

AN EVALUATION OF THE  
ZIMBABWE COMMODITY IMPORT PROGRAM

613-K-603

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Zimbabwe Commodity Import Program Evaluation  
AID Project 613-K-603

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EXECUTIVE SUMMARY

"Program assistance is an approach designed to relieve short-term constraints in support of broad macro economic policy changes or sectoral policy constraints."

The CIP was part of the U.S. assistance pledge at the ZIMCORD conference, designed to help newly independent Zimbabwe rebuild its war-torn economy. The CIP would achieve that goal through two means: (1) CIP funded commodities would stimulate the Zimbabwe private sector to increase employment and output; and (2) CIP generated local currency would support GOZ reconstruction and development programs in rural areas.

AID CIPs are usually designed to support policy dialogue and specific reform measures. In the case of Zimbabwe the CIP was not a part of a macro policy effort. There was no policy linkage and no disbursement conditionality. On the other hand, AID was heavily involved in CIP local currency programming. Through counterpart allocations AID did have an influence on GOZ budget allocation and domestic resource allocations. In that sense there was a sectoral policy involvement.

1. Economic effects of the CIP

Over the last 20 years Zimbabwe's industrial policy has been heavily orientated toward import substitution. As a result the industrial sector is one of Black Africa's most sophisticated, producing a wide array of consumer, industrial and agricultural goods. While the import/GDP ratio has steadily declined, the industrial sector itself has become heavily import-dependent. It requires a broad range of equipment, spares, raw materials and intermediate goods. During the current recession, foreign exchange is extremely tight, import levels have been sharply reduced and industrial firms are having to reduce output and employment. The availability of the CIP has helped soften employment and output cut-backs.

A review of Zimbabwe's import/output coefficients and import/employment coefficients turned up a wide range of estimates. After talking to government, business and the university community the evaluation team was skeptical concerning the precision of any such estimates. Given an understanding of the rough nature of such macro coefficients, it is possible to estimate an approximate range of macro effects. The \$50 million (Z\$ 48 mil.) CIP provided employment for 2,200 to 4,800 industrial workers -- between 1.2 and 2.7 percent of the

manufacturing workforce. The CIP generated a 3.5 percent increase in industrial output of some Z\$87 million. Moving from the macro level to that of the individual firm, the effects of the CIP were even more dramatic. Of the firms surveyed, most reported that without the CIP their output and employment would have been 20-50 percent lower.

## 2. Implementation Results

Analysis of the types of commodities financed and the industries receiving CIP imports showed that the goods were appropriate to Zimbabwe's needs and were effectively used. Since the CIP was designed to ameliorate a balance of payments crisis, there was no AID selection of commodities or recipient industries. The Government of Zimbabwe allocated the CIP foreign exchange resources, using their established procedures. The CIP was open to all on the basis of immediate need. In most cases the GOZ used the CIP to meet import requirements that had not been covered by available free foreign exchange. There was a suggestion that the CIP could have been more targeted toward the rural poor or to industries that were the "most efficient." Within the Zimbabwe academic and business community there was a great deal of controversy over the Jansen Study, which had tried to determine Zimbabwe's industrial comparative advantage. There were a few extreme cases of firms that were clearly not efficient. However, the evaluation team could find no generally accepted statistical or other measure to determine such efficiency. In addition to the problem of determining which industries "deserved" a CIP allocation, such targeting would have slowed disbursements. Another type of targeting would have been to direct the CIP to special groups (e.g., tractors and pumps for small farmers). That would have created many of the management problems of a more traditional AID project. Spares and service, credit, extension, output marketing, etc., would all have had to be in place. CIP disbursements would have been much slower, and assuring effective commodity use could have been a problem. The evaluation team recommends that in future CIPs the balance of payment purpose be maintained, and that other Mission programs concentrate on specific sectors or sub-sectors.

## 3. Reasons for Implementation Success

For the first CIP in a new aid recipient country the program worked very smoothly. The CIP was 88 percent disbursed within 18 months and should be fully disbursed by the end of 24 months. The examination of CIP implementation procedures showed that two key actions by AID helped make this program succeed: (1) AID designed its CIP to function within the existing GOZ import allocation procedures and commercial banking system, in the same manner as regular commercial imports; (2) AID assigned a full-time Supply Management Officer in Harare to handle all AID implementation matters.

#### 4. Local Currency Programming

CIP local currency generations were applied to the GOZ budget in a flexible manner through joint AID/GOZ programming. The programs were in areas that roughly matched the CDSS strategy: education, health, agriculture and small-scale enterprise. CIP local currency was used to meet the capital requirements of projects while the GOZ was responsible for recurrent costs.

The flexible programming approach allowed the Mission to concentrate on "targets of opportunity" where an immediate cash input could quickly provide services to the target population. Projects that worked were expanded, while ones that didn't saw their funding terminated. The evaluation team was impressed with how quickly projects were moving along. The more traditional AID project approach (Handbook 3) would have made implementation two to three times longer with only a minimal gain in project effectiveness.

The only local currency issues/question the evaluation team identified were:

- (a) Should future programs continue to cover a broad spectrum of projects or is it possible to focus on a more limited range of activities;
- (b) While efforts are moving forward to improve GOZ reporting and monitoring, more needs to be done;
- (c) To aid Mission management, there is a need for a more formal system to gauge project success; and
- (d) The success of the Mission's local currency program should be examined by the Agency to see if similar programs would make sense for other AID recipients.

Each LDC is unique and many lack the management capacity of Zimbabwe's government and private sector. Still, in cases where local currency is the critical developmental resource, the AID/Zimbabwe program approach should be considered.

## A. INTRODUCTION

### 1. Why an Evaluation?

The Africa Bureau and the USAID Mission were interested in assessing the impact of the Zimbabwe CIP. The Zimbabwe AID program had been put together quickly, shortly after independence with initial aid in the form of cash grants. In FY 1982, this CIP was authorized to provide short-term balance of payments assistance to support the country's post-war reconstruction/rehabilitation efforts and to stimulate the private sector "to play a role in the national rebuilding effort." It was part of the early development efforts of a new AID program in a new country. Now that the CIP was nearly disbursed, it was time to see what lessons could be learned for use in future Zimbabwe programs.

Another reason for the evaluation was to develop guidelines that could be used for evaluating other CIP programs in other countries. AID has an extensive system of project evaluation guidelines but no published guidelines and little experience with non-project evaluations. During the period FY 1979-1982 CIPs, program loans, cash transfers and other forms of non-project assistance averaged over \$1.5 billion a year -- 37 percent of the total AID program. AID management needs to be able to judge the effectiveness and developmental impact of its non-project assistance. The Agency was interested in using the Zimbabwe CIP as a first step in developing such evaluation guidelines.

### 2. How the Evaluation Was Organized

There were several CIP-type activities by other donors in operation during the period that 613-K-603 was being disbursed. This evaluation is only concerned with the \$50 million CIP 613-K-603.

The CIP PAAD included program targets and objectives but did not fully describe the inter-relationships behind those objectives. The PAAD did not include a "Logical Framework Matrix." The evaluation team needed a conceptual framework for analyzing the CIP so it constructed a Log Frame (Annex 1). The Log Frame was an evaluation tool used by the team in identifying program objectives, assumptions and inter-relationships. It was based on the program described in the PAAD along with the evaluation team's judgment of program linkages/assumptions.

The evaluation team then prepared a Scope of Work/Terms of Reference (Annex 2). The Scope of Work was designed to serve two purposes: (1) to identify the key issues and questions to be analyzed in the Zimbabwe CIP evaluation; and (2) to identify the issues that should be covered in evaluations of CIPs in other countries.

Since AID's business is economic development, the evaluation concentrated on the economic effects of the CIP program. The evaluation team examined the impact of the CIP from a number of angles. It examined the CIP in relationship to Zimbabwe's: economic structure, industrial organization, dependency of industry on imports, the GOZ import allocation system and the actual functioning of the CIP -- allotment of funds, procurement mechanisms, payment procedures, financing of imports and the final use of CIP goods. The use of local currency generations was also examined. The final objective was to judge the efficiency and effectiveness of the CIP against AID's development goals and the developmental needs of Zimbabwe.

## B. THE RELATIONSHIP OF THE CIP PROGRAM TO THE ZIMBABWE ECONOMY

### 1. Economic Structure and the Role of Imports

Over the last 20 years the Zimbabwe economy has experienced a marked reduction in the ratio of imports to GDP. In that sense it has become less import-dependent. However, the change in the composition of imports has made sections of the economy heavily dependent upon imports. The country's earlier imports of consumer goods have been replaced with a dependence on imports needed in the manufacture of final goods. For government planners in the 1960's imports were "compressible." In times of short-run foreign exchange shortages, consumer goods imports could be reduced without great harm to the economy. Now that is not the case. The level of industrial output and industrial employment has become heavily import-dependent.

Prior to the unilateral declaration of independence in 1965, imports accounted for 34 percent of GDP. While the imposition of import controls substantially reduced that ratio (which averaged 21 percent in the 1970/82 period), it also had the effect of increasing import-dependence in much of the industrial sector. Table 1 shows the percentage breakdown of import volume in 1964 and 1979, illustrating the marked reduction in consumer goods imports and sharp increase in imports of intermediate items. Increased fuel/energy imports reflect the increased energy intensive nature of the economy as industrialization and urbanization accelerated.

TABLE 1

Zimbabwe: Composition of Import Volume in 1964 and 1979

	<u>1964</u>	<u>1979</u>
	%	%
Consumer Goods	22	10
Intermediate Goods	59	72
of which: (fuel/electricity)	(6)	(30)
(other)	(53)	(42)
Capital Goods	19	18
	---	---
Total Imports	100	100
	===	===

Over the 1964/79 period import volumes declined by a third as GDP increased by more than two-thirds. Imports reached their post-sanctions peak in volume terms in 1974, and only in 1982 did they surpass that level before declining again in 1983/4. Table 2 provides details for the last 18 years.

