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# CONSULTANCY REPORTS

(24)

ZIMBABWE INSTITUTE OF DEVELOPMENT STUDIES

**The Economic Evaluation of  
the Swedish Commodity  
Import Support Programme  
(CIP) (1987)**

Jacob Kaliyati  
& Herbert Ndoro

# 16



P.O. Box 880 HARARE

**CONSULTANCY REPORT**

Number 16

**THE ECONOMIC EVALUATION OF THE SWEDISH  
COMMODITY IMPORT SUPPORT  
PROGRAMME (CIP)  
(1987)**

by

**Jacob Kaliyati**

and

**Herbert Ndoro (UZ)**

**ZIMBABWE INSTITUTE OF DEVELOPMENT STUDIES**

**HARARE, 1990**

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## **PREFACE**

This study was commissioned by the Ministry of Finance, Economic Planning and Development (MFEPD) and the Swedish International Development Authority (SIDA). It was undertaken by ZIDS on contract.

## **ACKNOWLEDGEMENTS**

**The authors wish to acknowledge with thanks the contributions made by all the companies which were interviewed, all the Ministries which were visited, SIDA, the CZI, the IIC and the CIC.**

**Our special thanks go to Mr Dhlembeu of MFEPD, Mr Tor Sellstrom of SIDA and all the officials in the implementing Ministries who contributed to the success of this study.**

## **EXECUTIVE SUMMARY**



## **EXECUTIVE SUMMARY**

### **Impact of the Swedish CIP on the Balance of Payments**

From the balance of payments accounting system point of view, grant CIPs have a neutral effect on the BOP balances. This is because of the netting-off effect of the debit and credit entries.

From the economic point of view, however, grant CIPs have a positive impact on the BOP. This is because grant CIPs make it possible for a country to import goods and services over and above what the country can afford without increasing its debt obligations. To this extent the Swedish CIP, which is wholly grant, has a positive effect on the BOP to the extent of the actual value of the CIP plus the interest burden that would have been incurred if the CIP were a loan facility.

### **Effects of the CIP on the Broadening and Reorienting of Zimbabwe's Trade Links with Special Reference to Diverting Trade away from South Africa**

The effect of the CIP on this particular issue can be viewed in two ways. Firstly, it leads to a widening of the sources of Zimbabwe's imports to include Swedish imports which hitherto were not being sourced from that country. The idea is that the greater the number of trading partners the greater the stability and the more competitive the trade flows. Secondly, it encourages the reorientation of Zimbabwe's imports away from South African sources to Swedish and other sources. This second aspect is in line with the Government's stated policy of endeavouring to de-link from South Africa.

With respect to the first view the CIP has managed to do this to the extent that 23 companies out of the 31 in our sample (i.e. 74%) which were not sourcing their imports from Sweden were now sourcing them from that country. This type of reorientation of trade does have its costs and benefits. Companies may reorient trade (in this case imports) simply because the Swedish private sector CIP is tied and not because of price and quality competitiveness. This issue is discussed further in the relevant section below. Among the 23 companies mentioned above are 11 companies which sourced imports from South Africa prior to the CIP.

### **Quality Competitiveness of Swedish CIP Imports**

It was generally accepted by the recipients of the Swedish CIP that the goods they were receiving were very competitive in terms of quality. Companies were asked to rate the quality of the goods as "best", "good" or "fair" where "good" would imply that comparable quality goods could be obtained elsewhere, and "fair" would imply that better quality goods could be obtained elsewhere. In our sample survey, of the 31 companies interviewed one company did not give its views on the quality of the goods imported under the CIP. Of the remaining 30 which answered, 23 (or 77% of those who answered) said the quality was the "best" whilst seven (or 23% of those who answered) said the quality was "good" (meaning that the quality was comparable with other known sources). None said the goods were of a "fair" quality (meaning that a better quality product could be obtained from other sources).

## **Price Competitiveness of Swedish CIP Imports**

Price competitiveness has two aspects to it. Firstly, the competitiveness might be judged on the absolute magnitude of the price. Secondly, competitiveness can be judged on the price relative to the quality of the goods. The latter constitutes a better way of assessing price competitiveness. There were mixed views on Swedish prices in our sample survey. The rating system adopted for assessing quality competitiveness was also used to assess price competitiveness. Fourteen of the companies interviewed (or 45% of the sample) said the Swedish prices were the "best", 11 (or 35%) said the prices were "good" whilst six companies (or 19%) said the prices were rather too high. In general, companies were of the opinion that although the prices were generally high this was counterbalanced by the good quality of the products.

## **Contribution of the CIP to Zimbabwe's Socio-Economic Development**

The contributions of the CIP to Zimbabwe's socio-economic development as mentioned in the terms of reference are in four parts, viz:

- the uplift of the rural poor;
- output and employment creation and/or maintenance;
- import substitution; and
- export earnings.

Not much can be said of import substitution and export earnings. This is because CIPs in general tend to reduce the need for import substitution, especially when the CIP is in grant form. It is like a child receiving all his financial requirements from the parents, thus reducing the need for him to look for employment or even thinking about possible income-generating activities. On the other hand, most companies in the export sector receive their import allocations through the World Bank Export Revolving Fund (ERF). Exports resulting from CIP allocations are therefore incidental.

## **The Uplift of the Rural Poor**

The whole public sector CIP is geared towards the uplift of the rural poor. The thrust of the assessment of how the CIP benefited the rural poor is on the private sector CIP. The link between the rural poor and the private sector is through the provision of goods and services to the former by the latter and the provision of wage employment by the private sector. The wages obtained in the modern sector sustain a substantial portion of the rural economy. Assessment of the private sector CIP in this regard was therefore based on these two premises. To the extent that of the 31 companies interviewed, 17 (or 55%) were providing products to the communal areas for both agricultural and non-agricultural activities the CIP can be said to have had an impact on the rural poor. Over and above this is the fact that the CIP helped to maintain and, in a few cases, increase employment. Given the above argument on wage employment in the urban sector sustaining a large part of the rural economy it means that the CIP also had an effect on the rural poor, although this is difficult to quantify.

## **Output and Employment Creation and/or Maintenance**

In the absence of restrictive retrenchment laws, to maintain or increase employment, production levels have to be maintained or increased. Our sample survey showed that 17 companies (54% of the sample) maintained previous production levels as a result of the CIP whilst eight companies (25%) increased their output. Increased output in all cases was a result of increased capacity utilisation rather than increased capacity. On employment, 24 companies (77% of sample) were helped to maintain employment, and two companies (7% of sample) actually increased employment as a result of the CIP.

