACTION

☒ APPROVED ☐ DISAPPROVED

AUTHORIZED SIGNATURE — DATE: Dec 30 1980

TITLE: Administrator (Acting)

CLASSIFICATION:

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AAA/AFR/DR, John W. Koehring

Problem: Your signature is requested on the attached Program Assistance Approval Document (PAAD) recommending authorization of the $20,000,000 Program Grant (cash) to the Government of Zimbabwe.

Discussion: The approval of the Administrator or his designee is required for a PAAD authorizing non-project assistance in excess of $10,000,000.

Recommendation: That you sign the PAAD face sheet to the Administrator recommending approval of the PAAD.

Clearance:

AFR/DR: NCohen	______	Date	______
AFR/SA: TMorse	(draft)	Date	12/16/80
AFR/DP: RStacy	______	Date	12/17/80
GC/AFR: EDragon	______	Date	______
AFR/DR/SA: WWolff	______	Date	12/16/80
AFR/DR/ARD: BWhittle	______	Date	______
AFR/DR/EHR: WWaffle	______	Date	______
AFR/SA: RWrin	(draft)	Date	______

AFR/DR/SA: DKline:agb:12/16/80

23 DEC 1980

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: AA/PPC, Mr. Alexander P. Shakow

THRU: ES

FROM: AA/AFR, Goler T. Butcher

SUBJECT: Zimbabwe - FY 80 $20 Million Program Grant

Problem: Your approval is required for a Program Grant of $20 million to the Government of Zimbabwe (GOZ) from the Economic Support Fund appropriation.

Discussion: Beginning in 1976, the United States Government became actively involved in the search for a negotiated settlement to the Rhodesian conflict. Successive attempts at internationally sponsored negotiations were unsuccessful until the Lancaster House Conference of late 1979. A consistent element in each of the settlement efforts was a pledge by the United States Government to provide financial assistance to the new Government of Zimbabwe.

A politically stable and economically dynamic Zimbabwe is key to the stability of the larger southern Africa region. Zimbabwe achieved independence on April 18, 1980 and inherited a host of social, economic, and political problems. Despite the major resettlement and reconstruction requirements, the exodus of many of the skilled and professional class, and serious foreign exchange and budgetary constraints, Zimbabwe, under the moderate leadership of its new Prime Minister, has done much to allay the fears which many observers expressed at independence. The U.S. supports GOZ initiatives to deal with its economic and social problems. The job that the GOZ has set for itself in the long-term future is to change fundamentally the existing social structure so that the economic benefits to be reaped are more equitably distributed among the entire population.

Key constraints must be overcome if equitable growth is to be achieved. There are substantial shortages of trained manpower at many intermediate skill levels e.g., extension agents, artisans, health officers, etc. While the country possesses substantial infrastructure, marketing and extension networks, and agricultural lands, these are unevenly distributed. In the Tribal Trust Areas, where 70% of the African population live, lack of transport, marketing facilities, credit networks, extension workers, schools and health facilities seriously inhibit the improvement of living conditions.

The five year war has brought into clear focus the severity of these constraints by introducing a major immediate problem of resettlement and reconstruction. It is estimated that 1.2 million displaced persons will have to be resettled, fed, ~~and~~ and provided with a number of supporting services. In addition, over $300 million of damage was done to rural infrastructure, largely in the TTLs, and the GOZ estimates that the reconstruction task will take three years, assuming timely provision of human, material and financial resources.

The most critical constraint, certainly in the short run, is the limited financial resources of the central government. Given the multi-faceted tasks of reconstruction, resettlement, refugee feeding, demobilization, expansion of Government services, and revitalizing the economy, the central government has stretched its resources to the limit, and perhaps beyond.

The proposed $20 million cash grant will provide the Government of Zimbabwe with critically needed foreign exchange to enable it to meet its immediate foreign exchange and budgetary shortfalls. This grant will be disbursed to a GOZ account in a U.S. bank specified by the GOZ in a financing request. The financing request will be submitted to AID within sixty days from the date of execution of the Program Grant Agreement. Upon transfer of U.S. dollar funds under this grant, the GOZ Treasury will establish a Special Account which will contain the local currency equivalent of the U.S. dollar grant. Funds from this account will be used to support the GOZ's resettlement, reconstruction and related development activities. The GOZ Treasury will administer the Special Account in accordance with its own financial and administrative procedures. The USAID Director has held extensive discussions and reached mutual agreement on the development uses of the Special Account funds.

There are no conditions, covenants, or waivers associated with this Program Grant. However, the GOZ will agree that the funds provided cannot be used for military or para military purposes. Congress was notified of the program on December 2 and the fifteen day waiting period expires on December 17, 1980. A negative determination has been made for the Initial Environmental Examination.

There are no human rights issues in Zimbabwe.

The Executive Committee for Project Review met and recommended approval of the Program Grant on December 12, 1980. The responsible officer in the field will be Charles Grader, and the AID/W backstop officer for this program will be Douglas T. Kline, AFR/DR/SA.

<u>Recommendation:</u> That you sign the attached PAAD thereby authorizing the proposed Program Grant in the amount of $20 million.

Clearance:

DAA/AFR, RStacy		Date:	12/11/80
GC, NHolmes		Date:	12/19/80
AAA/PPC/PDPR, JEriksson		Date:	12/22/80
GC/AFR, EDragon		Date:	
AF/EPS, DWaterman	(draft)	Date:	12/10/80
COM/ALI, PHagan	(draft)	Date:	12/10/80
AFR/SA, MDagata		Date:	12/16/80
AAA/AFR/DR:JWKoehring		Date:	

AFR/DR/SA:~~DKline~~:agb:12/16/80

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I. Summary and Recommdations

A. Activity: Zimbabwe Program Grant

B. Terms: ESF Grant Funding

C. Amount: $20,000,000 (Twenty Million Dollars)

D. Executing Agercy: The Government of Zimbabwe Treasury

E. Brief Program Description:

This program is justified on GOZ balance of payments and budgetary grounds (See Section III.).

The $20 million local currency equivalent of these dollar funds to the GOZ will be used to address general, across-the-board constraints in the agriculture, education and health sectors. Overcoming these GOZ-identified constraints--shortages of skilled and professional manpower and a variety of physical facilities, as well as others--is vital if the GOZ is to achieve its short term reconstruction and resettlement objectives and its long-term development of equity goals.

To assist the GOZ it has been mutually agreed by USAID/Zimbabwe and the GOZ that the local currency equivalent from AID assistance will be directed toward the areas of training, construction/reconstruction, materials and equipment for these facilities, and related supporting development activities. The GOZ's immediate local currency requirements far exceed the amount of funds generated by this Program Grant. The GOZ will submit a $20 million equivalent local currency package to USAID during the first half of December 1980 to address the abov - mentioned constraints. An illustrative list of types of training, construction and other activities for which counterpart local currency may be used is presented in Section IV of this paper.

F. Other Donor Activities: See Section II. F. and Annex D.

G. Statutory Checklist: Satisfied (see Annex B)

H. Issues: None

I. Recommendation: It is strongly recommended by both USAID/ Zimbabwe and REDSO/EA that a $20,000,000 Cash Grant be authorized for Zimbabwe.

J. Project Committee:

Field	AID/Washington

1. Drafters

D. J. Scarfo, Chief Design Officer, REDSO/EA
J. M. Wolgin, Economist, PPC/PDPR
A. R. Love, Director, REDSO/EA
E. Spriggs, Legal Advisor, REDSO/EA

2. Contributors

C. L. Martin, Ag. Advisor, REDSO/EA
A. Morton, Rural Dev. Spec., DS/RAD
D. Reilly, Chief Engineer, REDSO/EA
A. Mackie, Health Economist, REDSO/EA
C. DeBose, Health Officer, AFR/DRH
R. Shortlidge, Education Officer, DS/EHR
B. Robinson, Education Officer, REDSO/EA

II. Background

A. Political Background and U.S. Objectives

Beginning in 1976, the United States Government became actively involved in the search for a negotiated settlement to the Rhodesian conflict. Successive attempts at internationally sponsored negotiations were unsuccessful until the Lancaster House Conference of late 1979. A consistent element in each of the settlement efforts was a pledge by the United States Government to provide financial assistance to the new Government of Zimbabwe, if created as a result of a negotiated settlement. The assistance provided to Zimbabwe by the USG in FY 1980 and contemplated for FY 1981 can therefore be seen as a partial compliance with prior promises, though, it must be noted that previous negotiating efforts, particularly the "Kissinger Plan" of 1976 and the Zimbabwe Development Fund of the 1977 Anglo-American Proposals mentioned much larger amounts of U.S. assistance than are currently being contemplated.

A politically stable and economically dynamic Zimbabwe is key to the stability of the larger southern Africa region. Zimbabwe achieved independence on April 18, 1980 and inherited a host of social, economic, and political problems. Despite the major resettlement and reconstruction requirements, the exodus of many of the skilled and professional class, and serious foreign exchange and budgetary constraints, Zimbabwe, under the moderate leadership of its new Prime Minister, has done much to allay the fears which many observers expressed at Independence.

1. U.S. Objectives

The U.S. supports GOZ initiatives to deal with economic and social problems that have resulted from the war and several decades of neglect and exploitation of the black population. The job that the GOZ has set for itself in the long-term future is to change fundamentally the existing social structure so that the economic benefits to be reaped are more equitably distributed for the entire population.

On the plus side, Zimbabwe possesses broad and diversified resources and has an extensive social and economic infrastructure that has been built up over many years. However, the massive task of repairing substantial war damage to rural infrastructure, effectively resettling the displaced, demobilizing and reintegrating into the society the liberation armies, and initiating economic development, will require significant levels of foreign assistance.

Zimbabwe is a country founded and functioning on democratic principles. There is every indication that a successful, non-racial society will emerge, with an underpinning of a vital mixed economy directed toward equitable economic development. Such a success will serve as an important example to other nations, especially South Africa.

It is in the interests of the U.S. to assist Zimbabwe achieve this success. The $20 million of U.S. assistance to be provided hereunder is designed to promptly provide the GOZ with critically needed foreign exchange and assure that the local currency generated can contribute to economic development with equity. More specifically, the local currency is to be directed toward the areas of the highest GOZ priority; namely, resettlement, reconstruction, and development activities related thereto.

B. Constraints

Key constraints must be overcome if equitable growth is to be achieved. There are substantial shortages of trained manpower at many intermediate skill levels--extension agents, artisans, health officers, etc. While the country possesses substantial infrastructure, marketing and extension networks, and agricultural lands, these are extremely unevenly distributed. In the Tribal Trust Areas, where 70% of the African population live, lack of transport, marketing facilities, credit networks, extension workers, schools and health facilities seriously inhibit the improvement of African living conditions.