TABLE 2

Zimbabwe: Import Volume, Prices and GDP

<u>Year</u>	<u>Import Volume</u>	<u>Import Unit Prices</u>	<u>Gross Domestic Product</u>
1964	100	100	100
1965	107	104	107
1966	69	114	95
1967	76	114	118
1968	85	112	120
1969	81	114	138
1970	91	119	143
1971	103	127	160
1972	102	124	175
1973	110	130	181
1974	115	177	192
1975	109	195	191
1976	80	221	188
1977	74	244	174
1978	67	277	174
1979	66	379	176
1980	91	406	195
1981	113	404	224
1982	122	402	223

Table 3 shows that well over two-thirds of total imports fall into either the intermediate goods or capital goods categories:

TABLE 3  
Composition of Zimbabwe Imports - 1982

<u>Category</u>	<u>Value</u> <u>Z\$ mil.</u>	<u>Percent</u> <u>of total</u>
Food, beverages, tobacco vegetable and animal oils	19.6	1.8
Fuel/electricity	178.6	16.5
Crude materials (other than fuel)	37.9	3.5
Chemicals	125.0	11.6
Manufactured Goods	157.3	14.5
Machinery and transport equipment	439.9	40.7
Misc. manufactures, mainly consumer items	52.2	4.8
Postal packages, military imports, immigrants' effects, etc.	71.2	6.6
	-----	-----
Total Imports	1,081.7	100.0
	=====	=====

While the manufacturing share of GDP has increased from 20 percent in the mid-sixties to 35 percent in 1982, the share of manufactured goods in total exports has declined from 15 percent in 1964 to 10 percent in 1975, and only 6 percent at the time of independence in 1979. Thus, despite the significant degree of import substitution that occurred during the period, the manufacturing sector has increasingly become a net user of foreign exchange. It has become more, rather than less, dependent on imports.

This has been found to be the norm for highly protected manufacturing sectors in developing economies. The very act of protection tends to discourage exports which, in turn, increases import-dependence as foreign exchange becomes increasingly scarce. Indeed, the net effect of an import substitution strategy such as that pursued by (or imposed upon) Zimbabwe during the 1965-79 period is a high level of protection to industry, detailed and complicated quantitative controls and bureaucratic regulations over imports, and an overvalued exchange rate.

Indeed, Zimbabwe's experience follows closely the developing world "norm." Because new import-replacement industries re-

quired imports of raw materials, spare parts, capital equipment and intermediate items, manufacturing output became a direct function of the volume and structure of imports. Dependence upon imports for final consumption was replaced with dependence on imports essential not just for growth, but to maintain existing levels of output and employment. Structurally, therefore, the levels of production, employment and capital formation became dependent, increasingly so, on the availability of foreign exchange. Thus, the import substitution strategy appears, ironically, to result in an economy even more dependent on trade.

This increased import dependence has meant that during periods when export earnings stagnated, balance of payments crises resulted. In Zimbabwe's case, until December 1982, these crises were tackled by increasingly stringent import and exchange controls. This has meant reduced industrial growth and at times even declining industrial output. It is also true that industrial growth slowed as "easy" import substitution opportunities were exhausted and the new opportunities required ever larger foreign exchange inputs, either for capital formation or raw materials, if not both.

The "high-cost" pattern of industrialization in Zimbabwe is well-documented in the Jansen Study\*. Krueger notes: "Once consumer goods are virtually removed from the eligible import list, each new import substitute implies increasing costs for some domestic consumer goods industry and also for whatever industries might have had export potential."\*\*

## 2. Import Coefficients in the Zimbabwe Economy

Due to a lack of data it is nearly impossible to arrive at meaningful import coefficients for the Zimbabwe economy. Furthermore, sharp fluctuation trends in both import and output over the past 20 years give a somewhat distorted picture of the situation. (See Table 4).

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\* Doris Jansen: Government Policy and the Manufacturing Sector 1983

\*\* Anne O Krueger: Trade and Employment in Developing Countries. University of Chicago Press. 1983.

TABLE 4

Zimbabwe: Import and GDP Growth

<u>Period</u>	<u>Percent Change in Import volume</u>	<u>Percent Change in GDP (constant prices)</u>	<u>Import Elasticity</u>
1966-1974	+ 66%	+ 102%	0.65
1974-1979	- 42%	- 8%	-5.25
1979-1982	+ 85%	+ 27%	3.15
1964-1982	+ 22%	+ 123%	0.18

Table 4 shows that:

(i) During the period of intense import substitution (1966 to 1974), a 1 percent change in real GDP was achieved with an increase of 0.65 percent in the volume of imports.

(ii) During the second phase of recession, imports fell far more steeply than GDP -- a 1 percent decline in GDP was associated with a fall of more than 5 percent in imports.

(iii) The third phase, since independence, shows that a 1 percent rise in GDP necessitated an increase of more than 3 percent in the import volume.

The entire 1964 to 1982 period reflects a very low import coefficient with real GDP rising more than 120% while import volume increased only 22 percent. This very low import coefficient is the result of reduced levels of consumer goods imports, the success of the early "easy" import substitution program in the late 1960s and early 1970s, very low levels of capital stock replacement in both the private and public sectors, and low overall rates of capital formation. Since 1972, net capital formation has averaged 17.5 percent of GDP which with an incremental capital output ratio estimated at 3.0 to 4.0 would require an investment to GDP ratio of between 24 and 32 percent to reach the Government's structural real growth goal of 8 percent per year.

3. The CIP and Zimbabwe's Imports

The CIP 613-K-603 provided US\$50 million which at 1983 exchange rates probably represented some Z\$48 million, which, adjusted by 20 percent to obtain FOB values, totalled some Z\$38 million in imported goods. Assuming the bulk of this generated imports during 1983, this would have added less than 6 percent to the private sector allocations which totalled Z\$690 million in 1983.

Because private sector allocations, excluding CIP agreements, in 1983 were lower than in any of the three previous years (Table 5), the CIP represented a replacement for "normal quotas" rather than any increase in the foreign exchange availability.

TABLE 5

Foreign Currency Allocations 1979/83

	<u>Z\$</u>	<u>Import Price Index</u>	<u>Allocations in real terms (1964 prices)</u>
1979	530 million	379	\$140
1980	746 million	406	\$184
1981	868 million	404	\$215
1982	717 million	403	\$177
1983(est)	690 million	470	\$145

The Confederation of Zimbabwe Industries' (CZI) June 1983 survey estimates that a 25 percent reduction in import allocations would result in a 17 percent fall in industrial output. That estimate reflects an import coefficient of 0.68, i.e. a 1 percent fall in imports leads to a 0.68 percent reduction in manufacturing production. Of course, much depends on the nature of imports. Imports of capital equipment are necessary to replace obsolete machinery and expand output. Accordingly, any reduction in the allocation of foreign exchange for capital items is unlikely to have an immediate impact on the volume of output, though it may well have adverse effects on production costs and output prices.

Imports of raw materials and spare parts, but especially the former, are likely to have a much more direct impact on the volume of output. This was amply supported in discussions with firms who used the CIP program to import raw materials.

TABLE 6

Industrial Import Allocations: Output & Employment 1979/83

<u>Year</u>	<u>Import Allocations</u>	<u>Adjusted</u>	<u>Manufacturing</u>	<u>Manufacturing</u>
	<u>Current Prices</u>	<u>(1979 prices)</u>	<u>Output</u>	<u>Employment</u>
1979	\$141 million	100	100	100
1980	\$226 million	150	115	110
1981	\$255 million	170	126	120
1982	\$196 million	131	123	125
1983	\$177 million	100	119*	120*
1984	\$128 million*			

\* estimated

The difficulty, if not impossibility, of reaching any meaningful conclusions about the precise linkage between imports and employment is emphasized in Table 6. It shows that the value of industrial imports (adjusted by the index of import prices) was the same in 1983 as in 1979 while output and employment in 1983 were some 19 to 20 percent higher than in 1979. One

obvious, but partial explanation, for this is the time-lag effect. A second explanation is the sharp increase in domestic demand over the 1979/83 period, which would account for higher levels of output in the latter period. That said, it is clear that industrial production has declined since the import quotas reached their peak in 1981.

Clearly too, there is a marked asymmetry in the import-output relationship. On the upswing, manufacturing output is relatively inelastic. Thus, a 70 percent increase in import quotas resulted in a 26 percent rise in output, suggesting a coefficient of less than 0.4. But on the 1981-1983 downswing, a 41 percent decline in allocations resulted in only a 5.6 percent fall in output, implying a coefficient of 0.13. This pattern is consistent with the data in Table 4. There are two likely explanations. First, on the upswing there was an increased proportion of capital items in the total volume of imports which had the twin effects of both creating additional (often spare) capacity and replacing obsolete equipment. In both cases, one would expect the import coefficients to be relatively high in the sense that an increased level of imports did not necessarily lead to increased output, due to excess capacity and straightforward replacement of obsolete equipment, which would tend to have only a marginal impact on current output levels. On the downturn, one would expect capital spending to be curbed, as it has been, resulting in a significantly lower coefficient. Thus, a steep import fall results in only a modest output decline. However, the longer the period during which imports are restricted, the steeper the decline is likely to be as stocks are run down, equipment wears out, and an increased volume of spares is required.

#### 4. The Impact of the CIP program - The Macro Perspective

It seems clear that the main impact of the CIP program has been to help maintain output and employment rather than stimulating any increase in either category. For many, probably most, importers, the CIP has been a replacement for reductions in normal allocations rather than an addition to them.