## **Disbursement Problems**

Disbursement problems are revealed through erratic CIP resource utilisation and huge year-end balances. The problem arises out of a diversified range of reasons which include:

- late submission of applications for CIP funds;
- lack of a proper procurement plan;
- inadequacies in the reporting of how the CIP funds have been utilised;
- inadequacies in the supporting documents accompanying the CIP applications;
- inadequacies in the checking of whether the companies applying have any South African connections;
- inadequacies in the justification of the rural bias of the private sector CIP;
- late deliveries of the goods imported under the CIP.

All the above lead, in one way or another, to either late approval of the shopping list and/or delayed disbursements, which is reflected in large year-end balances and/or skewed CIP utilisation patterns.

## **Recommendations**

The recommendations given in Chart I below were arrived at under the assumption that for each category the stated objective is the only one to be maximised.

**CHART I  
SUMMARY OF RECOMMENDATIONS**

<b>Objective</b>	<b>Implied Policy if Objective is to be Maximised</b>
<i>Assist BOP stress</i>	Increase the resources under the CIP and continue the grant nature of the assistance
<i>Reduce trade dependence on South Africa</i>	Give priority in CIP allocations to firms normally importing from South Africa
<i>Maintain/increase employment</i>	Give priority in CIP allocations to companies with the greatest employment potential

<i>Maintain/expand productive capacity</i>	Give priority in CIP allocations to companies occupying critical positions in the production process in the economy
<i>Procure price and quality competitive goods</i>	Give priority to companies normally importing from Sweden
<i>Benefit rural poor (communal area population)</i>	Give priority to companies in the following order: <ul style="list-style-type: none"> <li>● Those located and producing in the communal areas;</li> <li>● Those producing production equipment targeted for the small farmer;</li> <li>● Those producing consumer goods which the low-income communal population buy;</li> <li>● Companies with the largest employment potential.</li> </ul>

The above objectives and their recommended policies assume that the given objective gets priority over others. There is therefore need to prioritise the objectives, which in turn implies the same prioritisation of the implied policies. On the disbursement question it is recommended that:

- when applications are invited the requirements are clearly stated so that those who don't meet the requirements don't apply and also those who apply furnish all the necessary documents.
- seminars are held with all potential participants, when deemed necessary, so as to educate them on how the CIP operates.
- SIDA and MFEPD agree on concrete definitions on some of the subjective issues like "South African connections".

Other issues raised which require specific recommendations include:

#### **Lack of a Proper Procurement Plan**

It is recommended that the Ministry of National Supplies co-ordinate the preparation of a procurement plan. In the Specific Agreement on Import Support it is stated that the plan is supposed to show the sharing of the procurement responsibilities between the parties. Zimbabwe's participation in this responsibility is highly curtailed by lack of experience. It is therefore recommended that whenever Sweden is given responsibility for procurement, Zimbabweans ought to be incorporated in the procurement team so as to gain from the Swedish experience. May 1 is also quoted as the date for submission of such a plan. Given that applications for the CIP close on March 31 each year and that Government would have to go through a process of screening, it is most likely that one calendar month is rather short for the submission of the plan. It is therefore recommended that such a plan be made available by the 30th of May rather than the 1st of May.

#### **Inadequacies in the Reporting of How the CIP Funds Have Been Utilised**

It is common knowledge that civil servants are busy people. Given that no reporting has been going on, this is likely to be a result of the above reason. It is therefore recommended that a consultant be engaged for a nominal fee to perform this duty towards the end of each allocation period.

### **Possibility of Defeating the Rural Bias of the Swedish Aid Programme**

Again here a lot of subjectivity does come into play, and the most logical thing to do is for the two responsible authorities (i.e. SIDA and MFEPD) to discuss and agree on a case-by-case basis.

### **Late Shipment of the Goods Imported**

Once the shopping list has been agreed upon, delayed shipment affects the importer in that the counterpart funds on the pro-forma invoice would be substantially different from the actual amount paid on shipping. There are two possible ways of overcoming this problem. The first is to make the Zimbabwean importer pay the counterpart funds as reflected on the pro-forma invoice (that is to say the applicable exchange rate is the one on the pro-forma invoice). The second option is that projected exchange rates are made and delays estimated, and these are used in the determination of counterpart funds.

It is recommended that forward purchasing be practised so as to curtail price increases arising from delayed shipments.

## **MAIN REPORT**

# PART I

## INTRODUCTION

### **The Terms of Reference for the Assessment of the Commodity Import Support Programme (CIP)**

The terms of reference of the study as made available to us by the Ministry of Finance, Economic Planning and Development were to:

- Ascertain to what extent the original aims and objectives as stated in the two Specific Agreements on Import Support are being fulfilled. These original aims and objectives are to:
  - strengthen the balance of payments position of Zimbabwe through the provision of free foreign currency to procure imports over and above Zimbabwe's own financial resources;
  - broaden and reorient Zimbabwe's traditional trade links and to specifically reduce its dependence on South Africa;
  - contribute to Zimbabwe's economic and social development.
- Assess the impact of the Commodity Import Support Programme in relation to employment retention, employment generation, industrial capacity and output, import substitution and export earnings.
- Assess the quality and cost-effectiveness of the goods and services procured from Sweden under the programme.
- Assess the procedures followed by the Government of Zimbabwe in the selection of companies to benefit from the Commodity Import Support Programme in relation to the set conditions and criteria which are that:

The choice of items and related services to be funded under the Commodity Import Support Programme would have to satisfy the following conditions and criteria:

- Procurement is tied to Swedish goods and related services in the case of the private sector CIP;
- Procurement from the untied portion of the programme is open to all countries except South Africa;
- Recipient companies of the items should not have South African interests;
- Items to be procured must not be for military or police use;
- Items to be procured should primarily be raw materials, intermediate goods, spare parts and replacement equipment;
- Items to be imported for both the public sector and the private sector should be for projects to benefit the rural poor and/or assist in diverting trade away from South Africa.
- Identify problems that are/were faced in the implementation of the Commodity Import Support Programme for both the private and public sectors.
- Make recommendations to the Government of Zimbabwe and SIDA on its assessment and to the improvement of the impact of the Commodity Import Support Programme in terms of its management and implementation.

### **Assessment Methodology**

The following general activities were followed in conducting the assessment:

### *Document Review*

In order to enhance our understanding of the way CIPs operate, all relevant documents made available to us by SIDA and MFEPD were thoroughly reviewed. A review of other CIP evaluations done in the past was also carried out. Of particular note is the evaluation of CIPs in general and the USA CIP in particular by Roger Riddell in 1983.

### *Interviews with Implementing Ministries*

Interviews were held with the implementing ministries with a view of getting to know their involvement in the CIP programme and the types of problems they were experiencing in its implementation. A series of meetings were also arranged with MFEPD and SIDA officials.

### *Interviews with Beneficiary Companies*

As requested by SIDA and MFEPD, interviews were held with some of the recipient companies with the aim of evaluating the impact of the CIP on these companies. To assist and hasten the interviews with the recipient companies a comprehensive questionnaire was drafted and dispatched to the companies well before the companies were visited.

