

PD-ABD-315  
ISN 74572

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**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO ZIMBABWE**

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ACTION MEMORANDUM FOR THE DIRECTOR, USAID/ZIMBABWE

**From:** Jim Harmon, PDO *[Signature]*  
**Thru:** Patricia K. Buchler, Chief, PDIS *[Signature]*  
**Subject:** Zimbabwe Business Development (613-0232) - Project Authorization

**Action Requested:** Your approval is required to authorize the Zimbabwe Business Development Project (613-0232) at a level of \$5.54 million planned to be obligated incrementally over a three year life of project (1991-1994). As discussed in the Project Paper and to be provided for in the Project Agreement, A.I.D. funding will be complemented by a host country contribution of the equivalent of approximately \$1.846 million to be made available through either cash or in-kind contributions from the GOZ and/or the Zimbabwean private sector, bringing total project resources to an estimated \$7.386 million.

**Background:** Although a number of efforts by other donors, the GOZ, and private sector are already underway in support of the private sector, there has been a lack of empirically-based, operational testing of activities in export policy reform and a void in the testing and evaluation of mechanisms for delivery of managerial and technical expertise to the targeted beneficiaries of the project. The Zimbabwe Business Development project purpose is to test the effectiveness of selected interventions in fostering private enterprise growth through facilitating local and foreign investment and broadened indigenous participation in the economy. If the purpose is achieved, at the end of the project there will be completed pilot project activities that will have established: (a) the legal and institutional regime for the GOZ and private sector to operate an Export Processing Zone (EPZ) regime, (b) whether selected interventions are suitable to facilitate profitable business relationships between large and small firms; (c) whether a number of alternative business advisory services models are a practicable, efficient means of providing technical expertise to the Zimbabwean business community.

Project components are comprised of: (1) Operational Testing activities - Export Processing Zones (EPZ), Business Linkage and Volunteer Business Advisory Services (VBAS); (2) Analytical Studies - Small/Micro-Enterprise Survey, Productive Sector Description, and Implementation Support Research, and (3) the Quick Response Fund which will provide a flexible mechanism to reprogram funds and to respond to targets of opportunity in achieving project objectives. Project interventions focus on addressing two critical constraints to private sector investment: (1) assisting the GOZ to determine the feasibility of establishing export enhancement policy reforms and incentives (EPZ component) and assisting the GOZ in establishing the policy and regulatory enabling environment for EPZ's if feasibility is demonstrated; and (2) assisting the private sector to test means of enhancing technical assistance in areas that will enable firms to take advantage of the SAP reforms (Business Linkage and VBAS components).

Project interventions were chosen for a number of reasons. In addition to addressing major constraints, they fall into areas where A.I.D. has a comparative advantage in offering assistance, i.e. implementation of policy reform under the DFA throughout Africa and the provision of management and technical expertise in Zimbabwe. Project interventions also offer the advantage of being effectively implemented through a pilot or operational testing mode by which the GOZ, private sector, A.I.D. and others will assess mechanisms to encourage private sector development in Zimbabwe. Finally, A.I.D. pilot project assistance in export policy reform and the provision of technical expertise will complement the overall donor assistance program in Zimbabwe.

A.I.D. project funds are to be obligated under a Grant Agreement to be signed by the Government of Zimbabwe and USAID/Zimbabwe. A.I.D. will enter into a number of contracts and grants with both U.S. and local institutions to implement project components. USAID/Zimbabwe will negotiate and sign a Specific Support Grant with the International Executive Service Corps. This grant will allow IESC to continue its efforts to provide expertise to the local business community and to implement several program innovations. Innovations include improvements in client tracking/program monitoring/evaluation, more effective outreach to the small business community, and an expanded volume of services to meet the expected increased demand for expertise resulting from SAP incentives for businesses to invest, grow and export. Finally, the Project will fund a USAID/Zimbabwe hired PSC project manager to assist with A.I.D. project administration and implementation.

#### Discussion:

##### (a) ECPR Concerns:

An Executive Committee Project Review of the Project Identification Document (PID) was held in A.I.D./Washington on September 28, 1990. The PID was approved for further development subject to guidance in 90 STATE 410437 (included as Annex 1.B to the Project Paper.) Each A.I.D./W concern and a description as to how ECPR issues were addressed during project design are included in Annex 2.E. of the Project Paper. A brief summary of major ECPR concerns and how they have been addressed follows.