In 1983, industry's import quotas totalled Z\$177 million to which can be added the bulk of the CIP of Z\$48 million, constituting a 27 percent increase. Between 1981 and 1983 a 42 percent reduction in allocations resulted in a 5.5 percent fall in output. Accordingly, if this 27 percent addition to allocations had not been available then, at a very cautious and conservative estimate, production would have been a further 3.5 percent lower than it actually was.

This macro-economic approach to measuring the assessment of the program is highly speculative, to say the least. The Zimbabwe

Central Statistical Office said it did not have the data to measure the impact of CIP programs and expressed grave doubts over the use of data from the Transitional Development Plan. Accordingly, an effort was made to interview a number of major users of the CIP and obtain their assessments of the impact.

#### 5. The Impact of the CIP Program - The Micro View

The full report of the interviews with firms receiving CIP imports appears in Annex 4. The Annex provides details by industry and firm, of experience with the CIP.

All firms stressed that their output and employment levels would have been 20 to 50 percent lower if the CIP had not been available. Such figures are substantially higher than the macro estimates in section 4, above. Since the CIP provided imports to only a portion of the industrial sector it is hard to generalize from those firms to the total sector. What is clear is that for these firms and their workers, the CIP was essential to their survival.

Some of the firms were pleased with the prices of U.S. goods. However, a majority thought U.S. prices were higher than traditional sources. The strength of the U.S. dollar, as it appreciated against almost all world currencies, was a major factor. Also an important factor was the higher freight costs of shipping from the U.S.. Regional and European suppliers are closer, have more frequent shipping schedules and are thus able to land goods at a lower CIP cost. There was no consistent view on U.S. product quality and breadth of product line. Some importers had problems, most did not. There were complaints that U.S. exporters were not interested in the Zimbabwe market and there were difficulties in placing small orders. Again, there was no clear pattern. Most of these complaints probably reflect an importer's problem in switching from his traditional supplier to a new U.S. firm.

#### 6. Economic Impact of the CIP

The evaluation team used Section D of the CIP Evaluation, Terms of Reference (Annex 2) to analyze the economic impact of the CIP. The objective was to see which categories of CIP imports had proven most suited to Zimbabwe's development needs. The team was also interested in measuring the output and employment effects of the CIP program. The evaluation team asked a series of questions:

a. Does the CIP program support those industries that have genuine comparative advantages?

The Jansen Study used the Domestic Resource Cost (DRC) ratio to

measure the efficiency of all industries in Zimbabwe. A DRC of less than one indicates an efficient industry, which has an international comparative advantage. Of ten major industrial groupings, the Jansen Study found that only four sectors, representing 41.5 percent of the volume of industrial output, were economically efficient. Even within these four categories -- foodstuffs, beverages and tobacco, chemicals and non-metallic minerals -- there are a number of inefficient industries, e.g. grains and animal feeds, dairy products, soft drinks and tobacco products, rubber products, industrial chemicals, paints and pharmaceuticals, bricks and cement and pottery.

Using the Jansen data only about 10 percent of the CIP went to identifiably efficient industries. In making this statement, computer equipment and the public sector are excluded. The only allocations that would seem to fit clearly into the "efficient" Jansen industries were those to Willards (foodstuffs), Levers and Olivine Industries (detergents), Cellophane Packaging (plastic products), Crown Cork (bottling caps), Saltrama Plastex (plastics), and Vitafoam (plastics). There are many grey areas.

On a broader level, it is questionable just how reliable some of the Jansen conclusions are. For a start, the Jansen Study was carried out utilizing 1981 data. With the world-wide recession, many prices have fallen and price relationships have changed. Since 1981 the Zimbabwe dollar has depreciated substantially. IMF data suggests that by September 1983 the real effective exchange rate for the Zimbabwe dollar was some 30 to 40 percent lower than in September 1981. Jansen notes: "To the extent that the Zimbabwe dollar was overvalued in 1981, the DRC estimates are overstated and the degree of efficiency understated."

Secondly, if the Jansen data are tested against actual performance it raises some unanswered questions. If Zimbabwe is an inefficient manufacturer of clothing, then how does one explain the significant level of clothing exports? It is difficult too to justify the statement that Zimbabwe has an inefficient dairy products industry (which exports to neighboring territories) and an inefficient foods industry, when most domestic food prices (without subsidies) are substantially below the landed cost of imported raw materials.

Most DRCs were found by Jansen to be in the range of 0.8 to 1.3. The effective depreciation of the Zimbabwe dollar since 1981 suggests that efficiency factors are higher now than in 1981. What can be said is that some of the CIP has gone to highly inefficient sectors, e.g. paper products (with a 1981 DRC of 2.4).

DRC analysis is static and not dynamic. It leaves out learning-intensive sectors where new skills, management efficiency, technology development, and improved strategic planning result in economic growth and new "comparative advantage" industries. Thus, no allocation policy could be based on pure static comparative advantage analysis. To do this would be to argue for the closure of the entire metal products sector (DRC of 2.4) which is a major employer and the largest sector of manufacturing industry. Structural change cannot be secured overnight.

b. Does U.S. Capital Equipment Fit Zimbabwe's needs?

(i) Is it too sophisticated? There is not much evidence to suggest that U.S. capital equipment is too sophisticated for Zimbabwe. Indeed, the substantial proportion of the CIP devoted to computer equipment suggests that sophisticated equipment is in demand, much of it by the public sector and by parastatals as the ultimate user. There is, however, evidence that some U.S. capital equipment is designed for significantly larger-scale operations than is the norm in Zimbabwe. This point was made specifically about tractors and combine harvesters.

(ii) Does U.S. equipment reflect Zimbabwe's capital/labor ratio? Clearly, U.S. capital equipment does not reflect Zimbabwe's capital/labor ratios. That said, it is doubtful whether there is much capital equipment -- apart from ageing and obsolete machines difficult to obtain, maintain and service, that would be appropriate for this country's overwhelming labor bias in its factor endowment. More targeted, "appropriate technology" AID projects might be the logical way to deal with this issue.

c. Was the mix between equipment/spares/raw materials appropriate?

In general, there is a clear priority in most industries for spares and raw materials, reflecting the need to keep existing capacity utilization as high as possible rather than making new investment. In addition, the level of new investment has been low due to depressed demand, adverse investor sentiment and spare capacity in many industries. The CIP included 4 percent for intermediate goods, 27 percent for raw materials and 69 percent for finished goods -- generally capital equipment. It might seem that the CIP did not fit Zimbabwe's needs. Because the CIP is essentially a residual allocatory process, i.e. the Government makes CIP allocations to replace reductions in normal allocations or allows CIP allocations for "ad hoc" purchases, it is not possible to say whether the CIP mix of raw

materials, capital goods and spares was optimal. The total import level would have to be analyzed to make such a judgment. Generally, capital imports were down substantially during the last two years and the CIP probably met part of that gap. It did not cover all needs equally.

d. How effective was GOZ coordination between domestic investment allocation and import allocations?

Given the essentially "emergency" nature of the GOZ allocation exercise in a foreign currency crisis situation, once again it is probably unrealistic to expect any close co-ordination between CIP allocations and the investment/raw materials supply situation. That said, as the currency crisis has deepened, fewer new projects have been approved and allocations have been focused on firms with access to all the other necessary inputs.

e. Did CIP imports displace goods that could have been produced domestically?

There is no evidence at all to suggest that CIP goods could have been made locally. The GOZ has a very strict set of controls. Imports are only allowed when domestic production is inadequate. The goods imported under the CIP were not produced by domestic industry.

f. Did CIP imports cost more than imports from other sources?

The bulk of the evidence suggests that U.S. goods were more costly due to higher U.S. costs, the strong U.S. dollar and higher freight charges which some importers blame on distance factors and others on the "overcharging" by U.S. freight lines. It may well have been that a more optimal allocation could have been secured using the CIP for high-value, lowweight items. There may well have been nearer and cheaper sources of supply, but at a time of intense foreign exchange scarcity there was no foreign exchange to buy from them. That said, the importation of such items as computer equipment would suggest appropriate emphasis on high-value, low-bulk items.

g. What were the employment effects?

The allocation of the foreign exchange resources under the CIP should be characterized as a "fire-fighting" operation rather than a carefully-planned, well coordinated operation. The GOZ used the CIP to ease intense pressures on resources in particular industries at specific periods of time. In essence, the employment effects were to maintain employment at higher levels than would otherwise have been the case. Precise quantification is not possible and resort to imputed national plan coefficients would give a spurious sense of precision and accuracy which simply doesn't exist. The aggregate figures for

both the economy as a whole and manufacturing output suggest very wide degrees of tolerance due to time lags, demand factors, technological change, inventory positions, etc.

### C. CIP IMPLEMENTATION PROCEDURES

#### 1. How CIP's Can Go Wrong

Compared to AID projects, CIPs are often viewed as an easy way to make a quick and immediate impact -- they can be put in place quickly, disbursed rapidly and require a relatively small U.S. staff. Since CIPs are similar to regular commercial transactions, the U.S. and LDC private sector firms use the established international trading and banking system to effectively run the program. In practice that is often not the case.

Once a series of AID CIPs have been established and have been operating for a number of years, they work much like normal commercial imports. The host government and private importers know how to mesh local government and trade procedures with AID regulations. However, when AID establishes a new CIP there may be more problems than in regular project assistance.

Local firms often have limited trading experience with the U.S. and may, therefore, be unfamiliar with U.S. purchasing, banking and shipping procedures. In addition, they have to deal with AID and host government regulations which are often at odds with each other. With time, the LDC importer and government learn what is required and things run smoothly. The danger is in the initial start-up or break-in period. The FY 1973 Kenya CIP is an example of a new CIP that went awry. The CIP was designed to provide a quick injection of foreign exchange to meet critical import requirements and provide local currency generations to assist the GOK development effort. Due to a number of problems it was years before CIP disbursements started moving and even longer before local currency generations were sorted out. The Zimbabwe CIP was the first program grant in a country with a brand new AID program. It could have easily bogged down.