### **Report Layout**

Part II of this report gives a theoretical background on which the analysis is based. Part III gives a brief historical background to the Swedish Commodity Import Support Programme. Part IV gives an analysis of the impact of the Swedish CIP on the Zimbabwean economy. The analysis is at both the micro- and macro-levels. This part therefore incorporates the findings from the company visits. Here the impact of the CIP on the balance of payments, employment, output and trade is analysed. Part V reviews the selection procedures for both the private and the public sectors. Part VI looks into the whole question of disbursement, that is, the disbursement procedure, the disbursement problems and possible solutions to the disbursement problems. Part VII gives the recommendations.



## PART II

### THEORETICAL CONSIDERATIONS

The aim of this part of the report is to provide a theoretical discussion on the various aspects pertaining to the study. The prime focus in the discussion is from the recipient country's standpoint, given the original aims and objectives of the Commodity Import Support Programme. The possibilities discussed here provide the frame of analysis which is used in the empirical assessment that follows.

The CIP is an alternative source of foreign currency to finance imports. CIPs come in different forms. Some CIPs are wholly grant, others are part grant and part loan. Given the multi-objective nature of an economy, CIPs can have benefits and/or costs on an economy. This evaluation will be done in this perspective. The thrust is to maximise the benefits as well as minimise the costs that CIPs might have on an economy. Put in this perspective, the problem to the policymaker can be regarded in its most general form as a linear programming problem exhibiting the characteristics that:

- There is a scarce resource which has alternative uses (that is, foreign exchange).
- There is a specified objective which should be maximised (minimised).
- There are conditions attaching to the use of the scarce resource to which the maximisation (minimisation) of the objective is subject.

As such, the potential benefit to the recipient country is increased in two basic ways:

- Increasing (reducing) the coefficients of the profit/benefit (cost) function.
- Relaxing the constraints (which include the amounts of the scarce resources, that is, increasing the CIP).

It should be noted that it is oftentimes the situation that it is not possible to make both the recipient and the donor country better off simultaneously. What is done by one party to increase its benefits usually results in a consequent decrease in the benefits derived by the other. It is often a zero-sum situation.

The extent of the benefits derived by the recipient country depends on four main considerations:

- The available alternatives to the CIP;
- The form in which the CIP comes;
- The conditionality relating to the use to which the CIP is put; and
- The efficiency with which the recipient country makes use of the resource.

#### The Available Alternatives to the CIPs

Riddell makes the points that:

- If the CIP allows the same level of imports into the country at a lower price and with a lower foreign exchange cost than if imports were unavailable under the CIP;
- If the recipient country was planning an *increase* in imports but alternative methods were only available at greater cost, for example foreign borrowing at commercial rates;
- If it requires additional imports but these are only available under CIP, for example because of past borrowing and debt repayments;
- In a situation where export receipts are declining in the absence of large foreign reserves, and with increased foreign borrowing . . .  
. . . then pressure on the balance of payments is building up to make cuts in the levels of imports, CIPs provide an attractive way of maintaining imports at previous levels, cutting the level of reductions or even increasing import levels.

## **The Form of the CIP**

A CIP can come as a grant, a loan, or a combination of both.

The greatest benefit can be derived if the CIP comes in the form of a grant because it increases the foreign currency available without necessarily adding on to the debt burden of the recipient country in the form of principal and interest repayments.

If the CIP is in the form of a loan, the benefit derived will be net of loan obligations. Thus, the more concessional the terms are, the greater the benefits derived from it.

## **The Conditions Determining the Use of the CIP**

In general, it can be said that the greater the conditionalities attaching to the use to which the CIP is to be put, the less the benefits that can be derived by the recipient country. Conditions come in various forms and levels of strictness:

- It is usual for most donor countries to stipulate that the goods imported under the CIP come from the donor country. However, some do not specify this for the entire amount of the CIP. So to the extent that the CIP funds are not "tied" to procurement from the donor country, the potential benefit is greater.
- Some CIP agreements not only insist on procurement from the donor country, but also specify the type of goods to be imported. To the extent that the recipient country might have preferred to import some other type of commodity, the benefits are decreased.
- The third and rather unusual type of tying involves the donor country stipulating how and where the counterpart funds generated are to be used. To the extent that the recipient country is not flexible in the use of the counterpart funds, the benefits accruing from the use of the CIP are thus reduced.

## **The Policies Applied in the Utilisation of the CIP by the Recipient Country**

As we indicated in the conceptualisation of the problem faced by the recipient country as a linear programming one, it is possible to relax the restrictive conditions that govern the use of the CIP and hence increase the benefits that can be derived from the CIP.

For the recipient country to make the best use of the CIP funds, a "*gestalt*" view of the CIP is required. The CIP should not be treated as a separate, isolated fund, but rather, as an *addition to the foreign currency available to the national fiscus*. If the recipient country was planning to use funds generated through normal channels (i.e. untied foreign exchange) to source from the donor country imports which are equal to or greater than the amount under the CIP (tied funds) it means that, potentially, the untied forex has been increased by the amount of the CIP. The reason is that by substituting the forex from normal channels (untied) which was going to be used to import goods from the donor country by the CIP funds (tied), an amount equal to the CIP fund has been released to the general, normal channel forex pool.

This fungibility character of CIP funds can be used to relax the restrictions pertaining to donor country specific procurement and commodity specific procurement. This would make procurement more competitive.

**The two conditions necessary and sufficient for the recipient country to derive maximum benefit from the CIP implied above are:**

- **A system should be in place in the recipient country to allocate CIP funds to firms or government departments "normally" importing from the donor country and releasing the forex gained to the general forex pool.**
- **The planned imports with funds from normal channels (non-CIP) should exceed or equal the amount of the CIP fund.**

**The fungibility principle can also be applied in relaxing the conditionality on the use of counterpart funds.**

**An inherent danger in CIPs is their tendency, if wrongly utilised, to discourage industrialisation in the recipient country. If a CIP is used to import commodities which are or could be produced in the country, local industry consequently suffers because of a reduction in potential demand. The CIP in this case acts as a device for switching sourcing from local suppliers to external sources. The potential retarding effect is greater if the CIP is in the form of a grant.**

**In that case, the temptation to both policymakers, programme administrators and beneficiary organisations to treat the CIP funds as a "free" resource is greater, increasing the chances that the goods imported may actually be available from local industry. The long-term effect is to retard potential import substitution.**

## **PART III**

### **A BRIEF BACKGROUND TO SWEDISH AID IN GENERAL AND THE COMMODITY IMPORT SUPPORT PROGRAMME IN PARTICULAR**

Swedish aid is subdivided into two categories:

- The Sector Support Programme; and
- The Balance of Payments Support Programme.