The five year war has brought into clear focus the severity of these constraints by introducing a major immediate problem of resettlement and reconstruction. It is estimated that 1.2 million displaced persons will have to be resettled, fed, and provided with a number of supporting services. In addition, over $300 million of damage was done to rural infrastructure, largely in the TTLs, and the GOZ estimates that the reconstruction task will take three years, assuming timely provision of human, material, and financial resources.

Perhaps the most critical constraint, certainly in the short run, is the limited financial resources of the central government. Given the multi-faceted tasks of reconstruction, resettlement, refugee feeding, demobilization, expansion of government services, and revitalizing the economy, the central government, which is responsible for dealing with these problems, has stretched its resources to the limit, and perhaps beyond.

Particular sectoral constraints, and the way in which local currency generated under this activity will address these constraints is presented in Section IV. of this paper.

C. GOZ Strategy

By approximately mid-1981, the GOZ will have produced a comprehensive Three-Year Plan (TYP), which will detail the medium and long-term development goals of the GOZ. In the interim, the GOZ is undertaking a crash program of rehabilitation, resettlement and reconstruction. These interim efforts include, reconstruction of damaged or destroyed infrastructure, repatriation of refugees as promptly as practicable , provision of food and shelter for the displaced, and provision of necessary related support as these individuals become quickly self-sufficient.

At the same time that the reconstruction and resettlement is going on in the countryside, the GOZ is intent upon speeding the recovery of the commercial economy and has taken some courageous steps in this direction including raising producer prices of key agricultural crops, encouraging private investment, and easing restriction on import licenses. The main strategy for increasing equity in the near term is the rapid expansion of education, health and agricultural services in the tribal areas, and the initiation of settlement schemes designed to ease land pressures.

D. USG Strategy

In essence, the USG strategy for Zimbabwe in the short-term is identical to that of the GOZ. Reconstruction activities remain a high priority. An interim CDSS which is planned for early 1981 will address the longer-term AID development strategy in Zimbabwe.

At least for FY 1981, and perhaps longer, the GOZ program strategy appears to make eminent sense. By attacking the resettlement problem, the GOZ is attempting to make as many of the rural and urban poor self-sufficient as soon as possible. The strategies focus on employment generation, which is supported by manpower training programs. The settlement program in the rural areas, which will make substantial additional lands available for production, should alleviate some of the problems of the rural poor. By attempting to build on what already exists, the maximum return on investments is assured and provides a firm base on which to move to economic development programs. The GOZ implementation capacity will be further strengthened and the government will be better able to absorb higher levels of investments.

Considering the alternatives, the GOZ strategy of moving in a practical, deliberate manner from rehabilitation-reconstruction to economic development seems a most reasonable approach to the PAAD team. Whether, in fact, the GOZ can successfully carry-out its ambitious rehabilitation-reconstruction program in the brief period envisioned remains, of course, to be seen. It is expected that when the Donors Conference is convened in March 1981, the availability of the GOZ Three Year Plan and further experience with program implementation should enable the GOZ and donors to better determine how a development program should be instituted, in what sectors efforts should be concentrated, and the levels of assistance necessary to achieve GOZ goals.

E. Status of U.S. Assistance Programs

1. Summary of U.S. Assistance in FY 1980

The following categorizes the type of U.S. assistance provided to Zimbabwe in FY 1980 and the corresponding level of assistance.

	Category	Purpose	Amount (in US $000s)#
1.	Cash Grant	Resettlement of Displaced Persons and Reconstruction	13,000
2.	Cash Grant (Supplemental)	Resettlement of Displaced Persons and Reconstruction	7,000
3.	*Cash Transfer to UNHCR	Repatriation of Refugees (thru UNHCR)	3,000
4.	Project Grant	Clinic Reconstruction	2,000
5.	*Ambassador's Self-Help Fund	Miscellaneous Small-Scale Activities	140
6.	*Grant to Family Planning Assoc.	Family Planning	35
7.	*Human Rights	Legal and Judicial Training	132
8.	*Human Rights	Women's Rights Booklet	5
9.	Grant to AALC	Trade Union Work	150
10.	Grant to GOZ	Scientific & Technical Cooperation	750
11.	*World Food Program	15,000 MT Maize for Emergency Feeding (through WFP)	5,000
12.	HIG	Construction of Low Cost Housing	25,000
	TOTAL		56,212

* Fully disbursed.

\# Throughout this paper, $ shall represent U.S. dollars, and Z$ shall represent Zimbabwe dollars. The current exchange rate of $1.60 = Z$1.00 is used throughout this paper.

2. Status of U.S. Assistance Program

As can be seen from above, items 3, 5, 6, 7, 8 and 11 are fully disbursed and items 9 and 10 have yet to commence. The $25 million Housing Investment Guarantee program (HIG - item 12) was authorized late in FY 1980 and has not been signed. This section will, therefore, concentrate on the $20 million cash grant for resettlement and reconstruction (items 1 and 2) and the $2 million project grant for clinic reconstruction (item 4).

The $20 million cash grant was disbursed in two tranches of $13 million and $7 million immediately after obligation in July and September of 1980, respectively. The foreign exchange is estimated to have been utilized by the GOZ within two weeks of receipt from the U.S. The Government has confirmed in writing that all foreign exchange was utilized for priority imports in accordance with the Agreement.

The Agreement required the GOZ to establish a counterpart local currency account and these funds were placed under the management of the Treasury for use in agreed-upon activities. The following Table I presents a financial summary of the $20 million equivalent in local currency utilized for relief resettlement and reconstruction, showing allocation of local currency funds by category and corresponding GOZ Treasury disbursements through September 30, 1980. Corresponding estimated disbursements through December 30, 1980 are also shown.

While the cash grant disbursements of foreign exchange were made to the GOZ in July and September 1980 ($13 million and $7 million respectively), the GOZ Treasury has already disbursed more than half of the generated local currency funds to various ministries through September 30, 1980. It is estimated that the Treasury will disburse more than two-thirds of the funds by December 31, 1980. The GOZ Treasury normally disburses funds quarterly based on each individual ministry's reported projected quarterly financial requirements for implementation activities. What will be accomplished by the GOZ by the end of this calendar year under AID cash grant procedures is impressive and a schedule of accomplishments attributable to AID is presented in Annex E.

As can be seen from the following Table I not all the resettlement and reconstruction activities are moving forward at equal rates of speed. The $13 million in local currency equivalent in the first tranche is being well-utilized and it is expected that approximately 90% of these funds will be disbursed by the GOZ Treasury by the end of this year. The $7 million local currency equivalent from the second tranche are being utilized more slowly due to the nature of the expenditure. Two million of the $7 million have been fully disbursed for commodities (food for the refugee feeding program), while the remaining $5 million related to slower and more complex construction and assembling activities.

TABLE I - GOZ Inputs

$13 MM	Allocated	Paid by GOZ Treas. as of 9/30/80	Estimated GOZ Treasury Payments thru 12/31/80
$7.5 MM Reconstruction			
1. Irrigation	1.00	1.00	1.00
2. Roads	1.50	.13	.72
3. Schools	4.00	1.84	4.00
4. Water Supplies	.50	.04	.14
5. Dips	.50	.09	.25
	7.50	3.10	6.11
$5.5 MM Resettlement of Refugees			
1. Winter Seeds	1.50	1.50	1.50
2. Summer Pack	3.20	2.08	3.20
3. Training	0.80	.52	.80
	5.50	4.10	5.50
$7.0 MM Reconstruction (Supplemental)			
$4.44 MM Reconstruction			
1. Road Construction Equipment	1.20	.72	1.20
2. Building	1.40	.25	.25
3. Trans. for Prov. Schools	.25	0.00	.25
4. Mission Schools	.95	0.00	.30
5. Mission Clinics & Hospitals	.64	.32	.32
	4.44	1.29	2.32
$2.56 Resettlement of Refugees			
1. Feeding Program	2.00	2.00	2.00
2. Construction of Trng. Blds.	.56	.56	.56
	2.56	2.56	2.56

Some of the more important implementation problems include: (1) a shortage of transport (mainly trucks) and heavy equipment; (2) a shortage of skilled construction manpower; (3) periodic shortages of building materials and tools; and (4) a shortage of administrative personnel in some ministries which cause delays on the "paper" side of implementation (e.g., purchase orders, bills of receipt, delivery statements, reports, etc.). Considering the above implementation problems coupled with the obvious fact that constructing or reconstructing a physical structure requires more time than a simple procurement transaction, the delays encountered are considered reasonable.

However, given the problems faced and the nature of the activities, these GOZ organizations are utilizing local currency proceeds well. The GOZ is confident that the $5 million balance, of the $7 million local currency generated by the cash grant supplement, will be fully disbursed prior to the end of June 1981 (end FYI). This means that the GOZ will have disbursed $20 million in local currency in less than 12 months on a variety of activities (training, construction, assembly and commodities) and these activities were undertaken throughout most of the rural areas of Zimbabwe. This is a formidable record of accomplishment and it attests to the GOZ capacity to effectively absorb and channel substantial funds for sundry activities throughout Zimbabwe.

Implementation of the $2 million AID Health Clinic Project Grant has also been satisfactory, albeit somewhat slower in implementation. When the $2 million grant was signed on Independence Day it was hoped that all 159 clinics which were closed at that time could be reconstructed and furnished by the end of CY 1980. As of October 30, 1980, 90 clinics were rehabilitated and operative. By December 30, 1980 is is estimated that 115 clinics will be completed and funds exhausted. Of the $2.0 million project grant, $1,000,000 had been spent on authorized expenditures as of October 31, 1980. An additional sum of $750,000 was in the pipeline from Paris to Salisbury. Final disbursements under the grant are expected to occur in December at the present rate of spending. It was anticipated that the final balance of about $164,000 would be advanced to the Treasury within a month. Completion of all 159 clinics will require additional funding of Z$500,000.

While implementation of the Health Clinic Grant has been exellent by comparison with other LDCs, e.g., full disbursement within 9 months of grant signing, it has fallen short of anticipated targets. The primary reasons for this delay have become apparent: (a) the use of the project assistance format has complicated implementation by the Ministry of Health (MOH) and (b) the speed with which reconstruction could take place was retarded by constraints in transport and the rural infrastructure system.

With respect to the former constraint, over which AID has some control, the project assistance format and GOZ lack of familiarity with AID project procedures made speedy response by the MOH difficult.

The cost reimbursement system of project financing, even when coupled with generous advances did not allow sufficient working capital. The lag time between paying small rural contractors, submitting bills to the Provincial Medical Officers of Health (PMOH), amalgamating them for submission to the MOH (Salisbury), updating their accounting requirements, requesting payment from Nairobi, and receiving it from Paris is over 3 months. Secondly, the requirements of AID procurement regulations with respect to imported shelf items have significantly added to the workload of the ministry and provincial officials.