The Zimbabwe CIP started out with a number of potential strikes against it. Local commercial and industrial firms had extensive links with British, South African and regional firms but few ties with U.S. industry or the U.S. banking system. This was partly due to the country's British colonial heritage. Probably even more important was the fact that during 15 years of international sanctions, the U.S. Government had legal prohibitions on trade with Rhodesia. However, for a new program this CIP operated very smoothly with 88 percent of the funds

disbursed within 18 months. The CIP was used so effectively that a follow-on CIP was added in FY 1983 and another is planned for FY 1984.

## 2. The GOZ Import System

The GOZ import allocation and licensing system is described technically in Annex 3. It is highly centralized and administratively controlled with nearly all imports licensed. Government ministries set priorities based on their judgment of the "essentiality" or "need" for various imports. Commercial and industrial imports are made on the basis of 5 ranked priority lists. At the top are Priority 1 imports, such as medicines, which generally receive a full allotment. Moving on down toward Priority 5, luxury goods, a smaller and smaller share of needs are met. The bulk of Zimbabwe's imports fall under Priority 3. Since most goods have the same priority the GOZ must look at available foreign exchange and then make case-by-case judgments on the desirability and required level for each import item. In addition, the import regime also has to mesh with the GOZ's investment licensing, price controls and production controls.

Every six months government ministries, parastatals and private importers submit foreign exchange bids to the Ministry of Finance. Before going to the Ministry of Finance, private sector commercial importers (goods and equipment imported for resale to both the public and private sector) receive a preliminary allocation from the Ministry of Trade and Commerce. Private sector industrial imports (goods and equipment imported by an industrial firm for its own use) receive a preliminary allocation from the Ministry of Industry and Technology. The Ministry of Finance, Economic Planning and Development (MFEPD) then estimates global foreign exchange availabilities and through an Interministerial Committee makes adjustments for the final foreign exchange allocations. An importer then receives an import license good for a six-month period.

This "command system" of economic controls was designed by the pre-independence Rhodesian government to deal with the war and international economic sanctions. An economy under siege needs strong controls to preserve itself. However, the system did not disappear after independence. The disruptions of the independence war and the world-wide recession of 1982-83 created new and severe strains. The new government used the old system to meet new needs -- to conserve scarce foreign exchange and to allocate resources to meet the new priorities of newly independent Zimbabwe.

This system of administrative allocations is what one usually finds in socialist countries. It seems to be an anomaly in a country like Zimbabwe with its large and dynamic private sector. Zimbabwe's private sector has been dealing with this system of controls for some time. Government and industry have worked together closely for many years and thus know how to make it work smoothly and efficiently. One indication of this close relationship is the fact that the GOZ import controllers are physically located in the private sector's National Chamber of Commerce and Confederation of Zimbabwe Industries.

### 3. CIP Import Procedures

Regular GOZ import procedures were followed closely in implementing the CIP. As described in the above section, GOZ procedures were administratively complicated but had been working successfully for a number of years. Alternatively, AID could have worked with the GOZ to devise a separate and "simpler" system for the CIP but that would have been a mistake. Business and government already knew how to operate within the existing system and it worked in a relatively efficient manner. To meet the program objective of rapid disbursements, it made sense to structure CIP implementation closely within existing GOZ import procedures. The evaluation team found that the use of existing GOZ procedures was one of the main reasons why the CIP disbursed smoothly and rapidly.

The MFEPD used the CIP like any other resource in its foreign exchange budget. In order to encourage applications, the AID Mission and the GOZ publicized the availability of the CIP and applicants were urged to indicate whether items they needed could be sourced from the United States. While an importer might have had his eye on the AID CIP, until he actually received his GOZ foreign exchange allocation he did not know for sure whether his imports would be covered by the CIP or other foreign exchange.

Most private sector CIP transactions fell under the GOZ category of "commercial imports" and allocations were handled by the Ministry of Trade and Commerce. While the Ministry of Industry and Technology recommended allocations for "industrial" imports under the CIP, the final decision and allocation for such items was a function of the Ministry of Trade and Commerce. The allocation of funds to public sector entities was done by MFEPD in consultation with the Ministry of Trade and Commerce. Thus, The CIP allocation process was centralized in one Ministry, Trade and Commerce, which greatly improved program implementation.

In Riddell's evaluation of CIPs in Zimbabwe he found that the private sector's lack of information on available donor aid had

been a major problem. Since independence, more than a dozen donors had started brand new aid programs in Zimbabwe. Zimbabwean firms were at a loss to figure out which donors were providing which goods, under what conditions and through which Ministries. To help avoid such problems the AID Mission prepared a technical booklet describing the AID CIP program and then distributed the booklet throughout government and the private sector. The booklet condensed AID Regulation 1 and the requirements of Handbook 15 into 12 pages of succinct guidance. The topics covered were: allocation of funds, applicability of AID Reg. 1, items eligible for financing, authorized procurement sources, procurement procedures for both the public and private sector, notices to U.S. suppliers, ineligible suppliers, financing procedures, shipping procedures, inland transportation costs, insurance, marking requirements, end-use checks, and terminal contract and shipping dates. The same booklet, with modifications, has been used for the other Zimbabwe CIPs.

The booklet provided a good synopsis of CIP procedures and answered many of the questions an importer might have about the CIP program. In addition, copies of AID Reg. 1 were available for importer's use at the Ministry of Trade and Commerce and at the AID office. The booklet could not answer all questions but it did alert importers to problems that might require further information. Also, since the booklet answered the simple questions the Ministry and AID Mission could concentrate on the unusual problems or exceptions.

The evaluation team recommends that similar booklets be prepared for use in other countries which have CIPs. Also, since AID may be initiating CIP programs in a number of new countries, design teams might find sample booklets from other countries useful when explaining/negotiating new programs.

#### 4. Financing Procedures

At the request of MFEPD, AID issued letters of commitment to two U.S. banks, each bank handling roughly half of the program. On the Zimbabwe side, all commercial banks operating in Zimbabwe were named as approved applicants. The CIP importer could use his own business bank to handle his CIP transaction. The importer was able to benefit from the existing banking relationships he had already built up with his bank. The bank knew the firm, had already handled his domestic business, and had credit experience. If an importer needed Zimbabwe dollar financing in order to use the CIP, his own bank had loan experience with him and could provide credit. This proved of particular importance to smaller firms in the latter period of the CIP, and for follow-on CIPs when domestic credit became much tighter.

In other CIP countries, the host government has often allowed only one or two banks to serve as the "approved applicant." This has created a number of problems: the bank may not have branches in all commercial centers; importers who do not have accounts with the bank, may have problems; and finally of most importance, the bank would be reluctant to provide credit to a new customer.

The evaluation team recommends that in other countries, for new CIP programs, and possibly for existing ones, an evaluation be made by AID of the banking system's ability to handle CIP transactions. If the capability is there, AID should urge that all host country banks be "approved applicants."

Measured against the PAAD implementation schedule there was some slippage. Nearly all of the delay was in the period leading up to AID approval of the CIP. Once the CIP was approved, CIP implementation was rapid:

-- The PAAD was approved on March 15, 1982, and the project agreement was signed on April 7, 1982.

-- Conditions Precedent were satisfied on June 10, 1982.

-- The Letters of Commitment were issued on June 17, 1982, and the first letter of credit was issued shortly afterward.

-- The first AID disbursements were in July 1982.

-- By October 1982 the GOZ had allocated all of the funds.

As Table 7 shows, the grant disbursement level was 10 percent in 6 months, 62 percent in 12 months and 88 percent in 18 months. The grant should be fully disbursed in early 1984.

TABLE 7

Zimbabwe CIP 613-K-603  
Disbursement Profile

<u>As of End of Month</u>	<u>Dollar Amount</u> <u>Disbursed</u>	<u>Percentage</u> <u>Disbursed</u>
1982		
July	881,993	1.8
August	981,111	2.0
September	1,013,913	2.0
October	1,925,962	3.9
November	3,168,555	6.3
December	5,034,610	10.1

1983		
January	10,369,217	20.7
February	16,287,725	32.6
March	19,111,020	38.2
April		
May	27,443,567	54.9
June	31,132,478	62.3
July	34,247,521	68.5
August	36,186,176	72.4
September	40,267,721	80.5
October	41,595,324	83.2
November	42,637,429	85.3
December	44,104,552	88.2

Table 8 shows the CIP allocation by type of Commodity. As noted in Section B.6.c., above, the mix was heavily weighted in favor of equipment. As already described above, the GOZ faced an extreme foreign exchange crisis. It had placed highest priority on raw materials and intermediate goods imports. When the CIP became available, it allowed importers who had missed-out on the first import allocations a chance to use the CIP. Those importers' needs were heavily weighted toward equipment. Mission end-use checks have shown that all categories of imports have been received and put to effective use.

TABLE 8

Zimbabwe CIP: 613-K-603 Import Allocations

<u>Category</u>	<u>\$ Amount</u>	<u>Percent of Total</u>
<u>Finished Goods - Equipment</u>	<u>34,078,000</u>	<u>68.2</u>
Construction Equipment	11,472,000	
Agricultural Equipment	7,981,000	
Data Processing Equipment	6,323,000	
Heavy Lift Equipment	1,087,000	
Manufacturing Equipment	6,615,000	
Other	600,000	
<u>Intermediate Goods</u>	<u>2,185,000</u>	<u>4.4</u>
<u>Raw Materials</u>	<u>13,737,000</u>	<u>27.4</u>
<u>Total</u>	<u>50,000,000</u>	<u>100.0</u>
=====	=====	=====

## 5. Payment of Local Currency

The PAAD provided for local currency to be deposited into a special account once individual import allocations had been made. However, usual Zimbabwe commercial practices did not require a local currency deposit until a letter of credit had been paid by the correspondent bank. When the CIP was being implemented it was decided to follow regular commercial practices with payment due when disbursement took place under the letter of credit. By a formal agreement with the approved applicant banks, MFEPD required that if an importer failed to pay his bank, the bank was obligated to make the local currency payment.