#### **The Sector Support Programme (SSP)**

This programme is aimed at uplifting the living standards of the rural population. The whole programme is administered by Government ministries. The beneficiaries to date have been the Ministry of Health, the Ministry of Education, and the Ministry of the Public Service. The Ministry of Transport is going to be involved as from 1st July, 1987 with projects on rural transport. This programme, however, is not part of this evaluation.

#### **The Balance of Payments Support Programme**

This type of assistance is aimed at alleviating the country's balance of payments position. At the international level this assistance is given to countries with acute balance of payments problems. The size of the assistance is in line with the balance of payments situation in any given country.

The Balance of Payments Support Programme is subdivided into two major components:

- Personnel and Consultancy, and
- The Commodity Import Support Programme (CIP)

The Personnel and Consultancy component is intended to alleviate shortages in skilled manpower and to provide funding for consultancy work, especially where this involves Swedish-funded projects. This programme alleviates the balance of payments positions in both the short and long term to the extent that the aid is in grant form.

It also helps in the smooth running of projects in the Sector Support Programme in that it removes skilled manpower bottlenecks.

The Commodity Import Support Programme (CIP) is in two forms, namely, the public sector CIP and the private sector CIP. Although in most projects in the SSP provision is made for imported equipment and other requirements it was found necessary to introduce the public sector CIP to import certain goods either in short supply or unavailable locally in order to hasten project execution.

The private sector CIP was introduced in the 1982/83 allocation period on a trial basis. To date no formalisation of this CIP has been made. The prime objective of this CIP is to maintain production and employment levels, diversify trade away from South Africa, and where possible increase the productive capacity in the economy. Like in all other Swedish aid programmes priority is given to CIPs with a rural bias. This is made possible through the provision of free foreign currency for the procurement of goods and services from Sweden. By the end of the 1985/86 allocation period a total of SEK 129 718 000 (Z\$19 310 000) had been allocated for the public and private sector CIPs. Of this amount

about 28% was for the private sector CIP. Table 1 below summarises CIP allocations and disbursements for the period 1981/82 to 1985/86.

**Table 1**  
**ALLOCATIONS AND DISBURSEMENTS OF CIP FUNDS FOR THE ALLOCATION PERIOD**  
**1981/82-1985/86 (All figures in 000s)**

Year	Category of CIP	Allocations	Reallocation	Balance from previous period	Totals Fund Available	Disbursement	Year End Balance
1981/82	Public	(1 212) (1)	—	—	(1 212)	—	(1 212)
	Private	—	—	—	—	—	—
1982/83	Public	(2 424)	(1 479)	(1 212)	(5 115)	(2 480)	(2 635)
		20 000	12 200	10 000	42 200	20 463	21 737
	Private	—	—	—	—	—	—
1983/84	Public	(1 829)	—	(2 651)	(4 480)	(3 143)	(1 337)
		15 000		21 737	36 737	35 773	10 964
	Private	(1 220)	—	—	(1 220)	(1 220) —	—
		10 000			10 000	10 000	
1984/85	Public	(2 400)	—	(1 754)	(4 154)	4 274	(— 120)
		15 000		10 964	25 964	26 713	— 749
	Private	(1 600)	—	—	(1 600)	(1 446)	(154)
		10 000			10 000	9 035	965
1985/86	Public	(2 857)	(1 432)	(— 143)	(4 146)	(4 439)	(— 293)
		15 000	7 518	— 749	21 769	23 305	— 1 536 (2)
	Private	(1 905)	(952)	(184)	(3 041)	(3 041)	—
		10 000	5 000	965	15 965	15 965	
TOTAL	Private &	(15 447)	(3 863)	—	(19 310)	(20 043)	(— 733)
	Public	105 000	24 718		129 718	131 254	— 1 536 (2)

Source: Figures supplied by SIDA and MFEPD

Notes: 1. The figures in brackets are the Zimbabwean dollars equivalent of the figures not in brackets, which are Swedish kroners.

2. The difference between the two figures is because of differences in the exchange rates used for year end balances and that used for balances brought forward from previous allocation periods.

Both the public and private sector CIPs are subject to the conditions laid down in the selection criteria outlined in the terms of reference. All private sector CIPs are tied, that is to say procurement ought to be of goods of Swedish origin with at least 50% Swedish content. Part of the public sector CIP is, however, untied in the sense that imports can be from any other country with the exception of South Africa. The whole public sector CIP can be untied if the Government so requests provided the imports are from other developing countries especially if these countries are within the region.

The CIPs alleviate the balance of payments position insofar as they allow the country to import goods and services over and above what could have otherwise been imported through the use of foreign exchange generated from normal channels.

Problems on the operation of the CIP programme and their recommended solutions are dealt with in subsequent sections of this report.

## PART IV

### THE IMPACT OF THE SWEDISH CIP ON THE ZIMBABWEAN ECONOMY

In attempting to assess the impact which the Swedish CIP has had on the Zimbabwean economy the analysis is going to be based on both the macro- and micro-levels. This is because of the fact that some of the answers to the tasks posed in the terms of reference are best found, not at the macro-level, but at the micro-level. Table 2 shows that the Swedish CIP averaged about 0,5% of total imports into Zimbabwe over the evaluation period. Given that total imports constituted about 20% of GDP, attempting to trace the impact of the Swedish CIP programme at the macro-level is bound to be rather speculative. Because of the relative size of the CIP to the economy as a whole, and the "noise" level in the aggregate data collected in published statistics, the macro-economic effects of the CIP (which it definitely has) are difficult to bring out at the aggregate level.

**Table 2**  
**A COMPARISON OF THE SWEDISH IMPORT SUPPORT WITH SOME MACRO VARIABLES,**  
**1983-1985 (Z\$000)**

Year	Imports			Total CIP Aid to Zimbabwe			Swedish CIP as a % of Total Imports	Swedish CIP as a % of Imports from	Swedish CIP as a % of Grant CIP Aid	Swedish CIP as a % of Total CIP Aid
	Swedish CIP	Into Zimbabwe	From Sweden	Grants	"Soft" Loans	Total				
1983/84	5 700	1 061 600	8 490	38 000	40 500	78 500	0,54	67,1	15,00	7,26
1984/85	5 754	1 200	700	16 626	81 400	44 300	125 700	0,48	34,6	7,074,58
1985/86	7 187	1 446 500	16 015	73 100	19 100	92 200	0,50	44,9	9,83	7,80

Source: C.S.O. Publications, SIDA supplied material, Ministry of Finance

Notes: Figures relating to the CIP and Aid flows refer to disbursed funds, not committed funds, for the respective period.