Briefly, the infrastructure constraints include lack of transport available to Provincial Authorities to move building supplies, periodic shortages of selected building materials, the inability of small rural builders to handle more than one job at at time, the scarce manpower resources for supervision by Provincial Authority staff and difficulty of having transport to cover a wide geographic area. These problems were often compounded by the slow cash flow and the fact that small builders have to be paid frequently if they are to pay their labor since they operate on very small capital resources. On a positive note however, the GOZ has shown considerable ability to overcome these constraints as its experience with the nationwide reconstruction effort grows.

Experience with the assistance provided to date confirms the earlier analysis that the GOZ has the necessary absorptive capacity to effectively utilize the assistance provided. Bottlenecks are clearly evident in key areas such as transport and shortages in many skilled categories underline the need for an early start in manpower training programs. Despite these problems, progress has been excellent--particularly with the program grant which utilizes the GOZ's own procedures and practices in implementing the projects and programs financed by the local currency generations.

F. <u>Other Donor Assistance</u>

The GOZ Treasury presented the PAAD team with a current schedule of other donor assistance (see Annex E).

A review of the financial procedures followed by the GOZ showed that, although some reconstruction and resettlement programs were funded by more than one donor, the GOZ: (1) had the capacity to absorb the funds provided, (2) the GOZ financial procedures are satisfactory, and (3) there was no duplication of effort--in fact, most activities required much more funding than was available.

The PAAD team concluced that even with substantially increased other donor assistance levels, it is unlikely that the GOZ resettlement and reconstruction financial requirements will be met. Given the highly effective GOZ financial procedures, duplication of effort is not deemed a program problem.

III. Economic Background and Program Justification

A. General Economic Background

1. Macro-Economic Setting

The basic data on the Zimbabwe economy are presented in Annex F. While a small lower middle income country by international standards (per capita GNP was US$530 in 1979) the economy is the largest in Southern Africa after South Africa, equal to the total of Mozambique and Angola combined. It is highly diversified economy with important agricultural (12.4% of GDP), manufacturing (24.8% of GDP), and mining (7.9% of GDP) sectors. Each of these sectors, in turn, is divided into a variety of sub-sectors. The major agricultural crops are tobacco, cotton, maize, sugar, wheat, beef and dairy products, groundnuts, tea and coffee. The mining industry produces a number of products including gold, asbestos, nickel, copper, and chrome. The main manufacturing industries are iron, steel, and metal fabrication (26%), chemicals and petro-chemicals (14%), food processing (14%), beverages and tobacco (11%), and textiles (19%). Although the primary sectors, agriculture and mining together only produce about 20% of GDP, they provide about 70% of Zimbabwe's export earnings. On the other hand, while manufacturing accounts for the remaining 30% of merchandise exports, the sector as a whole is a net user of foreign exchange because of very large inputs of capital equipment and industrial raw materials.

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

Gross Domestic Income in 1979 amounted to Z$2.5 billion which was roughly shared between wage and salary earners and investors on a 3:2 basis. Thus, corporations, unincorporated enterprises which are mostly private farms, and parastatals had gross operating profits of approximately one billion Zimbabwe dollars. However, investment expenditures in the private sector were very low, about Z$190 million in 1978, or 8% of GDP. Consumption expenditures have averaged approximately 60% of GDP over the latter half of the 1970s, while government non-capital expenditures have increased throughout the period, reaching 20% in 1978.

While per capita income is high by African standards, the economy is highly dualistic with sharp, perhaps unequaled, disparities in income between the white and black populations. Per capita income for the white population is probably around US$10,000, while for the black population it may be as low as $150 per year. In other words, the white 4% of the population earns about 65% of the pre-tax income. The immediate reasons for this striking inequality are obvious. Probably two-thirds of the African labor force depend on the traditional economy for their income, and yet this economy produces no more than 4% of total GDP.

Of those 900,000 Africans who have wage-paying jobs in the modern sector, about 45% are employed in the low-paying agricultural and domestic service sector. The average white/black wage differential is eleven to one, due partly to differential stocks of skills.* Added to the wage difference is the fact that probably 90% of profits are earned by white Zimbabweans.

Many of these inequalities are the result of discrimination practiced by the various white-dominated governments of the pre-majority rule period. The clearest instance of this is the division of the country's land into commercial area (largely, though not solely reserved for whites), and Tribal Trust Lands (TTLs) reserved for blacks. The land was divided approximately in half, which meant that black farms in the TTLs averaged 5 hectares of arable land while white commercial farms averaged 100 hectares. Equally important the best lands were reserved for whites, who own 72% of the land in Regions I and II, the most productive areas.

These inequalities were reinforced by conscious government policy of allocating resources to the white sectors. For example, marketing structures and institutions, which are fully developed to serve the commercial farm sector are almost non-existent in the TTLs. Similarly, agricultural research is geared almost exclusively to service the needs of the commercial sector, and while there is approximately one extension agent to every 60 farmers in the commercial sector, there is only one to every 800 farmers in the TTLs. Education and health services were equally skewed. Per pupil expenditures in white schools were ten times per pupil expenditures in black schools, and while virtually all white students graduated from Form IV, only 4% of the black students were able to do so.

The other side of this depressing picture is that in many ways, the black population is better prepared for rapid development and entrée into the modern sector than is the case in most other African countries. African university graduates number around 11,000, a stock of high level manpower which is unprecedented for a newly independent African country.

* Average black wages are Z$750 while average white wages are Z$8,250.

Moreover, the share of the labor force employed in the modern sector is large and with the right mix of investment programs, black incomes can be expected to rise rather quickly in the future.

While Zimbabwe does have a thriving private market economy, the role of government is pervasive. All major utilities, the railroad, and the airline are solely owned by the Government of Zimbabwe and managed through public corporations The government owns 49% of the country's iron and steel industry and provides subsidies to exporters. Foreign exchange controls are very stringent both in the area of import licencing and repatriation of capital. Almost all of the marketing in the commercial farm sector is controlled by a government agency, the Agricultural Marketing Agency. There are a minimum wage laws, and controlled prices for most important consumer commodities.

The primary task facing the present government is to redress the inequities inherent in the economy, without at the same time eroding the vitality of the modern sector, which offers the best hope for increasing black standards of living in the future.

With the coming of majority rule the government faces a number of severe problems--primarily the integration of the liberation armies into both the National Army and the civilian economy; the resettlement of refugees; the fears of whites that they would be excluded from the new order; and the need to maintain the vitality of the white dominated modern economy; while at the same time moving quickly to a more equitable distribution of incomes and assets.

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

(1) the maintenance of traditional government policies toward the modern economy;

(2) the beginning of a settlement program moving some African farmers from the Tribal Trust Lands to underutilized land in the commercial sector;

(3) a program of investment and reconstruction in the tribal trust areas; and

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

By moving on all these fronts at once, it is hoped to generate economic growth and thus increase the share of income going to black workers, to increase production and incomes in the TTLs, to assuage, to some degree, the land hunger of the black population, and, through the provision of health and education, to meet the aspirations of the majority population for a better quality of life.

2. Recent Economic Trends

Between 1969 and 1974, the Zimbabwean economy experienced a rate of growth of GDP at 7.4% per annum, and a rate of growth of per capita income of approximately 4% per year. From the end of 1974, however, the economy experienced a significant downturn which lasted until the middle of 1978. Since that time the economy has shown progressive signs of recovery. Between 1975 and 1978 GDP, in real terms, fell by 12.1% and in per capita terms the decline was over 20% which indicates the severity of the recession. Indeed, by the end of 1979 real per capita income was only three Zimbabwe dollars greater than per capita income in 1964. In real terms private consumption fell by 12.4% and gross fixed capital formation by 50.2%, whereas net government expenditures, fueled by the war, rose by 34.3%.

The decline was caused by a number of factors. In the first instance the impact on the economy of the international recession following the 1973 oil crisis was severe. The decline in Zimbabwe's terms of trade, coupled with the closing of ports in Mozambique following that country's independence, caused severe deterioration in the balance of payments. In order to restore equilibrium there was a substantial cut back in non-petroleum product imports. The volume of total imports by the end of 1979 was only 67% of 1964 levels. Restrictions in the importation of raw materials slowed manufacturing output which declined by 14%. Agricultural output, due to weather conditions, and the increased violence in the countryside declined 28.5%. The declines in output in the goods sector (17.6%) led to equivalent declines in the service industries--particularly construction and distribution. Finally, the recession was caused by lack of confidence in the business community due to the unstable political situation. This uncertainty is evidenced by the profound decline in investment expenditures to 11.2% of GDP.

However, the Lancaster House settlement offers hope for a return to positive growth and an acceleration of the recovery that began in mid-1979. The removal of sanctions, the opening of the Mozambique ports, and the rise in mineral prices have all strengthened the foreign sector, and the outlook for both exports and imports is highly positive. Business confidence is still somewhat restrained, and private investment is likely to be slow in recovering. That is probably all to the good in the near term as increased governmental expenditures on reconstruction and expansion of services is likely to generate all the increased demand the economy can satisfy in the near term. An upswing in domestic private investment is likely to be highly inflationary.

Overall current projections call for 5% real growth in GDP in 1980, with somewhat higher growth rates in 1981, if the weather holds up. Mining production for the first six months of 1980 was 37.5% higher than for the same period of 1979; agricultural product sales were 24% higher over the same period. Trade and manufacturing indices for June, 1980 were 18.6% and 16.6% above June, 1979 levels. Much of this growth is due to increased capacity utilization, and continued growth in the future is likely to depend on increased domestic savings and investment rates as well as substantial capital inflows from abroad.

B. Economic Program Justification

1. Government Budget

A consolidated expenditures account for the fiscal year 1979/80 and 1980/81 is presented in Table II. Total expenditures in 1980/81 are projected to increase by 23.8% over 1979/80, while revenues are projected to increase by 28.0%. Thus, the government deficit, which was 40.8% of total expenditures in 1979/80 would decline to 35.8% of total expenditures in 1980/81. However, current estimates of expenditures show that the original budget erred by Z$100 million on the conservative side, and that, therefore the budget deficit will be closer to 40%. More disturbing however are projections for the future, as expenditures are expected to rise by 40% while revenues to increase by some 21%. If these projections hold, the budget deficit for 1981/82 will grow to approximately Z$1 billion, and the deficit as a percentage of expenditures will grow to 48.5%.

a. Expenditures

The high rate of growth of expenditures has been forced upon the new government by the political situation in which it finds itself. It must make moves toward equity and the provision of the basic services without substantially discomfitting the white economy. In order to do so it has used the main lever at its disposal, government expenditures. Table II clumps expenditures into categories appropriate for analyzing government policy.