MFEPD was the central control point, receiving all local currency payments from commercial banks and then forwarding them to a special account in the Reserve Bank of Zimbabwe. Difficulties experienced in other country CIPs (late payment and underpayments) were not a problem. Financial accounting and payment procedures worked smoothly and effectively.

Public sector participants (with two exceptions) were treated the same as the private sector--full local currency payment was required when the letter of credit was paid. Since GOZ Ministries were operating under tight budget constraints, it was suggested that public sector entities not be required to deposit local currency. While the evaluation team sympathizes with the plight faced by many ministries, good budget discipline requires a rationing process. All GOZ Ministries have to go through a series of MFEPD project, budget, and import requirement reviews. If CIP imports were available at no cost, AID would be under-cutting the Ministry of Finance's budget discipline.

## D. USE OF LOCAL CURRENCY GENERATIONS

### 1. Program Structure and Objectives

While this was a commodity import program and balance of payments support was the primary objective, use of the local currency generations was a secondary (and important) concern. The local currency was applied to the GOZ budget in a flexible manner through joint AID/GOZ programming. The procedures were based on the system that had worked successfully under the previous cash grants.

Nearly 90 percent of the local currency funds under the first cash grant were obligated within one year. Similar results were achieved under the second cash grant. Mission analysis of GOZ capabilities and GOZ performance under these grants demon-

strated that the GOZ had the proper financial, management and monitoring systems in place. GOZ design, cost estimating, engineering and tendering procedures were satisfactory; private sector contractors were skilled in doing the type of projects proposed and the necessary construction materials were available on the local market.

The PAAD identified FY 1982 GOZ programs requiring \$74 million. These programs were within areas of interest to AID: education, health, agriculture and small scale enterprise. High priority project activities were to include: reconstruction of education facilities, secondary schools construction, rural roads construction, regional trunk roads rehabilitation and construction, grain storage facilities, water supplies, small scale industry, facilities for the physically handicapped, pilot livestock and irrigation programs, and regional SADCC programs. CIP local currency funds would meet the capital requirements of those activities (construction of buildings and equipment), while the GOZ would be responsible for recurrent costs.

In the PAAD and in correspondence with Washington, the Mission stressed the need for flexible implementation. The Mission and the GOZ would work together to identify projects and funding levels. Project technical analyses and funding levels would be worked out in-country without going back to Washington for approval. Washington was to "trust" the Mission's judgment on project selection and funding levels.

## 2. Implementation Experience

### a. The Project Selection Process

When the PAAD was submitted to Washington the Mission had only a general idea of the types of projects to be supported. By the time the CIP was finally in place, the actual project selection process started. Annex 5 provides the final project list. To develop this list AID Mission technicians met with their GOZ counterparts and jointly examined and identified projects that met GOZ and AID priorities. AID, the Technical Ministry and MFEPD then met to formally agree on the project list. As the program was implemented, AID and MFEPD personnel met periodically (usually at least every quarter) to review and make amendments to the project list. Many of the projects were add-ons that continued the reconstruction efforts of the earlier cash grants. Over time, more development projects were added. At the time of this evaluation, when the program was nearing completion, development projects made up over 75 percent of program funding.

b. AID Project Selection Criteria

The AID Mission has never formally listed the criteria it used in selecting projects. The Evaluation Team reviewed the files and talked with Mission personnel to determine what those criteria were. They included:

(i) Support Projects Which the GOZ has Already Developed

Normally, an AID CDSS identifies development constraints and then AID develops a series of projects to solve the problems. While it should be a collaborative process with the host government, AID usually takes the lead in project design. In the Zimbabwe local currency program, the Mission decided that it would not "gin-up" its own projects. It would only support projects which the GOZ had developed and was ready to implement. They would be GOZ projects -- not AID projects.

(ii) Infrastructure and Institutional Development

The program concentrated on "bricks and mortar" physical construction of institutions (teacher training, agric. training, co-op development, etc.). Before AID would fund construction, it had to be satisfied that the GOZ could handle recurrent costs.

(iii) Quick Disbursing Projects Which Would Generate an Immediate Output

A key program objective was to have an immediate developmental impact. Instead of building new facilities, repair and rehabilitation could often result in a much quicker increase in output and services. Whenever possible existing facilities were repaired or expanded. If a new project was to be developed, it had to have a visible output within 1-2 years.

(iv) Flexible Programming

The project list was under continual review, with projects added or dropped and funding levels changed based on implementation results. If a project was highly successful it could be expanded; if it was moving slowly or not achieving its goals, funding was withdrawn and used for other projects. A good example was the Middle Sabi Stage 3B Irrigation Project. Originally \$1.4 million was allocated for small farmer irrigation. As the project was being implemented, AID saw that the project was becoming a large scale plantation-type system that would not benefit small farmers and could end up costing over \$5 million. The Mission had the project removed from the approved list and no local currency was spent on Middle Sabi Stage 3B.

(v) Amounts of Money Should be significant

In order to have a measurable impact and to reduce the monitoring burden, the Mission avoided taking on a large number of small projects. Generally, projects had to cost over \$100,000. At the time of this evaluation, half of the projects (using 90 percent of the funds) were each funded at \$1 million or more.

(vi) Support Mission Rural Development and Manpower Development Strategy

Generally, the majority of projects provided services to rural Africans. While many projects were not located in rural areas, e.g., teacher training centers, grain storage and other infrastructure facilities were built in urban areas, most provided services to the target population.

(vii) Resettlement Projects Avoided

Due to their highly political nature, the program did not support GOZ resettlement schemes.

(viii) Monitoring

The MFEPD was required to prepare financial and narrative reports on all projects. Those reports were generally late, incomplete and inadequate for AID's program monitoring requirements. The Mission technicians and their local employees made periodic field inspections and checked the financial records of all projects. For the larger projects the Mission prepared detailed financial and technical analyses which were circulated within the Mission and shared with the GOZ. If serious problems were developing the Mission would send a formal letter to MFEPD.

3. Evaluation Team Findings

a. Program Operations

At the time of this evaluation, Z\$48.3 million had been allotted to specific projects. Actual expenditures were Z\$22.9 million. While there had been occasional project delays, there were few project mistakes. GOZ planning, budgeting and financial management was sound and local contractors did their work competently and on time.

The Belvedere Teacher Training College (\$9 million) is an excellent example of a project that met program objectives. It was built and producing teachers within 2 years of start-up.

It allowed Zimbabwe to quadruple the output of trained secondary teachers. If it had been run like a normal AID project we might still be discussing the Project Paper.

In summary, projects were built quickly and efficiently -- the program met the goals that had been set.

b. Lack of Concentration--A Need for Targeting

The program supported a wide range of activities. For example, in the area of education/manpower the following projects were funded: primary schools, mission schools, refugee schools, council schools, secondary schools, secretarial training, vocational teacher training, secondary teacher training, primary teacher training, adult literacy, and colleges. In agriculture there was a similar wide array of projects.

Part of the "scatteration" is a result of the fact that the program included war reconstruction projects. All types of schools and government buildings were in need of repair. Reconstruction by its nature is not institutional development.

The Mission strategy is to work on improving the efficiency of a whole system or a sector. While everything in a sector may be important, some things are more important than others. The emergency reconstruction is nearly over and future AID funding for Zimbabwe will probably be less. The evaluation team recommends that the Mission tighten and focus its future local currency programs toward more specific sub-sectors and institutional development.

c. Monitoring

GOZ reporting needs to be improved. The government has a strict system of analysis and screening before a project is approved. The Mission funded a Price Waterhouse study of financial management for the GOZ. The GOZ should be encouraged to introduce a system to control periodic disbursements and to measure project performance.

Along with a tightly focused list of allocative criteria, the Mission needs standards to measure project achievement. The Mission needs to keep the flexibility that has made the program a success but it must be able to gauge that success. A more formal Mission evaluation of project output/success would also help direct future local currency programs. The evaluation team recommends this as a way for Mission management to improve the effectiveness of its program.

d. Lessons Which Can be Applied to Other Country Programs

When CIP local currency generations are programmed by AID and the host government there is the question of how many times a resource can be counted. In strict economic terms the imported commodities are the real additive resource. The local currency represents a double-count. In most countries AID concentrates on the CIP commodities and their balance of payments effect. Local currency generations receive a pro forma budget attribution.

However, if the host government views the local currency as a real resource, then the local currency can be directed to activities which support AID's CDSS objectives. In a sense AID is then intervening in the host government's budget process to make sure the programs it feels are important receive the local currency they need. Such intervention can also help assure that dollar-funded AID projects receive adequate local currency funding.

Based on the Zimbabwe program, if a host country managed local currency program is to work, the following preconditions need to exist:

-- The host government should have the financial, technical and administrative capability to manage the program itself. It would be hard to justify the manpower costs of AID managing such a program.

-- There should be capable private sector contractors operating under a system of competitive procurement, thus reducing the management burden on AID and the host government. Government or "force account" would normally not be as desirable.

-- The local market must be able to provide most of the required materials.

-- If AID is to allow the host government to manage the program, the government and private sector need to be relatively free of graft and corruption

Against those standards such a program would probably not work in many countries where AID is providing assistance. Specific country analysis would be required before launching such a program. An important part of such analysis is the determination of whether the host government considers such a program too interventionist.

A final and important point to consider is whether the management costs of setting up such a program are worth the effort.

AID would have to weigh the costs of program implementation and monitoring against the benefits of directing local currency to priority sectors. Clearly, such a program is not needed if there are other, easier ways to assure local currency funding of priority sectors.