An analysis of the impact of the Swedish CIP at a macro-level is likely to give misleading conclusions since a number of other factors are also at play. To demonstrate this point, it is quite possible that as the Swedish CIP is increasing, real GDP is also increasing. At the macro-level of analysis it is possible in such a situation to conclude that an x% increase in the Swedish CIP led to a y% increase in GDP, employment or whatever. The increase in GDP, however, might or might not have been a result of just the increase in the CIP. This is not to dismiss an analysis of the CIP at the macro-level, but simply a word of caution as to how to interpret the conclusions drawn from such an analysis. The micro-level analysis is therefore aimed at supplementing the macro-level analysis, because at that level, the cause-and-effect relationships are more direct and apparent.

The analyses of the impact on the Zimbabwean economy of the Swedish CIP presented in this report are those which are of a direct nature. Interdependence within the economy would mean that an increase in the output and/or employment in one sector would also

ANNEX 1 CONTINUED

RESULTS OF THE MICRO-ECONOMIC SURVEY

COMPANY	1	1	30	1	31	1
SOURCE OF GOODS BEFORE CIP	1 SWEDEN	1		1	X	1
	1 DEVELOPED	1		1		1
	1 COUNTRIES	1		1		1
	1 DEVELOPING	1		1		1
	1 COUNTRIES	1		1		1
	1 SOUTH AFRICA	1	X	1		1
QUALITY COMPET- ITIVENESS	1	1		1		1
	1 BEST	1		1	X	1
	1 GOOD	1	X	1		1
	1 FAIR	1		1		1
	1 BETTER SOURCES	1	N/S	1		1
	1	1		1		1
PRICE COMPET- ITIVENESS	1 BEST	1	X(25.1)	1	X	1
	1 GOOD	1		1		1
	1 FAIR	1		1		1
	1 BETTER SOURCES	1	(25.2)	1		1
	1 OTHER COMMENTS	1		1		1
	1	1		1		1
EFFECT ON PRODUCTION	1 INCREASED	1		1		1
	1	1		1		1
	1 MAINTAINED	1	X	1	X	1
	1	1		1		1
	1 OTHER COMMENT	1		1		1
EFFECT ON EMPLOYMENT	1 INCREASED	1		1		1
	1	1		1		1
	1 MAINTAINED	1	X	1	X	1
	1	1		1		1
	1 OTHER COMMENT	1		1		1
PRODUCT END-USER	1	1		1		1
	1	2		1	X	1
	1	3		1		1
	1 MINING SECTOR	1		1	X	1
	1 MANUFACTURING	1	X(25.3)	1	X	1
	1 PUBLIC SECTOR	1		1		1

NOTE TO ANNEX I

- (1.1) FRG  
(1.2) FRG, AUSTRALIA (PRICES 50% LOWER  
(2.1) FRG  
(2.2) STILL BEING ASSESSED  
(2.3) THE GENERAL PUBLIC  
(3.1) PRICES ARE SLIGHTLY HIGHER THAN ELSEWHERE  
(3.2) ALL THOSE IN NEED OF MEDICAL TISSUES  
(4.1) ALL HOUSEHOLDS  
(6.1) NO PREVIOUS SOURCES BECAUSE IT IS THE FIRST  
TIME IN THE BUSINESS  
(6.2) INDIA AND HOLLAND  
(6.3) CAPACITY UTILISATION INCREASED TO 40%  
(6.4) TEXTILE INDUSTRIES  
(7.1) FRANCE, THE UK, AND THE FRG  
(7.2) ALL THOSE WHO USE MATCHES  
(8.1) THE UK, ITALY, AND SWITZERLAND  
(9.1) THE FRG  
(9.2) TAIWAN  
(9.3) FOR SOME IMPORTS  
(9.4) HAD LITTLE EFFECT ON EMPLOYMENT  
(9.5) ALL SECTORS USING TELECOMMUNICATION  
(10.1) ALL SECTORS  
(11.1) REDUCED THE EXTENT TO WHICH OUTPUT WOULD  
HAVE DROPPED  
(11.2) NATIONAL RAILWAYS OF ZIMBABWE, THE CMED, AND  
THE DDF  
(12.1) FOR END-USERS  
(12.2) GYSER MANUFACTURERS AND PLUMBERS  
(13.1) SOUTH AFRICA, EGYPT, AND ROMANIA  
(13.3) THE BUILDING INDUSTRY  
(15.1) AUSTRALIA, THE U.K., AND THE FRG  
(15.2) THE HIGH PRICES ARE HATCHED BY THE HIGH  
QUALITY  
(16.1) THE UK  
(16.2) PASSBOOKS FOR THE POSB AND BUILDING  
SOCIETIES, AIR ZIMBABWE, THE MINISTRY OF  
EDUCATION, AND CAPS (PHARMACEUTICALS)
- (17.1) HOUSEHOLDS  
(18.1) INCREASED SALES (MERCHANTS)  
(21.1) ITALY AND SOUTH AFRICA  
(22.1) PRODUCTION INCREASED IN END-USERS  
(22.2) EMPLOYMENT INCREASED IN END-USERS  
(23.1) THE U.K. AND SOUTH AFRICA  
(23.2) PRODUCTION INCREASED BY 3%  
(24.1) SWEDISH PRICES ARE 50% HIGHER THAN ELSEWHERE  
(24.2) THE FRG AND ITALY  
(25.1) BEST PRICES ON EURO-MARKETS  
(25.2) SOUTH AFRICA AND SOUTH AMERICA  
(25.3) BOTTLERS  
(26.1) SOUTH AFRICA  
(26.2) FORESTRY  
(29.1) EUROPE  
(29.2) JAPAN  
(29.3) INCREASED SALES  
(30.1) JAPAN, THE FRG, AND HOLLAND  
(30.2) HOLLAND AND THE FRG  
(31.1) THE FRG AND THE USA  
(31.2) MEAT PROCESSORS, BUTCHERS, AND FURNITURE  
MAKERS  
(N/S) NOT STATED
- NOTE: ON PRODUCT END-USERS 1,2,3, REFER TO RURAL  
AREAS, COMMERCIAL AGRICULTURE, AND RURAL  
AGRICULTURE RESPECTIVELY.



result in an increase in other sectors. This development constitutes the secondary effects of a CIP. These secondary effects are, however, difficult to assess.

### **The Effects of the CIP on the Balance of Payments**

The importance of balance of payments support has been amply underscored in the *Socio-economic Review 1980-1985*. It states that:

Over the years, the balance of payments has tended to be a focal issue with regard to the management of the Zimbabwe economy, because of its link with economic growth performance. This arises from the heavy dependence of production, particularly of the manufacturing sector; which is the largest contributor to GDP, on imports of material inputs and machinery and equipment. Economic performance is therefore largely dependent on the availability of foreign exchange.

To have an appreciation of the role that the Swedish CIP has had on the balance of payments situation, it is necessary to understand the economic context in which this assistance is given.