Because of the need to integrate the liberation armies into the National army, the government was unable to enjoy a dividend due to the end of the war, and the security forces accounted for 38% of current expenditures on goods and services. The first six categories of Table I represent important political priorities. In these categories expenditures increased between 1979/80 and 1980/81 by Z$202 million. If we add the change in uncontrollable outlays to the top six categories, then these represent 68% of the increase in expenditures. Thus, given the political pressures on the government, is is going to be very difficult to reduce the growth of expenditures.

b. Resources

Probably more than 90% of tax revenues is derived from the white dominated modern economy. For the 1980/81 budget year, 58% of tax revenues came from income and profits taxes and another 40% from indirect taxes. Since food and rent are excluded from indirect taxation, and since income taxes are only levied on families with incomes

TABLE II

EXPENDITURES BY MAJOR CATEGORY*
(thousands Zimbabwe dollars)

		(1) 1979/80	(2) 1980/81 (original estimate)	(3) 1980/81 (revised estimate)	(4) Ratio Column (3) to column (1)	1980/81 revised share of budget (%)
1.	National Security	384,655	315,985	362,985	0.94	23.6
2.	Settlement	2,521	8,301	8,301	3.58	0.5
3.	Reconstruction and Investment in TTLs	9,180	42,487	42,487	4.63	2.8
4.	Education	120,437	194,494	236,494	1.96	15.4
5.	Health	54,226	91,795	91,795	1.69	6.0
6.	Food Subsidies	37,729	68,700	68,700	1.82	4.5
7.	General Administration	111,495	124,083	124,083	1.11	8.1
8.	Economic Ministries	108,238	128,695	128,695	1.19	8.4
9.	Other Capital Budget	52,886	55,760	55,760	1.05	3.6
10.	Relatively Uncontrollable Outlays	250,523	305,964	305,964	1.22	19.9
11.	Other	30,383	103,720	114,720	3.78	7.4
12.	TOTAL	1,162,073	1,439,984	1,539,984	1.33	100.0

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

in excess of Z$3,000, the tax structure is probably progressive on the whole. Non-tax revenues account for about 25% of total resources and are divided between payments for services and use of property (40%) and a variety of miscellaneous transfers.

Since a very high proportion of tax revenue is functionally related to income, it should not be surprising that real revenues fell between 1977 and 1979 by about 12% at the same time that real income fell by 3%. In 1980, however, real revenues are expected to approach 1977 levels, and be 9.5% higher than in 1979. At the present time, taxes represent 22.5% of the total national income. Given the rise in expenditures, the government is giving serious consideration to raising tax levels. However, there are serious problems attached to increasing the rates of direct taxation, which are 49.5% on corporations and probably average 35% on personal income. The government is opposed to broadening the tax base since it see imposing taxes on the poorer segments of the population as being ineqitable and politically difficult.

Despite these problems, the Treasury estimates that revenues for 1981/82 will be 20% higher than in 1980/81, due largely to a 17% rise in nominal incomes. At present the government does not see any possibility of closing the budgetary gap through increased taxation, and for the foreseeable future budget deficits are likely to continue growing.

c. Financing the Government Deficit

Clearly, the most difficult financial problem facing the Government of Zimbabwe is financing the very large deficit to be incurred in fiscal year 1980/81, and the even larger deficit expected in 1981/82. With expenditures on the order of Z$1,540 million and revenues of Z$925 million the total deficit in 1980/81 is on the order of Z$615 million, or 19% of projected GDP during the 1980/81 fiscal year. In the past the government has largely relied on the domestic market to finance its deficits, borrowing a total of Z$1,093.9 million over the past five years, including Z$937 million in fiscal year 1979/80. Consequently, total domestic debt by June, 1980 reached Z$1,302.7 million, approximately half of GDP.

Domestic borrowings of this magnitude were possible in the past because of the highly liquid nature of the private sector. With low investor confidence, coupled with strict foreign exchange controls, the private sector has savings substantially in excess of investment requirements (See Table VI in Annex F). Much of these savings were in the form of liquid assets in the banking system, which by the end of 1979 were approximately Z$200 million above required liquidity needs. Consequently, even with substantial government borrowing, interests rates have remained at low levels ranging from 4-1/2% for

3-month bills to 8-1/3% for commercial mortgages. The average yield on local stocks was 10-12%, while government stock yield ranged from 4.05% on 1 year certificates to 9.00% on 30 year certificates. Given the underlying inflation rate of 10-12% all of these returns were negative in real terms.

While the recession is over, and the economy is recovering, primarily due to a revitalized foreign sector, plus heavy government expenditures, private investment is still lagging. For example, total construction in the first quarter of 1980 was virtually at the same level as in the same quarter of 1979. Consequently, the government should be able to borrow from the private sector on the order of Z$ 280 to Z$300 million, without exerting any inflationary pressure. This would finance about half of the deficit. Probably another $100 million can be financed through a variety of means including greater tax collection (Z$20 million), underspending (Z$20 million), loans from building societies to finance housing construction (Z$20 million), disinvestment bonds (Z$20 milion), and miscellaneous revenues (Z$20 million). This leaves another Z$215 million to be financed from external sources, of which approximately Z$30 million is budgeted to come from aid flows.

/The government's reconstruction and refugee program is financed out of a separate fund which does not appear in budget estimates. Total spending in these accounts amounted to Z$29.6 million for refugees, and Z$50.5 million for reconstruction. Approxiamtely 90% of these monies came from foreign grants. Without these aid flows these critical programs would have had to be funded from domestic sources thus increasing the budgetary deficit by a further Z$71 million./

Thus the government will need to borrow from foreign sources in FY 1980/81 approximately Z$185 million if more aid is not forthcoming. The World Bank is currently discussing with the GOZ a commodity import loan of about Z$47 million. Other donors are expected to increase their assistance during the coming fiscal year. At present there are no good data on either obligations or disbursements aside from the reconstruction account. This picture will undoubtedly become clearer after the donors conference in March 1982. If the GOZ can reach agreement with the Bank, the necessary borrowings can be reduced to Z$138 million, a manageable amount, though an increase in the government's foreign debt of 38%. Given prevailing interest rates in international markets, these borrowings, while not excessive, could lead to a substantial increase in debt servicing ratios. Moreover, borrowing on this scale would push up the foreign debt to GDP ratio of 15%, a level generally in line with other middle income countries.

While the 1980/81 budget will cause grave difficulties it can probably be managed without creating excessive debt burdens and without creating demand-pull inflationary pressure. Indeed, despite a substantial increase in the money supply since 1975 (M1 increased by 13.9% per year and M1 and M2 together by 17.1% per year with nominal GDP roughly constant) inflation rates over the period averaged only 10% per year. Most of this inflation is probably due to supply factors--increases in import prices, increases in food prices due to the drought, and real wage increases despite declining productivity.

It is in the 1981/82 fiscal year that the economy may become unmanageable. If current projections hold, and the deficit is on the order of Z$1 billion, financing may be impossible without resorting to inflationary finance. With the expected resurgence of private investment especially as the economy begins to reach full capacity, and the reluctance to increase foreign borrowings to an unacceptably high level, the government may be forced to finance perhaps Z$500 million of the 1981/82 deficit through the printing press. The result could then be a rate of inflation in excess of 25%, a weakening of the balance of payments, crowding out of private investment, and an end to the recovery. The Treasury Departemnt of the Government of Zimbabwe is a very conservative agency, and will probably not allow such a scenario to take place. The alternatives however are equally impalatable--an increase in taxation on the modern sector which would also slow the economy, or a decrease in the promised provision of services needed to redress the equity problem.

2. Balance of Payments

On the surface, Zimbabwe's balance of payments has been relatively strong throughout the second half of the decade of the 1970s. Between 1975 and 1979, reserves have increased by US$176 million, with most of this change coming in 1978 and 1979. By the end of July, 1980, the Reserve Bank of Zimbabwe held US$323 million in foreign assets, while the banking system held an additional US$57.3 million. These reserves are sufficient to cover approximately 3-1/2 months of imports at 1980 rates, a level somewhat higher than the average middle income country. Tabe X in Annex F presents both past performance and future projections on the balance of payments.

However, the relatively robust balance of payments picture is largely due to very stringent foreign exchange controls in the importation of goods and in the movement of capital and repatriation of profits. There are no hard estimates on the effect upon the deficit of removing exchange controls, but guesses range from US$200 million to US$400 million. This conservative policy towards imports has been partly responsible for the recession during the 1978-1979 period, and continued controls are likely to limit the expected recovery, particularly in manufacturing.

a. Current Account

While the trade balance has been positive throughout the period, ranging from US$ 12 million in 1975 to US$128 million in 1977, this surplus has rarely been sufficient to overcome deficits in other current account items. The main problems in the goods accounts have been the severe downturn in the terms of trade, which by the end of 1979 stood at 56.4, with 1964 = 100. There are a number of factors responsible for this downturn, although the inflation of import prices, primarily due to the increase in oil prices, was predominant. Import prices at the end of 1979 were 2.2 times their 1975 level. While mineral prices rose, tobacco prices have been weak, and consequently export prices stood at only 1.5 times their 1975 level. In addition, the closing of the Mozambique border and the imposition of sanctions probably raised import prices by 5% and lowered export prices by 15-20%.

The first five months of 1980 showed a reversal of this trend, with import prices actually falling by 9.3% and export prices increasing slightly by 2.3%. The result was a 13.8% increase in the terms of trade. In volume terms, exports are expected to be somewhat higher than in previous years, while imports are expected to expand even more quickly. The merchandise account should continue to be positive throughout 1980 and 1981, but will probably be in balance in 1982, due to rapid expansion of imports.

The service balance has been substantially in deficit throughout the period, due largely to freight and insurance charges, but also to a negative tourism and travel account. The net deficit on invisibles peaked in 1979 at Z$192 million and is likely to move somewhat higher in 1981 and 1982.

The government has strict restrictions on repatriation of profits, allowing foreign corporations to remit no more than 50% of after tax profits. Because of sanctions, repatriation of profits to firms in the U.S., U.K., and Canada were totally blocked during the UDI period. Consequently, net flows of investment income have averaged about negative Z$40 million per year. New legislation designed to encourage foreign private investment allows full repatriation of profits and capital for new investments, and as a result, net investment income flows are expected to reach -Z$109 million by 1982.

Nongovernment transfers are also normally negative though these have been more than balanced by aid flows in the form of grants in 1980. Overall, the balance of payments on current account was expected to be negative on the order of Z$50 million in 1980, but is expected to fall to Z$177 million in 1981 and Z$277 million in 1982.

b. Capital Accounts

Throughout the 1975-1979 period current account deficits were financed by capital inflows in both the private and government sectors. With the unblocking of funds following the Lancaster House settlement, 1980 and 1981 are likely to see capital out-flows in the government sector, which will be offset in large part in 1981 and 1982 by borrowing by puclic corporations in commercial markets to finance railway electrification and the Wankie thermal power station. Nevertheless, current projections call for total deficits in the current and capital accounts of Z$ 93 million in 1980, Z$ 95 million in 1981, and Z$ 141 million in 1982. These large deficits, due almost entirely to an easing of foreign exchange restrictions will be financed by government purchases of gold from domestic mines. Thus foreign reserves are expected to remain at current levels throughout the period.