ZIMBABWE CIP EVALUATION

## Logical Framework - Goal, Purpose, Output, Input

<u>Goal</u>	<u>Measure of Goal Achievement (Indicators)</u>	<u>Means of Verification</u>	<u>Assumptions and Linkages</u>
Aid in the reconstruction and rehabilitation of the economy. (in fulfillment of the U.S. Zimcord pledge)	1) Increased GDP 2) Increased output by traditional farmers 3) Improved well-being in previous Tribal Trust Lands	1) National Income statistics 2) Change in marketable surplus in rural economy. 3) Sample surveys	A national development plan with coherent policies and adequate resources.
AID in the development of a broadly based economic development strategy.			Unrest and fighting in rural areas subsidies.

<u>Program Purpose</u>	<u>Verifiable Indicators of Achievement</u>	<u>Means of Verification</u>	<u>Assumptions and Linkages</u>
1)a. Increased private sector output b. Maintenance of a strong private sector	1)a. Increased manufacturing output b. Increased private sector employment c. Increased capacity utilization d. Increased investment	1) Government & private data on manufacturing employment and investment	1) Foreign exchange is <u>the</u> major constraint. a. Local labour and local inputs are sufficient. b. Businessmen have confidence in the political future and are willing to invest and expand output. c. Capital flight and smuggling are not a major problem. d. Zimbabwe industry remains competitive and able to adapt to conditions of worldwide recession.
2) Support Government reconstruction/development efforts	2)a. Expanded GOZ rural development program b. Improved rural literacy, health, productivity	2) Physical Quality of Life Indicators	2)a. Government projects are run efficiently and have a positive impact on the rural population. b. Adequate staff, buildings, equipment and materials are available for the expanded program. c. No major drought or disturbances in rural areas.

Program Outputs

Verifiable Indicators of Achievement

Means of Verification

Assumptions and Linkages

- 1)a.Short-term balance of payments support
- b.Government policies that encourage the private sector
- c.Modernized industries

- 1)a.Foreign exchange pressures lessened
- b.GOZ licencing, controls, incentives, encourage the private sector to be an efficient producer and the market place an efficient resource allocator.

- 1)a. Compare shadow foreign exchange rate to official rate. Number of months of FX reserves available
- b. Sample surveys

- 1)a. GOZ co-operates successfully with IMF.
- b. AID procedures mesh smoothly with GOZ procedures.

- 2) Government projects/ programs in the areas of health, agriculture and education

- 2) Farmers trained, students taught, medical care provided, agricultural supplies and services are available.

- 2)a.Government development budget.
- b.USAID Project Reports
- c.USAID Monitoring

- 2) Counterpart is generated and applied promptly to programs.

Program Inputs

Verifiable Indicators of Achievement      Means of Verification

Assumptions and Linkages

1) CIP commodities--  
U.S. capital equipment,  
spares, raw materials and  
consumer goods.

1) Rapid CIP disburse-  
ments.

1) Letters of Credit  
Import Licences

1) GOZ allocation process inte-  
grates special account  
effectively.

2) Local currency generated  
by CIP

2) Zimbabwean dollars  
deposited into special  
account.

2) GOZ, Ministry of  
Finance records

2) GOZ budget process integrates  
special account effectively.

JLieberson/2/8/84

ZIMBABWE CIP EVALUATION

SCOPE OF WORK - Terms of Reference

A. CIP Procedures - (AID + GOZ procedures)

- Allocation of Funds
- Procurement mechanism
- Methods of financing
- Facilitating factors/bottlenecks

B. Actual Functioning of CIP

- GOZ import licensing
- Rate of procurement overtime
- Rate of CIP disbursements over time
- Sectoral breakdown of CIP funds over time by:
  - a. public/private
  - b. branch of economic activity
  - c. capital equipment, spares, raw materials, consumer goods
- Conditions, terms of access to CIP funds - who decides eligibility, what standards are used
- Applications for CIP - for what, by whom, how
- How do importers obtain financing (local currency)
- Monitoring - who (and how) ensures that terms of CIP agreements are met
- Compare access, cost, controls of other donor aid and free FX, to CIP procedures

C. Analysis of Efficiency, Effectiveness of CIP operation

- Public vs. private sector which had most rapid disbursements, why, what changes took place over time
- Within private sector which industries had most rapid disbursements. Does size of firm, ownership or foreign linkage play a role

- What types of domestic finance helps insure most rapid disbursement, why
- How have terms of access to CIP affected disbursement rates
- How did availability of other sources of finance affect GOZ allocations, importer interest. Were there competitive aid sources, how did U.S. CIP compare in concessionality, procedures, paperwork
- Competitiveness of U.S. imports as compared to other sources; price quality, delivery time, after sales service, financing

D. Economic Impact -- What categories of imports are most critical to Zimbabwe's development

- Were the "right" goods delivered to the right industries to fulfill the program objectives
- Domestic prices do not reflect true opportunity costs

During the period of sanctions complete import substitution was the policy. Domestic prices and investment did not reflect true opportunity costs. Domestic prices moved out of line from international prices. Now, financial viability of a firm may not equal economic viability.

Using the Jansen Study, examine where CIP commodities went and see if the CIP is supporting manufacturing industries that have true comparative advantage.

- Do CIP imports support activities related to CDSS emphasis of helping the rural poor
- Does U.S. capital equipment fit Zimbabwe's needs
  - a. Is U.S. equipment too sophisticated
  - b. Does U.S. equipment reflect Zimbabwe's capital/labor ratio

- Was the mix between capital/spares/raw materials appropriate to Zimbabwe's needs
- How effective was GOZ co-ordination between domestic allocation of investment/raw materials, the allocation of other foreign exchange and the availability of CIP resources.
- Were goods imported under the CIP that could have been obtained domestically
- Did U.S. imports under the CIP cost more than free foreign exchange imports from the U.S.
- In view of the high cost of shipping goods from the U.S., did GOZ use CIP to import low value/high weight goods that should have been imported from a closer supplier. Should CIP be concentrated on high value, low weight items.
- What were the employment effects; by industry, by type of goods (equipment, spares, raw materials)
- What were output effects

E. Local Currency Utilization

- How (and who) determines which activities to support
- Degree of monitoring and end use checks required
- What happens when a project underspends or overspends
- What happens when a project goes sour
- In which countries is this type of program most appropriate; Not Zaire, but what about Pakistan or Egypt
- How much project pre-planning is required. When is economic, engineering, technical and other Handbook 3 type of analysis required
- What type of analysis of host country capability is required to justify this type of program

GOVERNMENT OF ZIMBABWE IMPORT LICENCING  
AND ALLOCATION SYSTEM

At Independence, Zimbabwe inherited a highly centralized and administratively controlled import system. Foreign exchange controls had been a key part of economic autarchy designed during the sanctions period to allocate and control all economic activity. With Independence there have been many modifications in the application of the system. However, the structure is still one of tight controls and licensing of nearly all imports.

With the exception of products covered by the Open General Import License (OGIL), all imports are subject to licensing requirements. (At present OGIL covers less than 3 percent of imports, which includes a limited number of items from Malawi and Botswana). Import licenses are issued only against a certificate of foreign exchange allocation. Global foreign exchange allocations are decided by an Interministerial Committee, chaired by the Ministry of Finance, and made available through the Ministry of Trade and Commerce and the Ministry of Industry and Energy. The Ministry of Trade & Commerce handles the commercial categories, while the industrial categories are handled by the Ministry of Industry and Technology. "Commercial" imports include imports by merchants of raw materials, machinery, and spare parts for resale to manufacturers and the public sector, as well as consumer goods. "Industrial" imports cover direct imports by industrialists of raw materials, machinery, and spare parts. For purposes of allocating commercial imports, individual products are classified into five categories based on their degree of "essentiality." In the manufacturing sector, because of employment considerations, similar priority ratings are not as strictly applied. Priority List 1 consists of essential products which are considered vital to the economy; the least essential products are placed under List 5. The bulk of products imported by the commercial and industrial sectors (the majority of industrial raw materials and essential consumer goods) are grouped under List 3.

Foreign exchange allocation certificates with respect to commercial imports are only issued for an individual tariff item and cannot be used to import other products or be transferred without the authorization of the Ministry of Trade & Commerce. Certificates, however, may be used over a period of six months or recipients of certificates may form a group to place orders to take advantage of price discounts. Foreign exchange allocations for industrial products are made in accordance with industrial divisions, and firms within each division are given

certificates which will allow them to import a specified group of tariff items to be used in the manufacturing process.

Generally, foreign exchange is only made available for goods that are not produced locally. If local production is insufficient to meet "essential" local needs, an import license may be granted.

An importer of equipment for a new investment project must demonstrate a continuing foreign exchange gain, substantially in excess of that spent on both imported equipment and imported raw materials. The investment must demonstrate foreign exchange savings through import substitution or export savings based on firm export orders. The final and most difficult part is that the foreign exchange savings must be generated within 12 months.

For purposes of foreign exchange allocation, products permitted to be imported are classified under 31 categories. These product categories are grouped under four broad headings (basic, public sector maintenance, development projects, and other). The "other" category makes up two-thirds of imports. Once every six months, government ministries and departments, statutory bodies, local authorities, commerce, industry, the mining sector, the Zimbabwe Oil Procurement Consortium, and all other organizations having import requirements are required to submit foreign exchange bids. The "essentiality" of products covered by these bids is evaluated by the Ministry of Trade & Commerce and the Ministry of Industry and Technology, and a consolidated bid stating the total amount of foreign exchange required for imports in the next six-month period is submitted to the Ministry of Finance, Economic Planning & Development. The final decision on the size of allocations is the responsibility of the Interministerial Committee. The "global" foreign exchange allocations are made by the Ministry of Finance, Economic Planning & Development on a six-month basis. Allocations granted during the first and third quarters of the year may be carried forward and added to those granted in the second and fourth quarters.