The basic premise for CIP assistance is that the current import requirements of a country are greater than what the country is currently financially able to import. The difference between the import requirements as expressed by the importers and the actual imports possible from the allocation of foreign exchange from the normal channels is the gap that the CIP is intended to fill.

The best indicator of the foreign exchange crisis/shortfall in the national economy would be the difference between the sum of all the applications for foreign exchange from both the private and public sectors in a given period and the total actual allocations in the same period. The evaluation team did not succeed in obtaining the former figure because, according to the source questioned, no such global figures summarising the demand for foreign exchange from companies are compiled.

An examination of other data, however, gives an approximation of this foreign currency gap. Table 3 below shows the deviation between the projected import requirements of the Transitional National Development Plan and the actual levels of imports achieved in those years.

**Table 3**  
**ZIMBABWE'S IMPORT REQUIREMENTS AS PROJECTED IN TNDP vs ACTUAL IMPORTS (1982-85)**

<b>Year</b>	<b>Projected Imports As Per 5-Year Development Plan (Z\$000)</b>	<b>Actual levels of Imports(Z\$000)</b>	<b>Gap</b>
1982	1 219	1 081,8	138
1983	1 624	1 061,6	562,4
1984	2 111	1 200,7	910,3
1985	2 314	1 446,5	867,5

Table 3 not only shows that the actual level of imports for each of the years cited fell short of the import requirements of the Plan, but that overall the gap increased by more than six times in absolute terms over the four-year period.

An examination of the foreign exchange allocations through the normal channels to the private sector since 1981 indicates the severity of the decline in the foreign currency available to the Zimbabwean economy. Table 4 below shows a falling trend in the foreign exchange made available to the private sector during the period 1981 to 1984. The year 1985, however, experienced an increase of 8,8% over the 1984 figure. In the first half of 1987, the foreign currency allocation to the private sector was cut by about 15% overall compared to the same period in 1986.

**Table 4**  
**IMPORT ALLOCATIONS TO THE PRIVATE SECTOR (1980-1985)**

Year (Z\$m)	Commercial Imports (Z\$m)	Industrial Imports (Z\$m)	Commercial & Industrial Imports (Z\$m)	Total Imports Allocation (Z\$m)
1980	155,6	216,1	371,7	746,0
1981	183,2	251,8	435,0	854,0
1982	135,8	195,2	331,0	730,6
1983	111,8	169,3	281,1	729,3
1984	74,9	138,4	213,3	707,9
1985	66,5	159,7	226,2	770,0

  

Year-on-Year Increases (%)				
1980	—	—	—	—
1981	+ 17,7	+ 16,5	+ 17,0	+ 14,5
1982	— 25,9	— 22,5	— 23,9	— 14,4
1983	— 17,7	— 13,3	— 15,1	0,0
1984	— 33,0	— 18,3	— 24,1	— ,9
1985	— 11,2	+ 15,4	+ 6,0	+ 8,8

  

Increases Over the 1981 Level (%)				
1980	— 15,1	— 14,2	— 14,6	— 12,6
1982	0,0	0,0	0,0	0,0
1983	— 25,9	— 22,5	— 23,9	— 14,4
1984	— 39,0	— 32,8	— 35,4	— 14,6
1985	— 59,1	— 45,0	— 51,0	— 17,1
1986	— 63,7	— 36,6	— 48,0	— 9,8

Source: Actual allocations were obtained from the *Socio-Economic Review of Zimbabwe 1980-1985* - Ministry of Finance, Economic Planning and Development, Harare, 1986.

Since these amounts are at current prices the real value of the decline is much greater because of rising import prices and the depreciation of the Zimbabwe dollar. In these circumstances, CIP funds, which supplement the available foreign exchange, alleviate the severity of the impact of the reductions in the available foreign currency on the economy. As discussed above, a major determinant of the attractiveness or otherwise of CIP funding depends on the alternatives available and their comparative costs. The prospects of an increase in export earnings large enough to meet Zimbabwe's development plan targets in the immediate to medium-term future are not bright given the low world market prices for most of Zimbabwe's export products and the effects of the 1986/87 drought. These considerations reinforce the critical nature of the CIP as a means of BOP support.

The ability of the country to raise commercial loans on relatively inexpensive terms has been gradually curtailed since 1981. To finance the current account deficit Zimbabwe has borrowed on commercial terms with a third of the loans being of a short-term nature. Interest payments in respect of external debt have risen substantially since 1982. Thus, in 1985 the debt service ratio had climbed to 32% compared to about 15% in 1981.

This debt position of the country suggests that any additional commercial debt is bound to be on harder and more expensive terms.

Again these difficulties associated with financing imports by borrowing externally indicate the important role that the CIP has played and can continue to play, if forthcoming in the future, in alleviating the Zimbabwe BOP situation. Tracing the effects of an individual CIP on the balance of payments accounts requires an understanding of the way CIP allocations are recorded in the BOP accounts. Entries are only made when disbursement takes place and not when the CIP funds are allocated for use in a given period.

If the CIP is in the form of an outright grant, such as the Swedish CIP, when the goods are imported, they appear as debits (negative entries) in the goods and services section of the accounts under merchandise imports (f.o.b. or f.o.r.) while the freight and allied charges feature as a deficit in the "invisibles" account. A positive entry (which acts as a contra entry), equal to the whole amount of the CIP, is made under unrequited Transfers Official. The overall effect, then, of a grant CIP on the current account of the balance of payments is neutral. Thus, given that the Swedish CIP is entirely of a grant nature, it increases imports without committing the country to future outflows of foreign currency.

In contrast, if the CIP is in the form of a loan then the short-term effect on the overall balance will be neutral (though negative on the current account and positive on the capital account).

The long-term effect of a CIP loan is to lead to a net outflow of funds made up of the principal and accumulated interest repayments. Thus, the total impact on the BOP of a CIP loan, just as an ordinary loan would have, is negative to the magnitude of the interest charges in the long run. The CIP loan adds to the deficit in the current account and the capital account. In light of this, the Swedish CIP has had positive effects on the BOP of Zimbabwe. The country did not have to borrow an amount of money equal to the CIP either in the form of a CIP loan or an outright commercial loan. Having not borrowed such an amount the BOP escaped the negative effects which would have resulted from the external loan finance.

Quantification of the extent of the implicit relief on the BOP would require assuming the loan terms applicable (that is, interest rate; grace period, if any; repayment period; etc.) and imputing an amount equal to the CIP grant in each allocation period. This, however, would be too speculative to yield any useful results.