It should be noted that estimates of official capital flows contained in the balance of payments projections are not necessarily consistent with the financing needs expected by budgetary authorities. Thus it is possible, that foreign borrowings to finance the deficit will lead to a surplus in capital and current account. Consequently, in order to avoid even greater increases in money supply, import restrictions may be further relaxed, soaking up some of the excess demand, and allowing the private sector to increase investment spending.

Therefore, if sufficient amounts of concessional assistance are available to Zimbabwe over the next two fiscal years, the economy may be able to grow rapidly while at the same time being restructured toward greater equity without being saddled with an onerous domestic and foreign debt. What is presumably needed over this period is between US$500 million and US$ 1,000 million.

C. Summary Program Justification

The Government of Zimbabwe is undertaking a very difficult program of revitalizing a modern economy while at the same time restructuring that economy so as to achieve greater equity. Among the urgent needs which must be met, are a demobilizing of those parts of the liberation armies not incorporated into the regular Zimbabwe armed forces, reconstruction of infrastructure destroyed during the fighting, extension of transport, marketing, and extension services to the TTLs, settlement of large numbers of small holders in the former commercial areas, rapid expansion of health and education services, and substantial increases in private sector investment in order to replace the capital stock which grew obsolete during the sanctions period.

Along with requiring a great deal of ingenuity these programs will require a great deal of money. The most critical shortage will be in the area of goverment budgetary resources, but shortages of foreign exchange will inhibit the expansion and modernization of the private economy. While the proposed US grant of $20 million dollars will not be anywhere near enough to close the resource gap, it is urgently needed.

While this proposed grant will not go very far in solving the government's financial problems, it may have a far wider political impact. In the long run, political stability may depend on the ability of the economy to raise income in the line with expectations; in the near term, political stability may depend more on the perceptions of the black majority that change is occurring. Thus every dip tank, road, school, and clinic which we are able to rebuild, every increase in extension services due to our financing of extension training, is likely to add to the perception that progress is occurring. These changes need to occur quickly if they are to have a strong political impact. For all these reasons then, political, budgetary, and balance of payments, it is important that the U.S. provide the proposed $20 million US as soon as possible.

IV. Use of Counterpart Local Currency

A. GOZ's Immediate Local Currency Requirements

In discussions with various GOZ ministries during the preparation of this document, the PAAD team learned that in excess of $78 million financing is being requested by various GOZ ministries from the GOZ Treasury for a range of activities which could be undertaken during the present GOZ Fiscal Year (July 1, 1980 - June 30, 1981). Additionally, requests have been received from the Ministry of Local Government and Housing for more than $26 million to continue current activities, but for which financing will be necessary commencing July 1, 1981.

In consultation with various GOZ ministries, the PAAD team identified activities in excess of $38 million which were most compatible with mutual GOZ and USG short-term strategies and which would likely commence in the current (FY 80-81) GOZ FY. These activities fall within the broad agriculture, education and health sectors and are directed to problems of resettlement, construction/reconstruction, and related development activities. The above figure does not include the GOZ's FY 81-82 physical reconstruction program, which alone will require in excess of $41 million commencing July 1, 1981.

Before moving to discussion of the general areas where the AID-local currency equivalent will be directed to address broad sectoral constraints, two points are worth noting. First, all GOZ personnel lauded the AID cash grant approach and they were quick to state that in large measure the success of the FY 1980 $20 million Program Grant was due to the prompt availability of local currency to the GOZ operating ministries. Without exception all GOZ personnel emphasized the need to continue the cash grant approach so as to reinforce and continue the operating momentum generated and initiate supporting developmental activities necessary to the success of the GOZ resettlement/reconstruction program. Second, USAID/Zimbabwe, the GOZ and the PAAD team feel strongly that should further AID funds become available to Zimbabwe any time before the end of this FY (September 30, 1981), such funds should be transferred as an amendment to this AID FY 1981 $20 million Program Grant. As can be seen from above the Section III. of this Paper, the GOZ's financial needs far exceed what is being provided hereunder. This PAAD could easily have been written for a level of $50 million or more, if such AID funds were, in fact, available for Zimbabwe.

B. General Sectoral Constraints

The PAAD team reviewed the GOZ agriculture, education and health sectors and found that the same broad constraints were common to them all and, further, overcoming these constraints was vital to the achievement of immediate GOZ resettlement and reconstruction goals. Failure to address these constraints now would adversely affect the GOZ's ability to attain its long-term goals.

It should be understood at the outset that although these constraints are mentioned individually below they should not be viewed discretely, rather they are interrelated. For example, to address a skilled manpower constraint requires (in the context of Zimbabwe) financial resources for construction of training facilities, materials and equipment for these facilities, as well as a curriculum and sufficient and competent trainers.

The AID-generated local currency under this Program will address the following sectoral constraints:

1. Shortages of Skilled and Professional Manpower

The training requirements of the GOZ include, inter alia, training for: (a) village level and certificate level extension agents, (b) African farmers, (c) research technicians, (d) agricultural assistants, (e) social scientists, (f) warehouse management specialists, (g) skills training (e.g., bricklayers, electricians, plumbers, carpenters, etc.), (h) medical assistants, and (i) primary and secondary school teachers.

2. Shortages of Physical Facilities

Among the types of facilities required by GOZ to better implement its resettlement, reconstruction and related development programs are: (a) field level extension training centers, (b) quarters for a host of village level extension workers, (c) main irrigation canals and lateral canals, (d) livestock management centers, (e) primary and secondary schools, (f) warehouses (for distributing inputs as well as crop collection points), (g) clinics, (h) medical stores, (i) health training schools and (k) livestock dip tanks.

3. Other

The GOZ faces shortages of specialized technicians and professions to address particular implementation and planning problems. These services, many of which can be provided by the Zimbabwean private sector, could be tapped for a variety of things including prefeasibility and feasibility studies, project preparation and to supplement the GOZ public sector's technical and professional resource base.

C. Areas of Concentration for AID-Local Currency Equivalent

As mentioned above, the PAAD team identified resettlement, construction/reconstruction and related development activities for which in excess of $38 million would be needed for implementation during FY 80-81. The GOZ Ministries of the Treasury and Economic Planning and Development concur in that these activities are high priority. There may be additional activities for which the above-mentioned ministries also consider high priority. These ministries are now in the process of examining all these activites and determining the mix of an assistance package for $20 million which it considers most appropriate. This package is expected to be submitted to USAID/Zimbabwe during the first half of December 1980.

It has been agreed by USAID/Zimbabwe and the GOZ that the focus of AID assistance will be in the areas of training, construction, reconstruction, materials and equipment for facilities, and related supporting development activities to address critical sectoral constraints. The previous section presented an illustrative list of the type of training, construction/reconstruction, and other activities towards which the AID-local currency equivalent would probably be directed.

The above activities not only address key equity and development constraints which the PAAD team believe are of critical importance, but they are also the same activities to which the GOZ gives highest priority. There are additional advantages. We believe these activities can be initiated or continued promptly and that funds for these activities will be disbursed relatively quickly. The activities--most of which should principally affect tribal areas--have a "high visibility" in the sense that Zimbabweans will perceive that the GOZ is taking concrete action to address the question of equity--and will thereby contribute to the maintenance of political stability. Finally, these areas will also probably be the focus of AID's longer term development strategy for Zimbabwe, which will be articulated in the CDSS to be completed early in 1981.

V. Program Implementation

A. Financial Arrangements

This program is designed to facilitate the flow of financial resources to the GOZ to enable it to meet its immediate foreign exchange and budgetary shortfalls as described in Section III. of this paper. Accordingly, this grant will be disbursed to a GOZ account in a U.S. bank specified by the GOZ in a Financing Request. The Financing Request will be submitted to AID within sixty (60) days from the date of execution of the Program Grant Agreement. Given AID's past experience with the GOZ it is almost a certainty that the Financing Request will be submitted by the GOZ simultaneously with the Program Grant Agreement signing.

Because the GOZ's normal quarterly foreign exchange and budgetary requirements (see Section III) substantially exceed the full amount of this Grant ($20,000,000) and the urgent requirement for foreign exchange for the GOZ's redevelopment program, AID's initial disbursement will cover the full amount of this Grant. Tranching of disbursements under the present circumstances would serve no useful purpose and would have adverse consequences on implementing the GOZ's short term reconstruction, resettlement and related development program goals. As shown in Annex C, the GOZ has demonstrated that it can draw down substantial foreign exchange--well within the 3-month disbursement period recommended in Handbook IV, Chapter 8; also Section II. E. amply demonstrates the GOZ capacity to utilize local currency quickly and effectively. The PAAD team is confident that the local currency generated hereunder will be utilized with the same high level of competency as the FY 1980 $20 million grant. However, without a firm commitment for the full and immediate availability of AID's foreign exchange resources, the GOZ will not be able to put up the full local currency equivalent to finance the program described in Section IV., leading to further delays in implementing the GOZ's short term strategy. This, in turn, would diminish both the economic and political returns to the USG from the assistance provided.

Upon transfer of US dollar funds under this Grant, the GOZ Treasury will establish a Special Account which will contain the local currency equivalent of the US dollar grant. Funds from this account will be used to support the GOZ's resettlement, reconstruction and related development activities described in earlier Sections of this Paper. The GOZ Treasury will administer the Special Account in accordance with its own financial and administrative procedures, which the PAAD team can attest have proven more than satisfactory under the FY 1980 $20 million grant. Also, the GOZ in consultation with USAID, will determine the timing and amount of funding for various aspects of the programs financed hereunder. Experience under the FY 80 $20 million Program Grant has shown that this flexibility is necessary because of: (a) the magnitude and complexity of the GOZ's resettlement, reconstruction and related development program;(b) the importance of the timing of financial and other inputs under GOZ control; and (c) the fact that other donor's funds--as in FY 80--may not be available in a timely manner, which is likely to create "gaps" in the program which will be difficult to eliminate in the absence of GOZ flexibility. In order to meet such contingencies, the Agreement will permit the reallocation of Special Account funds, with USAID concurrence, on a case-by-case basis.

B. Program Monitoring

AID will monitor the progress of the GOZ reconstruction, resettlement and related development program through quarterly financial reports containing the following information:

1. quarterly and cumulative disbursements by the Treasury from the Special Account;

2. for each program or activity funded from the Special Account, the amount budgeted for the activity, disbursements made during the quarter and cumulative disbursements; and

3. a general description of activities, goods, services, structures and/or facilities, etc., financed during the quarter.

AID will, of course, retain the right to audit and inspect activities financed from the Special Account.

VI. Negotiating Status and Covenants

There are no significant issues or problems outstanding with the GOZ. The AID experience under the $20 million FY 80 ~~million FY 80~~ Cash Grant has shown that the GOZ fully understands cash grant procedures and has utilized those funds satisfactorily. Moreover, as indicated by the GOZ's request for assistance, the Government highly favors the program grant approach over funding mechanisms used by other donors. The Program Grant Agreement is being prepared by the REDSO/EA RLA and will closely follow the format and content of the FY 80 Agreement.