Commercial imports are approved by the Commercial Import Controller. Commercial allocations start with the commercial importer having to demonstrate a need based on an historical level of imports. In many cases, 1964/65 is the base period upon which that need is based. No system can remain static, so over the years the GOZ has had to make ad hoc changes in allocations based on changing market conditions. There is an established system for new entrants and new products. A new commercial firm or an existing firm wishing to import new

tariff items makes application to the Ministry of Trade & Commerce's Commercial Projects Committee and his needs are then weighed against those of established importers. For all imports the final allocation is made by Ministry of Finance, Economic Planning & Development. Possibly one of the reasons such a complicated administrative system is able to function in a timely and relatively equitable manner is the tradition of close business/government relations, e.g. the Commercial Import Controller is physically located at the offices of the National Chamber of Commerce of Zimbabwe. With independence, of course, that relationship is changing and will probably weaken.

Industrial imports follow a track that is separate but similar to commercial imports. Allocations start from a base year need, adjusted annually on the basis of changes in market conditions. New allocations are made by the Industrial Projects Committee under the Ministry of Industry and Technology. As with all imports, the final allocation is made by Ministry of Finance, Economic Planning & Development. For industrial imports, the Industrial Controller is physically located at the Confederation of Zimbabwe Industries.

Import licenses have to be drawn against foreign exchange allocation certificates at the time orders are placed. The normal validity of import licenses is six months, but the validity period can be extended in certain circumstances. Import licenses are normally issued without geographical restriction and importers are free to choose the country of supply. Licenses are issued on an f.o.b. proof of export basis and do not, therefore, cover the invisibles element of the transactions. Foreign exchange for invisibles related to imports (within certain limits) is provided by commercial banks under delegated authority. The Reserve Bank controls the "invisible account."

Imports of certain goods (mostly agricultural and processed food products) require a special permit issued by the Ministry of Agriculture. Certain agricultural products (coffee, maize, sorghum, soybeans and wheat) may be imported only by the Grain Marketing and Cotton Marketing Boards or by others with the permission of the Boards. No quotas are in force, but seasonal restrictions are applied in the case of certain agricultural products.

Authorized foreign exchange dealers may approve applications to effect payments for authorized imports, provided necessary documentation (including the details of import licenses or open general licenses) is submitted. Duties are mainly ad valorem with specific duties on a number of products. Generally, imports are subject to an additional tax of 23 percent, which

is the countervailing levy to the sales tax imposed at the same rates on goods sold domestically. Most imports are subject to an additional surtax of 18 percent although "essential imports" have a lower surcharge, e.g. agricultural tractors have only a 5 percent surcharge.

THE CIP AT THE LEVEL OF THE FIRM

Agricultural Machinery and Equipment

Four firms were interviewed covering 12 percent of the CIP program. They imported tractors and combine-harvesters (mainly), as well as some forage equipment and hay-balers. The firms said that between 40 percent and 50 percent of their business had been in CIP imports. Accordingly, there would have been some labor layoffs and sharply lower sales if there had not been a CIP program. One firm, which was only established after independence, said the CIP had enabled it to undertake a modest staff expansion creating an extra 30 jobs, but the consensus view was that the program had maintained rather than created jobs.

All firms drew attention to the high cost of U.S. machinery, partly explained by the strength of the U.S. dollar during that period. Some commented on the lack of export-orientation on the part of the U.S. manufacturers, who seemed inexperienced or even disinterested in export business. A partial explanation for this was the fact that relatively small orders, by U.S. standards, were involved.

Some firms in this group said that if they had had access to "free foreign exchange" (i.e. untied), they would not have imported from the U.S., due not only to high costs of manufacture but high freight charges as well. One firm said a French-built tractor would retail in Zimbabwe at Z\$57,000 against Z\$85,000 (50 percent more) for an equivalent-sized U.S. machine. Others put the cost differential at 15 percent to 25 percent. However, another firm praised the high quality of U.S. equipment and said in the long-run the U.S. equipment would be cheaper to operate and have a longer life.

A further point made was that although in many respects the U.S. equipment was more appropriate to Zimbabwean conditions than previously imported equipment (from Europe and the UK), there were some technical disadvantages. One dealer said he would rather have imported smaller European made tractors costing two-thirds of the price of the larger U.S. product. This would have kept down the cost to the local user and would also have allowed him to satisfy more customers by spreading a given allocation over a larger number of machines. Two firms accused the U.S. shipping lines of "over charging."

Predictably, all the dealers rejected the view that Zimbabwe being a labor-surplus economy, did not need combine-harvesters.

All stressed that it was impossible to reap soya beans and wheat by hand, adding that most farmers who had been allowed to import such equipment were using the harvester for soya beans and wheat, as well as for reaping maize.

Two firms drew attention to the technology transfer aspect, saying that there had been a good technical back-up; their staff had been trained in new and different machines and, in the case of Ford, interest had been shown by the manufacturer in producing a tractor more appropriate to Zimbabwean conditions.

All emphasized the serious predicament of the farming community after three years of drought, expressing concern at the level of demand for equipment in 1984. This decline in demand was likely to make the short-run equipment shortage less serious than it might seem, but the medium-term and long-term situations were critical. The Zimbabwe tractor fleet of some 17,000 machines has an annual replacement requirement of 1,700 machines. But, in recent years the new tractor supply has been less than 500 a year. The steep rise in tractor prices, exacerbated by the shift to more costly sources of supply, a strong U.S. dollar and a weakening Zimbabwe dollar, allied with higher interest rates and increased purchase-tax rates, posed a threat to the viability of the agricultural sector.

Two dealers argued strongly that the importation of sophisticated equipment made Zimbabwe's agricultural sector more efficient though it did not help generate jobs. One estimated that wheat and soya beans productivity was boosted by at least 15 percent as a result of mechanization. The import of new tractors created a supply of older and cheaper machines for smaller-scale farms, co-ops, etc. in the communal lands and purchase areas.

#### Future Programs

1. In future programs, increased attention will need to be paid to continuity in supply of spares, etc. The shift in sourcing from Europe to the U.S. means that back-up supplies of spares, etc. will be needed. Furthermore, the increasing obsolescence of the tractor stock means that maintenance costs are rising and maintenance requirements (often imported) are also increasing. In future programs increased spares allocations might be necessary.

2. Zimbabwean importers would prefer to deal with exporters able to supply a full line of equipment -- which often means smaller machines, at more competitive prices.

3. Above all, there is a very real danger of the CIP getting out of kilter with the financial capability of the farming sector, especially at this juncture, after a third drought year. The squeeze on farm profits implies that equipment demand will fall and productivity growth and even output expansion could be adversely affected. This in turn could exacerbate the already critical foreign currency shortage while forcing the Government to substantially increase farm-gate prices thereby increasing inflationary forces within the economy, and possibly generating growing political discontent. The suggestion here is that other AID programs should investigate what assistance can be given to the farm sector to ensure its continued viability.

#### Raw Materials

Eight firms importing raw materials and representing 14 percent of the total CIP program were interviewed. Without exception the firms agreed that the program had enabled them to maintain operations and avoid temporary closure and labor layoffs. One firm said that without CIP raw materials, it would have reduced output by at least 20 percent and closed one of its operations for at least 2 1/2 months. There would have been some labor layoffs though this was not quantifiable. Closure would have had far-reaching ramifications in the economy since its plastic containers are used for basic foodstuffs such as sugar and milk. Its initial purchase of raw materials for plastic bag manufacture was carried out at a lower price than that ruling in its traditional market (Europe). The FOB U.S. price was U.S.\$625 a ton compared with \$650 to \$700 FOB Europe. Freight costs were about twice as high from the U.S., which meant that the landed cost CIF Harare was higher from the U.S., though not substantially so. However, since this first transaction, plastic prices have risen sharply in the U.S. with the economic recovery and this is now a far more costly source of supply (about U.S.\$900 to U.S.\$1,000 FOB U.S. as against U.S.\$850 FOB Europe).

This firm said that in the new circumstances of strong demand in the U.S., manufacturers there are reluctant to supply in small lots. The firm also commented on the lack of "export-orientation" in the U.S.

The second firm interviewed said it would have closed its detergent plant for 4 months in both 1982 and 1983, but for the CIP. It said 500 jobs would have been in jeopardy. Its traditional sources of supply are Europe and Japan, and the firm was delighted to find that U.S. suppliers quoted highly competitive prices. The firm would probably stick with the U.S. as a supply source if it had free foreign exchange.

U.S. supplies were 5 percent cheaper than from Europe for this firm which was given permission to use a non U.S.-flag ship, since the cargo was bulk liquid. Had a U.S.-flag been used, then the cost would have been virtually identical. The firm commented on the difficulty of getting a U.S.-flag ship to move goods to Southern Africa, saying that not many such bulk-supply vessels were available.

In 1984, unless foreign exchange is forthcoming from some quarter, the factory will run at one-third capacity. Detergent is an essential product for both urban and rural-dwellers.

One of the two cigarette manufacturers said its plant would have been closed for 7 to 8 months over the 1982/83 period had it not been for the U.S. CIP. Labor layoffs would have been inevitable. Products were generally more costly than those supplied from the UK. The case of cigarette paper was cited where U.S. supplies were 40 percent more expensive than those from Britain. There were technical difficulties due to different tolerance levels for raw materials supplied from a new source.

The second cigarette supplier said it would have closed down for 4 months in the absence of the U.S. CIP and 300 out of a total of 380 production workers would have been idle, while another 80 (out of 100) workers elsewhere in the business would have had no work to do. Costs of U.S. materials (as against the traditional sources in Europe) were some 15 percent higher.

Both cigarette firms drew attention to the favorable impact on Government revenue of the CIP -- higher excise duties, increased sales and corporate taxes. A soft-drink manufacturer also drew attention to the favorable impact on tax revenue -- especially excise duty and sales tax.