### **Effects of the CIP on Employment and Production**

To appreciate the importance of imports in maintaining or increasing employment and production in the Zimbabwean manufacturing sector, it is necessary to understand the structural changes that have occurred within it over the last 20 years. In the face of economic sanctions, the UDI government pursued an active policy of import substitution industrialisation which resulted in a drop in the percentage of imports in relation to the GDP from about 34% to 20-25%. This decline in the dependence of the economy on imports, however, was more apparent than real. This is because while the share of imports in the GDP fell with the substitution of imports of consumer goods by local production,

the imports of raw materials, intermediate goods and capital equipment used in production rose sharply. Table 5 shows the changing structure of imports in the 15 years between 1964 and 1979.

**Table 5**  
**COMPOSITION OF IMPORTS BY VALUE IN 1964 AND 1979**

	1964	1979
	%	%
Consumer Goods	22	10
Intermediate Goods	59	79
Capital Goods	19	18
<b>TOTAL</b>	<b>100</b>	<b>100</b>

The result was that although the strategy had led to the rapid growth of the manufacturing sector during the first half of the 1970s it resulted in the industry being heavily dependent on imports for its raw materials, intermediate inputs and capital equipment requirements. So, paradoxically, the structural changes which have taken place in the economy have actually led to an economy, in terms of production and employment, which is heavily import dependent. In a situation of balance of payments crisis, therefore, the effects of a reduction in imports of the necessary inputs and equipment are transmitted to the economy in terms of substantial falls in production and employment.

### **A Macro- and Micro-Evaluation of the Impact of the CIP on Production and Employment**

It is rather simplistic to merely relate imports to either GDP or employment. This is because growth in GDP is influenced by a number of factors and not just imports. An analysis based on this rather naive relationship gave a figure of Z\$1 worth of imports leading to a growth in GDP of Z\$4,5, implying a multiplier effect of 4,5. This was based on calculating the ratio of imports to GDP at market prices for the years 1980 to 1984 and obtaining an average. On a theoretical level it would mean that if one were to convert the disbursed amounts into Zimbabwean dollars and multiply by a factor of 4,5 this would give a rough estimate of the extent to which GDP increased in absolute terms as a result of the CIP. On this premise, using an import/GDP ratio of 1 to 4,5 and adjusting the value of the CIP downwards by a factor of 20% to obtain the f.o.b. values then GDP should have increased by Z\$20 million in 1985 and Z\$27 million in 1986.

Based on similar calculations, the Transitional National Development Plan indicated that an increase of Z\$1 million in imports of consumer goods would create 14 jobs; a Z\$1 million increase in imports intermediate goods would lead to the creation of 68 new jobs; and an increase of the same amount for capital equipment would create 19 jobs. To the extent that the CIP is an addition to national imports it would follow that the CIP increased employment. The argument for an increase in imports works equally well for a decrease in imports. To the extent that the CIP helped maintain the import level it would follow that the CIP helped to maintain both output and employment.

Table 6 below gives the private sector CIP broken down by type of imports.

**Table 6**  
**PRIVATE SECTOR CIP BY PRODUCT TYPE**

	1985/86 (000s) SEK	1986/87 (000s) SEK	1985/86 (% of Total)	1986/87 (% of Total)
Raw Materials	3 287,1	4 948,0	21,6	35,9
Intermediate Goods	1 262,0	6 555,0	8,3	43,9
Spare Parts	7 623,5	1 795,0	50,1	12,0
Replacement Equipment	2 186,5	726,0	14,4	4,9
Other*	864,5	505,0	5,7	3,4
<b>TOTAL</b>	<b>15 223,6</b>	<b>14 948,0</b>	<b>100,1</b>	<b>100,1</b>

\*Other includes products like forklift tyres, laboratory glass, gas hand tools, tissue paper, wrenches, spanners, pliers, ballpoint pen ink, high-pressure pumps, etc, which could not be classified as raw materials, intermediate goods, spare parts or replacement equipment.

Source: Derived from data provided by SIDA.

Table 6 shows that in 1985/86 the imports consisted mainly of spare parts and replacement equipment, and in 1986/87 they were mainly of raw materials and intermediate goods. Given the above arguments on job creation and the type of import, it would follow that the CIP should have led to a higher level of employment creation or retention in the 1986/87 period compared to 1985/86.

Given the flimsy character of the arguments postulated above on output and employment at the macro-level, the impact of the CIP on output and employment was attacked from the micro-level of analysis. A sample of 31 companies which had received aid through the CIP were interviewed. The selection of the companies was based on the stratification of the population by product type and by size of money allocated. A questionnaire was dispatched to the companies selected prior to the interview date. The questionnaire aimed to get information on:

- the sourcing of the goods now obtained under the CIP prior to the CIP;
- the price and quality competitiveness of Sweden as a source of the goods obtained under the CIP;
- the effect of the CIP on production and employment within the company; and
- the end-users of the products imported under the CIP.

The responses obtained in the survey are summarised in Annex 1.

Given the brief on the sample survey above, the analysis of individual responses is given in their respective subsections. In this subsection only responses pertaining to output and employment are going to be analysed.

Companies were asked to indicate whether receiving the CIP funding increased or maintained output and/or employment levels in their respective companies. Most of the companies found it difficult to give a definite answer to the question on employment. This is because of labour regulations which do not allow indiscriminate retrenchment. Companies do not therefore plan for retrenchment until all possibilities for the maintenance of employment levels have been explored and proved impossible to the satisfaction of the Minister of Labour, Manpower Planning and Social Welfare. It was therefore difficult for companies to say exactly by how much the CIP helped to maintain employment levels since to them employment is a fixed variable in their planning exercise. By the same token, companies are reluctant to increase labour for a slight increase in, say, foreign currency allocation, because once employed it would be difficult to dismiss such

labour. The second problem which made it difficult to assess the impact of the CIP on employment and production was the fact that CIP allocations are not guaranteed and are therefore difficult to plan for. If anything, CIPs in general are viewed as a windfall gain in foreign currency for the reason given above. One manufacturing company actually said that CIPs are incorporated in their plan after the allocation has been officialised, and that the time it takes for the goods to arrive is long enough for them to carefully plan for their production and employment.

Given the abovementioned problems an attempt was, however, made to get to know the impact of the CIP on output and employment at the micro-level by asking the companies whether:

- their production levels would have fallen if they had not received the CIP allocation;
- they increased their production as a result of the CIP allocation;
- the company would have considered retrenching labour (if it was freely allowed to do so) in the absence of the CIP allocation; and
- whether the company actually increased its labour as a result of the CIP allocation.

Seventeen companies (54% of the sample) said they were assisted by the CIP to either maintain previous levels of production or to minimise the extent to which production would have dropped. Eight companies (25%) said their production increased. In almost all cases increases in production were not a result of increases in the production capacities but merely increases in capacity utilisation. One company said its capacity utilisation increased from 25% to 40% as a result of the CIP whilst two other companies said their production levels increased by 20% and 3% respectively. Some companies are undoubtedly traders. The effect of the CIP to them was mainly increased business as reflected in increased sales. In these cases it was difficult for such companies to answer questions on effects on production and employment. The impact of the CIP in such cases and indeed in other manufacturing companies was to be felt in end-user companies which were not covered by this assessment. Two companies mentioned that the effect of the CIP was to increase employment and production in the end-user companies.