The PAAD team foresees no obstacles to duly signing the FY1981 $20 million Program Grant Agreement immediately after advice of AID/Washington authorization, receipt of fiscal data and notification to proceed.

Annex A

Ref.

GH

Ministry of Finance,
Private Bag 7705,
CAUSEWAY,
Salisbury,
Zimbabwe

November 21, 1980

Mr. Charles Grader,
Director,
United States Agency for International
Development in Zimbabwe,
P. O. Box HG 81,
HIGHLANDS,
Salisbury

Dear Mr. Grader,

In light of discussions between U.S. Embassy and AID officials and officials of the Government of Zimbabwe regarding the severe balance of payments and budgetary shortfalls in connexion with the resettlement, reconstruction and related programmes in Zimbabwe, by means of this letter, the Government of Zimbabwe requests immediate United States Government financial assistance, in the amount of U.S.$100 million, to help meet these shortfalls and finance programmes as previously discussed.

We might also take this opportunity to express the Government's appreciation for the speed and flexibility with which U.S. financial assistance has been provided, most particularly in respect of the recent U.S.$20 million programme grant. This form of assistance has enabled the Government to commence urgent programmes with greater ease than we experienced using assistance from other sources. We therefore also request that your Government continue to provide financial assistance on this basis in the future.

Yours sincerely,

D. W. Young

SECRETARY TO THE TREASURY

ANNEX B

3A(1) - COUNTRY CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Security Supporting Assistance and the criteria applicable to Development Assistance. Selection of the appropriate criteria will depend on the funding source for the program.

A. GENERAL CRITERIA FOR COUNTRY

1. FAA Sec. 481. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

   No.

2. FAA Sec. 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?

   Yes.

3. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?

   No.

4. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

   No.

5. FAA Sec. 620(f); App. Sec. 108. Is recipient country a Communist country? Will assistance be provided to the Democratic Republic of Vietnam (North Vietnam), South Vietnam, Cambodia, or Laos?

   No.

A.

6. FAA Sec. 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

a) No.

b) No.

7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property?

No.

8. FAA Sec. 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason?

Yes

9. FAA Sec. 620(o); Fishermen's Protective Act, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters,

N/A

a. has any deduction required by Fishermen's Protective Act been made?

b. has complete denial of assistance been considered by AID Administrator?

10. FAA Sec. 620(q); App. Sec. 504. (a) Is the recipient country in default on interest or principal of any AID loan to that country? (b) Is country more than one year in default on interest or principal on U.S. loan made pursuant to program for which funds appropriated under Approp. Act, unless debt was earlier disputed, or appropriate steps taken to cure default?

a) No.

b) No.

11. FAA Sec. 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

Approximately 18% of the budget is for military expenditures. Due to the large number of former guerilla forces now on military payroll as part of the GOZ's effort to either integrate or demobilize these forces. The amount of foreign exchange spent on military equipment is not known but believed to be low in light of the GOZ's reconstruction and resettlement priorities and little or nothing is believed to be spent on sophisticated weapons systems.

A.

12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

    No.

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?

    As a newly independent country, Zimbabwe only recently joined the U.N. and its payment status is therefore not established.

14. FAA Sec. 620A. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?

    No.

15. FAA Sec. 659. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by the United States, and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?

    N/A

16. FAA Sec. 669. Has the country delivered or received nuclear reprocessing or enrichment equipment, materials or technology, without specified arrangements on safeguards, etc.?

    No

17. FAA Sec. 670. Has the country delivered or received nuclear reprocessing, equipment, material or technology? Is the country not a "nuclear-weapon state" as defined in Article IX(3) of the Nuclear Non-Proliferation Treaty and on which detonates a nuclear explosive device?

    No. Zimbabwe is not such a state.

18. FAA Sec. 901. Has the country denied its citizens the right or opportunity to emigrate?

    No.

B. FUNDING CRITERIA FOR COUNTRY

1. Security Supporting Assistance Country Criteria

   a. FAA Sec. 502B. Has the Department of State made findings which indicate that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, is program in accordance with policy of this Section?

   No.

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b. FAA Sec. 531. Is the Assistance to be furnished to a friendly country, organization, or body eligible to receive assistance?

Yes.

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

The assistance in this case is in the form of a program or cash grant under Handbook 4, Ch. 8, rather than a CIP grant. An amount of LC equivalent to the dollar grant will be required to be deposited into a special account for agreed upon uses.

2. Development Assistance Country Criteria

a. FAA Sec. 102(c), (d). Have criteria been established, and taken into account, to assess commitment and progress of country in effectively involving the poor in development, on such indexes as: (1) small-farm labor intensive agriculture, (2) reduced infant mortality, (3) population growth, (4) equality of income distribution, and (5) unemployment.

N/A

b. FAA Sec. 115. Will country be furnished, in same fiscal year, either security supporting assistance, or Middle East peace funds? If so, has the Congress specifically authorized such funds, or is assistance for population programs, humanitarian aid through international organizations, or regional programs?

N/A

c. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State made findings which indicate that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights?

N/A

d. FAA Sec. 201(b)(5), (7) & (8); Sec 208; 211(a)(4), (7). Describe extent to which country is:

N/A

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

N/A

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

N/A

(3) Increasing the public's role in the developmental process.

N/A

B2d

(4) (a) Allocating available budgetary resources to development. N/A

(b) Diverting such resources for unnecessary military expenditure and intervention in affairs of other free and independent nations. N/A

(5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise. N/A

(6) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures. N/A

e. FAA Sec. 201(b), 211(a). Is the country among the 20 countries in which development assistance loans may be made in this fiscal year, or among the 40 in which development assistance grants (other than for self-help projects) may be made? N/A

3A(2) - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Security Supporting Assistance and the criteria applicable to Development Assistance. Selection of the appropriate criteria will depend on the funding source for the program.

CROSS-REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. App. Unnumbered, FAA Sec 653(b)

   (a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the nonproject assistance;

   Congressional notification on proposed FY 81 assistance program has been submitted to Congress.

   (b) Is assistance within (Operational Year Budget) country or international organization allocation reported to the Congress (or not more than $1 million over that figure plus 10%)?

   Yes.

2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

   N/A. No legislation required.

3. FAA Sec. 209, 619. Is assistance more efficiently and effectively given through regional or multilateral organizations? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral organizations or in accordance with multilateral plans to the maximum extent appropriate?

4. FAA Sec. 601(a), (and Sec. 201(f) for development loans). Information and conclusions whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations, (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

   Grant of FX and proposed uses LC under this program will finance key industrial inputs, assist rural infrastructure reconstruction and assist education and agriculture sectors. Program clearly will: increase flow of international trade, foster private initiative and competition in Zimbabwe's private sector-oriented economy, encourage cooperatives and credit institutions, and improve technical efficiency in all assisted sectors. Impact on monopolistic practices and labor unions not clear given general nature of program grant, but no adverse impacts are anticipated.

A.

5. FAA Sec. 601(b). Information and conclusion on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Program cash grant of FX will bolster economy generally and permit increased importation of U.S. goods and services and investment in a stronger, private-sector-oriented Zimbabwe economy. U.S. private business organizations have made visits to Zimbabwe since independence (April 1980) and the U.S. AID program will improve the climate for U.S. business initiatives in that country.

6. FAA Sec. 612(b); Sec 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.

Provisions in the grant agreement will require the country to utilize counterpart local currencies in mutually agreed upon reconstruction, training and supporting development activities, thus assuring that these resources will, to the maximum extent possible, be used to meet the cost of contractual and other services.

7. FAA Sec. 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?

No

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Security Supporting Assistance

a. FAA Sec. 531. How will this assistance support promote economic or political stability? Is the country among the 12 countries in which Supporting Assistance may be provided in this fiscal year?

This assistance will permit the new GOZ to fulfill commitments made to the expectant majority regarding resettlement, training, reconstruction, education and other areas affecting the quality of life in rural areas. Given Zimbabwe's balance of payment and budgetary shortfalls, and the expectations of the rural, African majority, this program is essential to the country's economic and political stability.

2. Nonproject Criteria for Development Assistance

N/A

a. FAA Sec. 102(c); Sec. 111; Sec. 281a. Extent to which activity will (1) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (2) help develop cooperatives, assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local government institutions?

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [Include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to sources of funds used. If more than one fund source is used for assistance, include relevant paragraph for each fund source.]

B2b

(1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;

(2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor; extent to which assistance gives attention to interrelationship between (A) population growth and (B) development and overall improvement in living standards in developing countries. Is activity designed to build motivation for small families in programs such as education in and out of school, maternal and child health services, agriculture production, rural development, and assistance to urban poor?

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(a) to help alleviate energy problem;

(b) reconstruction after natural or manmade disaster;

(c) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(d) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

.2

c. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on: (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

d. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

e. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives?

f. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

3. Nonproject Criteria for Development Assistance (Loans only) — N/A

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.

B3

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and United States) of lending and relending terms of the loan.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds $100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

d. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

4. Additional Criteria for Alliance for Progress — N/A

[Note: Alliance for Progress assistance should add the following two items to a nonproject checklist.]

a. FAA Sec. 251(b)(1)-(8). Does assistance take into account principles of the Act of Bogota and Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

b. FAA Sec. 251(b)(8); 251(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities?

3A(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by exclusion (as where certain users of funds are permitted, but other uses not).

These items are arranged under the general headings of (A) Procurement and (B) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed?

In accordance with AID regulations (see Country Checklist Item B. 1.c. above), this Program Cash Grant does not entail the furnishing of specific goods and services, though U.S. firms including small businesses will not be precluded from participation in GOZ procurement.

2. FAA Sec. 604(a). Will all commodity procurement financed be from the United States except as otherwise determined by the President or under delegation from him?

In accordance with AID regulations, funds provided under this Program Cash Grant are not tied to US procurement.

3. FAA Sec. 604(b). Will all commodities in bulk be purchased at prices no higher than the market price prevailing in the United States at time of purchase?

N/A

4. FAA Sec. 604(c). Will all agricultural commodities available for disposition under the Agricultural Trade Development & Assistance Act of 1954, as amended, be procured in the United States unless they are not available in the United States in sufficient quantities to supply emergency requirements of recipients?

N/A. This is not a CIP. The purchase of agricultural commodities is not being specifically financed under this Grant.

5. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the United States on commodities financed?

N/A

6. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?

See anwser to A.4. above.

7. FAA Sec. 604(f). Are there arrangements whereby a supplier will not receive payment under the commodity import program unless he/she has certified to such information as the Agency by regulation has prescribed?

N/A

A

8. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?

   N/A. This Program Cash Grant provides free FX to the GOZ and does not entail the procurement of specific goods or services, including personal property.