- Sufficiency of the Project's Analytical Base - In recognition of the Mission's knowledge base, project activities have been structured as either: operational testing mechanisms to examine the effectiveness of selected interventions in improving the environment for investment; or, analytical studies designed to increase understanding of various aspects of the private sector and their relationship to increased investment and economic growth.
- Participation of Host Country Entities - The project was designed through collaboration with local business institutions such as the Confederation of Zimbabwe Industries, the Indigenous Business Development Centre, the Zimbabwe National Chamber of Commerce, as well as the Ministries of Industry and Commerce and Finance, Economic Planning and Development. The project will also utilize a local contractor to carry out Implementation Support Research studies and a local grantee to implement Business Linkage

Operational Testing in order to benefit from their knowledge of the Zimbabwean business environment. Lastly, the project will contract with a Zimbabwean to implement the project.

- Lautenberg - The project was designed in consideration of potential exports from Zimbabwe, with a view toward strict avoidance of providing support for the exportation of any commodities in competition with U.S. exports. Specific RLA review of this issue was requested and clearance given in RLA memorandum dated March 8, 1991.
- Gender Issues - A gender specialist prepared the Social Soundness Analysis and Monitoring and Evaluation Plan for the project paper and will participate in the preparation of Small/Micro-Enterprise analytical work and an EPZ feasibility study.
- Gray Amendment - A certification, cleared by the Regional Legal Advisor and signed by the Director of USAID/Zimbabwe, is included as Annex 1.E. of the Project Paper.

(b) Mission Project Executive Committee Concerns

The Mission Project Executive Committee (PEC) met on May 16, 1991 to review the final draft of the Project Paper. A summary of major concerns and how they have been addressed follows:

- Ownership - GOZ technical oversight of the project has been delegated to the Ministry of Industry and Commerce. A private sector organization such as CZI will provide logistic support and implement the operational testing phase of the Business Linkage component under a grant. The Volunteer Business Advisory Services Component will be implemented by IESC under a grant. A similar "Zimbabwe Executive Services Corps" may be developed utilizing organizations such as IESC, local NGOs or businesses, or SEDCO. The Mission will have the functional responsibility to implement analytical project components, with guidance provided by local business organizations. Results of analytical work will be disseminated to the private sector, GOZ, and other interested parties through a local business association, with the relevant data bases probably housed at that institution.
- Management - Implementation roles and responsibilities were more clearly defined and required actions to implement project components were carefully sequenced to highlight potential bottlenecks with respect to timing of events and the management workload for key personnel.
- Conditions Precedent - A second CP was included in the Project to require that EPZ Phase 2 legislation be enacted prior to the disbursement of funds under Phase 3.
- Business Linkage - Clarification was provided on how Phase 2 will be implemented and the role of the grantee implementing partner.
- Volunteer Business Advisory Services - It was decided that the paper should contain a justification for non-competitive procurement, based on IESC experience and predominant capability to provide required services in Zimbabwe.

All recommended PEC modifications were incorporated into the project paper document. No further review of the project paper was recommended. The PEC members have reviewed all documentation, including this Action Memorandum, and confirm that project activities are well conceived, that technical and financial plans are adequate to carry out the project, and that EPZ legislative action required under Phase 2 of EPZ may reasonably be anticipated in time to accomplish the purposes of the project agreement, as required by Section 611(a) of the Foreign Assistance Act.

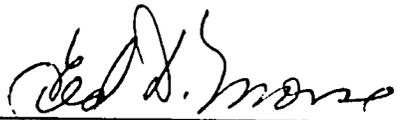
By your signature below, you are concurring with the Project Executive Committee.

Congressional Notification: The Congressional Notification was forwarded to Congress on June 25, 1991, and the waiting period will have expired at the time of signature of the Agreement.

Authority: Under Section 4 of Delegation of Authority No. 551, as amended (DOA 551), you have authority to approve and authorize projects with a total life of project funding of less than \$20 million. In accordance with 90 STATE 410437, and subject to the guidance provided therein, your authority to approve the project paper and authorize the project was confirmed.

Recommendation: That you sign this memorandum, the attached Project Data Sheet, the Gray Amendment Certification and the Project Authorization, thereby authorizing and approving the Zimbabwe Business Development Project at the life of project amount of \$5,540,000.

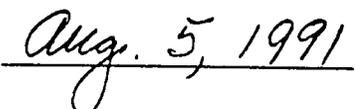
Approve:

  
\_\_\_\_\_  
Ted D. Morse, Director

Disapprove:

\_\_\_\_\_  
Ted D. Morse, Director

Date:

  
\_\_\_\_\_  
Aug. 5, 1991

**Attachments:**

1. Project Authorization
2. Project Paper and Annexes Zimbabwe Business Development Project (613-0203)