One textile group estimated that its sales would have been about 50 percent lower in the absence of the CIP. Costs of buying raw materials from the U.S. were approximately 25 percent to 30 percent higher than imports from traditional sources of supply. Transport costs are a major element. The cost of a container from the U.S. is put at \$3,250 as against \$1,500 from Japan and \$1,800 from Europe.

The firm said it was trying to swap a raw materials allocation for a capital equipment allocation. However, a disadvantage of using the CIP to import capital equipment was the fact that payment had to be made immediately on delivery to the Zimbabwe Government; they would prefer a 3-5 year export credit. Who wouldn't?

A packaging firm estimated that its factory would have been closed for 3 months and up to 100 people laid-off but for the CIP. There had been no increase in costs and U.S. prices were highly competitive. The product is essential for packaging goods, pharmaceuticals, etc. About 5 to 10 percent of output is exported and without the CIP, exports would have suffered.

A food firm was the only firm interviewed that expressed doubts over the desirability of the program. The agreement had been "catastrophic" for the firm due to the reluctance of U.S. exporters, who were not export-orientated, to undertake small export orders. Letters of credit for a 12-ton order of gelatine were issued in September 1983. Deliveries (only 10 tons) finally occurred on February 16, 1984. The L/C had to be amended on no fewer than 3 occasions, due in part, to changing exchange rates. The product was 20 percent more costly from the U.S. mainly due to high transport costs.

### Lessons

Lessons to be gleaned from the raw materials importers are:

1. Without the CIP there would have been a marked reduction in output and some labor layoffs. Neither can be quantified.
2. The use of U.S. sources of supply has been more expensive, mainly due to:
  - (a) The strength of the U.S. dollar
  - (b) Freight costs
  - (c) Reluctance of U.S. firms to undertake small orders

### Computers

Three firms, importing computers and computer equipment, accounting for nearly 13 percent of the program were interviewed. All justified the high level of computer-related imports in terms of improved efficiency, up-grading of staff and of financial services and the fact that in a Third World Country, computer technology was frequently a substitute for (non-existent) skilled manpower. They pointed out that their clients, who had benefitted from the CIP, included most of the major financial institutions, Government departments, parastatals as well as major industrial and commercial houses. All firms denied that the use of computers -- either by themselves or by their clients -- had caused reduced employment. All three firms had increased their labor force on the strength of the CIP. Without the CIP, there would have been an outflow from the firms -- and from Zimbabwe -- of highly-skilled

computer technicians and systems analysts etc., concerned at the danger of becoming technically obsolete due to their isolation from technical progress internationally in the computer industry. The industry said allocations were currently running at 25 percent and even less of 1981 allocations (in Zimbabwe dollar terms).

One firm drew attention to the continued use in Zimbabwe of technically-obsolete equipment (mechanical cash registers, etc.) which involve high maintenance and repair costs as well as the need to purchase and obtain spare parts no longer produced on a large scale. All three companies said they needed the CIP to survive.

### Vehicles

Two firms importing/manufacturing vehicles and heavy mechanical equipment (graders, etc.) absorbing 2 percent of the program were interviewed. One firm noted that the Zimbabwe Government had recently banned all imports of earthmoving equipment unless purchased under a CIP. It believed U.S. equipment was 15 percent to 20 percent more expensive than that from Europe. Without the CIP, one firm estimated a 10-15 percent drop in its (admittedly-small) labor force of some 85 people. About one-third of equipment imports were funded through the CIP.

Another firm said that without the CIP it would have left the heavy-end of the truck market and some 20 - 30 workers would have been laid-off. Engines, axles and gear boxes were imported from the U.S. with engine prices being highly competitive with those from Europe. Freight costs were higher and lead-times longer (6 months as against 2 to 3 months from Europe). Due to the slippage in domestic demand, cutbacks in import allocations have not had as severe an impact as would have been the case in 1981. Demand had declined due to the recession and drought and also to the high level of taxation (23 percent sales tax on heavy vehicles). They claimed that a large vehicle in Zimbabwe now costs nearly three times what it would cost in Britain.

USAID CIP 613-K-603 ALLOCATION OF LOCAL CURRENCY

<u>Implementing Ministry/Organization</u>	<u>Project Title</u>	<u>Allocation</u> Z\$
<u>A. DEVELOPMENT</u>		
1. Ministry of Agriculture	Cotton Training Center (Construction will double center's instructional capacity and add residential facilities for 300 farmers.)	863,000
	Chegutu Bulk Grain Depot (Facility will store 52,000 M/T's of maize.)	1,511,372
	Norton Bulk Grain Depot (Facility will store 48,000 M/T's of maize.)	1,000,000
	Mlezu equipment (Equipment is being used to expand enrolment to 600 students at the Mlezu Agricultural Training Institute.)	75,949
	Chibero equipment (Equipment is being used to expand enrolment from 80 to 120 students at the Chibero Agricultural College.)	100,758
	Sanyati Cotton Gin Site (Funds are being used to construct civil works for a new cotton gin in Sanyati, an area of small-holder farmers.)	1,700,000
	Vegetable production training (Funds are to run in-service horticultural training courses and to produce a comprehensive handbook.)	105,736
	SADCC drought-relief report	19,000
2. Ministry of C.D. & W.A.	Community Development Fund (Fund is to provide small grants to community activities and projects which emphasize self-reliance and improving the economic and social welfare of communities.)	1,000,000

USAID CIP 613-K-603 ALLOCATION OF LOCAL CURRENCY

<u>Implementing Ministry/Organization</u>	<u>Project Title</u>	<u>Allocation</u> Z\$
	Adult Literacy Campaign (Funds are for the production of materials and teacher training.)	2,600,000
3. Ministry of Construction	Belvedere Teachers' College (This is a 2,000 student secondary teachers training college.)	9,066,608
	Co-operative Housing (Construction of housing for staff assigned to rural areas.)	1,000,000
	Zintech National Warehouse (Construction of a warehouse to stock correspondence materials.)	60,000
	Chibero College (Funds are for the physical expansion of the college.)	500,000
	Zintech Gwanda (Construction of a primary 300-student teacher training college, including hostels and dining facilities.)	1,003,000
	Medical Stores-Bulawayo Branch (Construction of an administration wing, a manufacturing unit, and a storage and despatching wing for the Ministry of Health.)	232,000
	Field Staff Housing (50 rural staff houses were constructed for extension assistants, veterinary assistants, etc., in areas they are working.)	353,000
	3 Rural Secondary Schools (Construction)	623,000
4. Ministry of Health	Medical Assistants Training School - Gweru (These are additional funds for pre-fabricated buildings to house students at the Gweru Hospital.)	45,200

USAID CIP 613-K-603 ALLOCATION OF LOCAL CURRENCY

<u>Implementing Ministry/Organization</u>	<u>Project Title</u>	<u>Allocation</u> Z\$
	Public Service Prov. Training Centers (Construction of centers which cater for training needs of community workers and local government bodies.)	2,607,831
	Spilhaus Training Center (Expansion of the Child Spacing and Family Planning Council's Spilhaus Training Center.)	1,000,000
	Binga District Hospital Exp. (Hospital is situated in one of the less developed districts in the Northwest.)	1,000,000
5. Ministry of Housing	Kwe Kwe/Mupandawana (Low income shelter pilot project for 1200 houses, using Building Societies to offer financing.)	2,600,000
6. Ministry of Lands, Resettlement & Rural Development	Co-operative Development (Construction of pre-fabricated cooperative warehouses for storing and distribution of inputs to small-holders, and for collection and bulking of outputs from small-holders.)	4,300,000
7. Ministry of Local Govt. and Town Planning	Belvedere Voca. Tr. Center-- Land Purchase (Funds are for purchase of land on which training center will be constructed.)	135,000
8. Ministry of Manpower, Planning and Development	Secretarial Courses - Mandata Fund (Secretarial training)	218,618
9. Ministry of Natural Resources, Forestry Commission	Rural Afforestation (This covers a GOZ budgetary shortfall of their contribution to the World Bank Project.)	128,000

USAID CIP 613-K-603 ALLOCATION OF LOCAL CURRENCY

<u>Implementing Ministry/Organization</u>	<u>Project Title</u>	<u>Allocation</u> Z\$
10. Ministry of Water Resources	Various Water Programs (Funding is for emergency water supply, including the drilling of 360 wells.)	1,400,000
11. University of Zimbabwe	Peasant Farm Research (Gokwe peasant farmers have very successfully adopted cotton as a cash crop. Research is to establish reasons for success and derive policy guidelines for future activities.)	200,000
<u>Sub-Total</u>		<u>35,448,072</u>

<u>Implementing Ministry/Organization</u>	<u>Project Title</u>	<u>Allocation</u> Z\$
<b>B. RECONSTRUCTION</b>		
1. Ministry of Agriculture	Extension Assistants Training	259,375
2. Ministry of Construction	Government Buildings (Construction)	1,267,500
	Government Housing (Construction)	810
3. Ministry of Defence	Minefield Clearance (This is for recurrent costs related to clearing minefields that were laid during the war in areas that are now being populated.)	1,550,000
4. Ministry of Education	Mission Schools II (Reconstruction of mission schools.)	2,000,000
	Refugee Schools I (Continuation of funding for a school for the children of former combatants.)	1,000,000
	Private Primary Schools I (Reconstruction of private schools.)	500,000
	Mission Schools I & Msengezi	84,768
5. Ministry of Health	Council Clinics (This is the final fundings for the reconstruction of clinics started under the project 613-0201.)	42,898
6. Ministry of Lands, Resettlement & Rural Development	Irrigation (Final funding for irrigation program commenced under 613-K-602.)	102,055
7. Ministry of Local Govt. and Town Planning	Council Schools (This is new school construction. Program was started under the grants 613-K-601 and 602.)	6,000,000
----- Sub Total		----- 12,807,406 -----
TOTAL =====		48,255,478 =====