9. MMA Sec. 901(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.

   N/A.

10. International Air Transport. Fair Competitive Practices Act, 1974

    If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?

    N/A. This Program Cash Grant provides free FX to the GOZ and does not entail the financing of identifiable air transportation.

B. OTHER RESTRICTIONS

1. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the United States?

   Yes.

2. FAA Sec. 636(i). Is financing prohibited from use, without waiver, for purchase, long-term lease, exchange, or guaranty of sale of motor vehicle manufactured outside the United States?

   N/A

3. Will arrangement preclude use of financing:

   a. FAA Sec. 114. to pay for performance of abortions or involuntary sterilizations or to motivate or coerce persons to practice abortions? to pay for performance of involuntary sterilizations as method of family planning or to coerce or provide any financial incentive to any person to practice sterilizations?

      Yes.

   b. FAA Sec. 620(g). to compensate owners for expropriated nationalized property?

      Yes.

   c. FAA Sec. 660. to finance police training or other law enforcement assistance, except for narcotics programs?

      Yes.

   d. FAA Sec. 662. for CIA activities?

      Yes.

B3

e. App. Sec. 103. to pay pensions, etc., for military personnel?	Yes.
f. App. Sec. 106. to pay U.N. assessments?	Yes.
g. App. Sec. 107. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending).	Yes.
4. FAA Sec. 201(d). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter. Can the country borrower service the loan on harder than standard development loan terms?	N/A.

Annex C
Page 1

EP/BP/2/14

G.H.

12325

MINISTRY OF FINANCE,
PRIVATE BAG 7705,
CAUSEWAY

November 11, 1980.

The Director,
United States Agency for International
Development,
P.O. Box H.G. 81,
Highlands

UNITED STATES OF AMERICA:
AID

I certify that the $20 million aid monies made available by the Government of the United States of America to the Government of Zimbabwe in 1980 was used to import items with priority ratings within the essential categories one to three. I further certify that none of this money was used for defence imports.

L. Coetzee
for: SECRETARY TO THE TREASURY

[illegible]

([illegible] million)

[illegible]	[illegible]					[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] "above-the-line"						
Electricity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Petroleum Products	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gov't. departments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Railways, Airways, [illegible] & Power	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other statutory bodies	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grain bags, fertiliser, timber, pesticides, asphalt, etc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
*Commercial Imports	[illegible]	[illegible]	[illegible]	[illegible]	70,4	[illegible]
*Industrial Imports	[illegible]	[illegible]	[illegible]	[illegible]	97,0	[illegible]
Building projects	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Industrial proj.	[illegible]	[illegible]	7,0	[illegible]	[illegible]	12,0
Other projects	[illegible]	5,5	[illegible]	6,9	[illegible]	14,8
Contingencies	[illegible]	[illegible]	[illegible]	5,4	8,6	[illegible]
Re-exports	[illegible]	-	[illegible]	[illegible]	[illegible]	0,4
Computers	-	-	-	-	-	[illegible]
Oils (ex [illegible]) & L.P.G.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export bonus scheme	0,4	[illegible]	0,2	[illegible]	[illegible]	0,6
Vehicle assembly:						
commercial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
passenger	[illegible]	[illegible]	[illegible]	6,5	[illegible]	9,0
Coal & Coke	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Defence	-	-	-	-	-	[illegible]
Employment reserve	-	-	-	[illegible]	-	-
Other issues authorised	-	-	-	[illegible]	[illegible]	[illegible]
Plant and machinery	-	-	-	[illegible]	10,0	-
[illegible]	-	-	-	[illegible]	-	-
Duty free shop	0,1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Basic Provision	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* For a breakdown of commercial and industrial imports please see table 7 of the Monthly digest of statistics.

[illegible] [illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] SOCIAL AFFAIRS
Total pledged and allocated	[illegible] 47 [illegible]	17 751	[illegible]	[illegible]	[illegible]	3 [illegible]	2,[illegible]	12 [illegible]	2 [illegible]	5,[illegible]	5,712	[illegible]	4 [illegible]	12 [illegible]	1 013
[illegible] (cash)		21 [illegible]	1 [illegible]	[illegible]		2 [illegible]		[illegible]			[illegible]	[illegible]	4 [illegible]	[illegible]	1 013
Germany	[illegible] 2 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]										
[illegible]	[illegible] 7 477	7 477	4 [illegible]				1 [illegible]	5 [illegible]			[illegible] 765			2 [illegible]	
Netherlands	[illegible] 10 [illegible]	[illegible]	5					5 [illegible]							
[illegible]	[illegible]	[illegible]	2 [illegible]						2 [illegible]	[illegible]					
[illegible]	[illegible] 3 [illegible]	3 000	1 [illegible]											3 000	
Sweden	[illegible] 10 [illegible]	2 366	1 [illegible]			[illegible] 366								2 [illegible]	
Australia	[illegible] 6 [illegible]	5 566	2 [illegible]					[illegible] 546							
		47 761	[illegible]	[illegible]	[illegible]	[illegible]	1 [illegible]	12 [illegible]	2 [illegible]	[illegible]	[illegible]	[illegible]	4 [illegible]	12 [illegible]	1 013

[illegible]

	[illegible]	[illegible]
Botswana	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
Ireland	[illegible]	
Finland	[illegible]	
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
[illegible]	[illegible]	
	11 292	

[illegible] programme [illegible] feeding

[illegible] 341 [illegible]

RECONSTRUCTION PROGRAMME Z$ [illegible] 000

Donor	Amount	[illegible]	R$ EQV	Vehicles Plant	Dips	Roads	Water Supplies	Perimeter Fencing	Stock Marketing	Schools Council	Schools Other	Clinics Council	Clinics Other	Purchase Areas	Training Centres	Buildings	Irrigation	Other
E E C	[illegible] 4 [illegible]	55 [illegible]	$ 5 500	1 100	2 400													
West Germany	DM 50 000	28 [illegible]	$17 850	3 570		7 140	7 140											
U.S.A.	US$ 14 522	14 522	$ 9 119	0 160 0 755	0 300	0 950	0 350			2 500	0 599	1 300	0 401		0 345	0 878	0 600	(17)
U.K.	£ 4 000	9 517	$ 5 970						[illegible]	2 000			1 300	1 000	1 300			
Netherlands	Dfl 10 000	5 [illegible]	$ 3 000							3 000								
Japan	Y [illegible]	2 231	$ 1 400	1 400														
Australia	A$ 0 [illegible]	1 125	$ 0 700					0 100		0 600								
[illegible] (a)	Z$ 5 000	7 973	$ 5 [illegible]	1 500	0 [illegible]	0 400 CRD 0 700 [illegible] 2 500	0 100 D 0 200 DF		0 006	0 500						0 920		[illegible]42 3 692 1 238
(b)	Z$ 5 730	5 545	$ 3 730															

* Not all required for buildings and may be used for other purposes

Remainder

U.S.$ 1 0 [illegible] for schools Non-Government private organisation.

$ 1 [illegible] for irrigation projects.

$ 500 000 for agricultural training.

SCHEDULE OF ACCOMPLISHMENTS EXPECTED

as of December 31, 1980

Attributable to AID's $20 million Cash Grant Program

CATEGORY	Amount Disbursed by Treasury (in $000s)
1. 70,000 winter vegetable packs distributed. Most packs planted and produce reaped.	1,500
2. 230,000 summer crop packs distributed to refugees	3,200
3. The water supply system for Nyamaropa irrigation scheme restored, enabling 400 hectares of summer crop to be planted by 290 irrigators. Similar work at Tongwe and Makwe has resulted in some 240 families planting their summer crops	1,000
4. 85 of 113 Day Training Centers provided. The total 113 Day Training Centers permit the refugee rehabilitation training program to reach approximately 100,000 farming families.	800
5. 110 of 218 village level extension workers housing provided.	560
6. Water Supplies - 64 of 228 boreholes drilled/repaired and operating.	140
7. Dips - 62 or 124 dip tanks brought back into operation	250
8. Roads and Bridges - 178 of 372 kilometers of road reconstructed and 32 crossings completed	720
9. Road Construction Equipment - All equipment received--includes 5-ton trailers, 2-wheeled tip trailers, 2-wheeled water bowsers, 2-wheeled fueled bowsers, towed graders, concrete mixers, compressors and stone crushers. All items procured locally.	1,200
10. Transport for provincial schools - All vehicles received.	250

11.	Schools (Primary) - Reconstruction of all 684 primary schools completed.	4,000
12.	Mission Schools (Secondary) - Work initiated on approximately 25 or the 35 secondary schools to be reconstructed.	250
13.	Mission Clinics & Hospitals - 8 or 17 Mission clinics and hospitals reconstructed.	320
14.	Approximately 330,000 people fed.	2,000
15.	Buildings - 14 of 351 reconstructed. Progress slow and GOZ plans, with AID concurrence, to shift a large portion of those funds to other critical reconstruction activities.	250

TABLE I

REAL GROSS DOMESTIC AND NATIONAL PRODUCT PER CAPITA

(Z$ million)

	1975	1976	1977	1978	1979[1/]
(Current Prices)					
Gross Domestic Product	2,008	2,168	2,210	2,331	2,627
Net Investment Income Paid to Other Countries	-41	-52	-45	-35	-44
Gross National Product	1,967	2,117	2,165	2,296	2,583
(Constant Prices in 1965 $)					
Gross Domestic Product	1,366	1,351	1,246	1,201	1,207
Gross National Product	1,338	1,319	1,221	1,183	1,187
GDP per capita	217	208	186	174	169
GNP per capita	213	203	182	171	166

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

1/ Preliminary.

TABLE II

DOMESTIC PRODUCT BY INDUSTRY
(Z$ million)

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

Percentage Distribution of Domestic
Product by Industry

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

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

TABLE III

DISTRIBUTION OF NATIONAL INCOME

(Z$ million)

	1975	1976	1977	1978	1979 1/
Wages and Salaries	1,044	1,144	1,243	1,327	1,487
Central Government	173	213	262	309	345
Public Corporations	106	119	126	135	149
Companies	503	533	553	568	642
Other 2/	262	280	302	315	351
Rent	39	42	45	44	44
Gross Operating Profit	829	880	793	857	926
Public Corporations	62	83	72	122	87
Companies	532	546	479	510	606
Unincorporated Enterprises	255	246	238	219	228
Other 3/	9	6	4	6	6
Gross Domestic Income	1,912	2,066	2,081	2,228	2,457
Less net Investment Paid Overseas	-41	-52	-45	-35	-44
Gross National Income	1,871	2,014	2,036	2,193	2,413

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

1/ Provisional.

2/ Includes local government, financial institutions, unincorporated enterprises, non-profit making bodies and private domestic services.

3/ Includes central and local government and financial institutions.

TABLE IV

EXPENDITURE ON GROSS DOMESTIC PRODUCT

(Z$ million)

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

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

Central Statistics Office: National Accounts of Zimbabwe Rhodesia, 1978

TABLE V

HISTORICAL TRENDS IN THE ZIMBABWE ECONOMY

(1965 Z$ million)

	Gross Domestic Product (Market Prices)	Gross Fixed Capital Formation (% of GDP)	GDP per Capita (Market Prices)	Gross Fixed Capital Formation	Annual Real Growth Rate (GDP per capita)	Inflation Rate
1965	737	13.2	164	97		
1966	749	10.9	162	82	-1.2	-2.0
1967	810	12.0	169	97	4.3	1.0
1968	826	16.6	167	137	-1.2	4.0
1969	944	13.8	184	130	10.2	2.9
1970	980	15.3	185	150	0.5	3.8
1971	1,098	16.3	200	178	8.1	2.7
1972	1,203	16.1	211	194	5.5	4.4
1973	1,241	19.2	211	238	0	5.9
1974	1,357	20.0	223	272	5.7	9.6
1975	1,342	19.9	213	267	-4.5	9.5
1976	1,320	15.5	203	205	-4.7	9.3
1977	1,223	13.7	182	168	-10.3	10.4
1978	1,186	11.2	171	133	-4.9	8.8
1979	1,190	11.9	167	n.a.	-2.3	10.7

Source: Central Statistical Office, _National Accounts of Zimbabwe Rhodesia, 1978_

TABLE VI

ZIMBABWE: FLOW OF FUNDS ACCOUNTS 1978

(Z$ million)

	Gross Domestic Savings	Investment Expenditures	Flow of Funds
Government	-122	107	-229
Public Corporations	74	45	29
Companies	164	179	-15
Financial Institutions	38	9	29
Private Non-Provide Making Bodies	24	13	11
Personal Sector	213	27	186
Net External Borrowing	-12	-	-12
Total	380	380	0

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

TABLE VII

EMPLOYMENT AND EARNINGS OF BLACKS

BY SECTOR, 1966, 1971, 1977

Sector	Number of Employees 1966	1971	1977	Real Average Earnings 1966	1971	1977
	(thousands)			(Z$ 1974 prices)		
Agriculture and Forestry	272.0	305.3	342.3	119	114	129
Mining and Quarrying	45.7	54.1	57.4	286	305	366
Manufacturing	68.5	104.3	126.9	406	417	510
Electricity & Water	3.8	4.1	4.7	350	421	497
Construction	29.4	40.9	41.4	350	408	411
Finance, Insurance, Real Estate	2.3	2.5	4.0	579	656	958
Distribution	38.7	46.3	52.4	332	408	449
Transport and Communication	15.5	25.3	31.3	595	635	644
Public Administration	21.5	27.3	43.3	372	449	611
Education	24.5	24.4	29.5	482	655	706
Health	6.6	7.9	10.2	461	535	659
Private Domestic Service	95.7	114.0	123.0	231	250	236
Other Services	19.8	26.6	34.1	312	364	414
Total/Average	644.0	783.0	901.0	248	282	327

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

TABLE VIII

CONSOLIDATED CENTRAL GOVERNMENT ACCOUNTS
(Z$ million)

	1976/77	1977/78	1978/79	1979/80	1980/81 1/
	A c t u a l				Estimated
Revenue					
Taxes on Income and Profits	280	288	261	316	407
Taxes on Goods and Services	165	199	208	238	282
Miscellaneous Taxes	5	5	6	8	11
Total Taxes	450	492	475	562	700
Revenues from Investments & Property	41	44	44	48	58
Fees	12	13	15	17	14
Other	27	61	46	48	91
Total Revenue	531	610	580	674	863
Expenditure					
Recurrent Expenditure	523	685	806	972	1,245
Goods and Services	311	411	482	601	721
Salaries, wages, allowances	190	228	274	316	379
Other	121	183	208	285	342
Transfers	212	274	324	372	524
Interest	37	42	54	70	107
Subsidies	68	119	123	78	115
Public Corporations	3	3	2	62	80
Pensions	29	40	56	48	63
Grants and Transfers	75	70	84	114	159
Capital Expenditure	68	60	54	55	82
Total Expenditure	591	745	860	1,027	1,327
Budget Account Deficit(+)/ Surplus(-)	+60	+135	+280	+353	+460
Repayments of Borrowings	86	61	55	87	127
Long Term Loans and Investments	38	38	28	30	60
Short Term Loans (net increase (+) or decrease (-)	33	-3	-6	7	13
Contributions to Sinking Funds	7	7	8	10	12
Total Financing Requirements	223	238	365	490	672
Financed by					
Domestic Borrowing	177	172	236	397	300
Treasury Bills	45	6	26	40	n/a
Refinancing of Mature Debt	37	19	33	36	60
Stock and Bond Issues	95	147	177	321	n/a
Foreign Loans	-	70	129	97	201
Extraordinary Income	-	-	-	-	49
International aid	-	-	-	-	30
Other	25	-22	-14	-17	80
Loan Recoveries	22	18	13	13	12
Total	224	238	365	490	672

TABLE VIII

Source: Zimbabwe, Government Printer, Financial Statements, 1980; Central Statistical Office, Supplement to the Monthly Digest of Statistics (April, 1980)

1/ Financing for 1980/81 can only be roughtly estimated. Given estimates of domestic liquidity some Z$200 million will have to be raised externally. These funds will undoubtedly comprise both commercial credits and concessional assistance.

TABLE IX

ZIMBABWE: CENTRAL AND LOCAL GOVERNMENT DEBT

(Z$ million)

Year End Dec. 31	Domestic Debt of Local Government	Domestic Debt Central Government	Total Domestic Debt	Foreign Debt	Total Debt	Debt GDP
1964	49	244	293	178	471	.69
1965	47	259	306	174	480	.65
1966	44	344	388	172	560	.76
1967	40	416	456	148	604	.75
1968	44	412	456	144	600	.71
1969	45	426	471	137	608	.61
1970	47	480	527	125	652	.61
1971	51	481	531	121	652	.52
1972	59	513	572	119	691	.49
1973	73	551	624	100	724	.47
1974	94	600	694	95	789	.42
1975	108	597	705	74	799	.40
1976	125	706	831	78	909	.42
1977	139	776	915	89	1,004	.45
1978	153	923	1,076	224	1,300	.56
1979	168	1,126	1,294	353	1,647	.67

Source: Central Statistical Office, Supplement to the Monthly Digest of Statistics, April 1980

TABLE X

ZIMBABWE: BALANCE OF PAYMENTS ACCOUNTS

(Z$ million)

	1977	1978	1979	1980	1981	1982
	ACTUAL			ESTIMATED		
Merchandise Exports	518.6	578.4	638.9	958.1	1195.8	1313.6
Merchandise Imports	-414.4	-439.4	-585.8	-868.5	-1124.2	-1304.2
Net Merchandise Balance	104.2	139.0	153.1	+89.6	+71.6	9.4
Service Receipts	62.6	57.4	76.5	48.5	52.3	59.4
Service Payments	-154.2	-167.1	-215.0	-189.6	-209.8	-225.0
Net Service Balance	-81.6	-109.7	-138.5	-141.1	-157.5	-165.6
Net Investment Income	-45.2	-34.9	-37.2	-29.9	-106.5	-108.9
Transfers (net)	-14.6	-14.5	-16.0	29.3	15.6	-12.1
Current Account Balance	-47.2	-20.1	-138.6	-52.1	-176.8	-277.2
Net Capital Transactions	+24.7	+67.9	+166.7	-41.2	81.6	136.0
Central Government	-5.6	67.7	118.0	-24.1	-56.2	5.7
Public Authorities	-1.7	-4.2	-6.2	3.5	84.0	59.0
Other Capital Transactions	32.0	4.4	54.9	-20.6	53.8	71.3
Total Capital and Current Transactions	-22.5	47.8	28.1	-93.3	-95.2	-141.2
Gold Purchases	36.8	49.8	78.9	124.3	95.2	141.2
Valuation Adjustment	-18.2	-40.7	-53.7			
Changes in Gold and Other Foreign Assets	-3.9	+56.9	+53.3	+31.0	0	0

TABLE XI

COMMODITY COMPOSITION OF IMPORTS AND EXPORTS 1975-79
(percentages)

EXPORTS

	1975	1976	1977	1978	1979
Food	28.5	18.3	19.8	19.4	18.3
of which:					
Sugar (raw and refined)	(9.4)	(4.2)	(2.6)	(2.0)	(3.4)
Maize	(10.4)	(4.3)	(4.5)	(4.7)	(2.8)
Beef (fresh and frozen)	(5.2)	(5.5)	(6.5)	(5.9)	(5.2)
Beverages and Tobacco	14.8	15.9	15.2	18.0	13.6
of which:					
Tobacco (unmanufactured)	(13.6)	(14.8)	(14.2)	(16.8)	(12.7)
Crude Materials	19.4	23.3	25.6	23.0	24.2
of which:					
Asbestos	(10.5)	(11.7)	(12.9)	(10.5)	(11.8)
Cotton lint	(4.1)	(7.1)	(7.4)	(7.4)	(7.7)
Metal Products	18.2	23.4	18.5	17.0	18.6
of which:					
Nickel	(3.4)	(6.1)	(8.2)	(7.3)	(5.4)
Ferrochrome	(8.8)	(11.3)	(5.3)	(4.2)	(7.3)
Oils and fats, mineral fuels and chemicals	2.2	2.9	3.3	3.4	3.5
Machinery and transport equipment	3.4	2.5	2.4	2.6	2.5
Other manufactured goods	13.6	13.7	15.1	16.7	19.4
TOTAL	100.0	100.0	100.0	100.0	100.0

IMPORTS

	1975	1976	1977	1978	1979
Food	3.1	1.9	1.7	1.1	1.8
Beverages and Tobacco	0.3	0.3	0.3	0.3	0.4
Crude Materials	3.7	3.7	3.1	3.3	3.4
Fuels, Lubricants, Electricity	14.7	20.0	22.6	22.3	29.5
Oils and Fats	0.5	0.5	0.4	0.1	0.4
Chemicals	13.4	12.8	12.6	15.1	13.9
Machinery, Transport vehicles	36.0	31.4	28.4	25.5	23.2
Other Manufactured Goods	28.2	29.4	29.5	32.2	27.5
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Data provided by Zimbabwean authorities.

ANNEX G

Initial Evironmental Examination

Project Location: Zimbabwe

Project Title: Zimbabwe Program Grant

Funding: FY 1980 - $20,000,000

Environmental Action Recommendation: Per Section 216.2 (c)(2) of the new regulations, an Initial Environmental Examination is not required

Concurrence:

Charles Grader, Mission Director
December 16, 1980

Clearance:

GC/AFR: EDragon ______________ Date: ______________
AFR/DR/SDP: BBoyd ______________ Date: ______________