On the impact of the CIP on employment, 24 companies (77% of the sample) said that the CIP helped to maintain employment whilst two (or 7% of the sample) increased employment. One of them had an employment figure of five in 1982 and it claims that because of the CIP the figure now stands at 47. Two companies said the increase in employment was in end-user companies. Generally speaking, the CIP has helped in the maintenance of employment and production although the actual extent cannot be quantified given the fact that the need to cut down on employment and production did not finally arise because of the availability of CIP resources.

### **Price and Quality Competitiveness of the Swedish Goods Imported Under the CIP**

Companies were asked to rate Swedish imports as best, good, or fair in terms of quality. Fair would indicate that there is a better source in terms of quality, and good would imply that other sources are equally good. For this reason companies were asked to indicate the better sources in the case of good and fair being their responses. The same rating procedure was used for price competitiveness.

Twenty-three of the companies (or 74% of the sample) said the commodities they were getting from Sweden were the best in terms of quality, whilst seven (or 23%) said the quality was good. No company in the sample said the goods were below average (fair). It seemed

every company (at least in the sample) was satisfied with the quality of the Swedish goods it was receiving under the CIP.

Fourteen companies (or 45%) said the Swedish prices for the goods they were importing under the CIP programme were the best prices, 11 (or 35%) said the prices were good although the same goods could be obtained elsewhere at a slightly cheaper price. Six companies (19%) said the prices were rather too high. Two companies actually said they were paying 50% more than if they had sourced the goods from elsewhere. Some companies which rated the prices as good or best acknowledged that the Swedish prices in general were slightly higher than elsewhere, but this was matched by the quality of the products.

Some of the reasons given for the high prices by the six companies mentioned above included:

- the fact that Sweden is a very-far-away source compared to other sources;
- allegations that some local Swedish companies want to dominate the local market. To effect this, a Swedish company with a subsidiary company locally refuses to sell to companies other than its subsidiary, thus forcing other local companies in the same trade to purchase from the subsidiary which in turn puts a mark-up on the landed cost;
- a rather unusual reason to the effect that some allocations are made to dubious importers (usually emergent businessmen) who then become unregistered merchants who sell to those in need of the imported products at profits of up to 65%. (This piece of information was, however, not backed by substantive evidence.)

### **Product End-Users**

In our questionnaire to the companies was a question on product end-users. Given that Swedish aid is primarily aimed at improving the socio-economic status of the rural poor, we were interested to know whether or not the private sector CIP was in actual fact benefiting the rural poor. The end-user categories were rural areas, commercial agriculture, rural agriculture, mining, the manufacturing sector and the public sector.

Some problems were experienced here since some products could be used by any individual irrespective of whether he is in the rural areas or not. This category of products included matches, medicinal products, paper products including books, telephone equipment, detergents, transport, etc. Most of the companies, however, were providing inputs into the manufacturing sector, the mining sector, the construction sector, the commercial agriculture sector and the public sector. Although it would appear as if most of the assistance going to the private sector is benefiting the modern sector in one way or another the rural population does benefit, albeit indirectly, from that kind of assistance.

The major ways in which the rural population benefits from the private sector CIP are through employment and the provision of goods and services. The major portion of the rural economy in Zimbabwe is supported by the working population in the modern sector. This is so because of the concept of extended families and the fact that the rural areas were neglected by previous regimes so much so that incomes generated in the rural areas are normally inadequate. The extended family concept is simply a way of life whereby a family incorporates not only one's immediate family but also everyone one is related to. The betterment of one member of the family is extended to the other members of the family in one way or another. The more employed people there are in a family the better the economic position of that family and the less the burden per family member. In this light, to the extent that the CIP helps to maintain and/or create employment in the modern sector,

the CIP is helping rural households. The extent to which the various households are better-off depends, of course, on the wage packet. This would, of course, depend on the Government policy and the individual company policy on wages.

An inspection of the type of products imported under the CIP would not reveal the effect the CIP is likely to have on the rural poor. Even for the few imports which could be considered to be consumer goods, there is no indication that they are exclusively for the rural market. Twelve of the companies in the sample (39%) said that the end-user of their output is ultimately the communal area population. This does not mean that the communal area population is the sole user of a given product.

Thirteen companies (or 42%) said the end-users of their products were the commercial farmers, five companies (or 13%) said the end-user of their product was the rural agricultural sector, 13 companies (or 42%) said it was the mining sector. Seventeen companies (or 55%) said it was the manufacturing sector, whilst 14 companies (45%) said the end-user of their products was the public sector.

Again, like employment, the exact extent to which the rural population is the end-user is difficult to quantify. This is because of the interlinkages within the economy, which may be direct or indirect. Thus, for example, increased output in the textile industry might have an impact on the communal area cotton growers, and an increase in the availability of spares and equipment to the District Development Fund would lead to the development of better infrastructure for the rural population, etc. All these secondary effects are difficult to quantify.

In conclusion, however, while not able to pick up all the effects of the private sector CIP on the communal area population, it can be said on the evidence of the sample, that the CIP had a *positive* impact in *absolute* terms on the communal area farmers. But, two related questions remain to be answered:

- In relative terms, which sector — the modern sector or communal area sector — benefited more? That is, did the CIP deepen or reduce the gap between the living standards of the two groups?
- Is it possible to target the private sector CIP more on the disadvantaged communal areas?

It is not possible to come to a conclusive answer on the first question. The second shall be addressed in the recommendations.

### **The Question of Reduction of Dependence on South Africa**

The economic links between South Africa and Zimbabwe are historical and these links were reinforced during the UDI period (1965-1979) when the then Rhodesia was virtually a fifth province of South Africa. The links were not only through ownership structures but also through trade and management structures.

The Swedish CIP addresses itself to the South African question in two ways. Firstly, the Swedish CIP is not supposed to be granted to companies with South African connections. Secondly, the CIP is aimed at diverting trade away from South Africa. These two objectives, although closely interlinked, present different problems in the implementation of the CIP.



### *Swedish Aid and the South African Connection Question*

This is a difficult issue to deal with. The question is: What are South African connections? Is it defined by ownership? If it is, what is the cut-off point in terms of the maximum percentage of stock that may be in South African hands?

Companies would be said to have connections (other than trade) with a given country in four ways; namely: licensing, trademarks, management contracts and ownership.

The extent to which a company is said to have connections with a given country differs, and this depends on which of the above four criteria is dominant. There is no doubt that ownership is the most predominant factor in terms of connections. Next would be management contracts. To complete the spectrum one would have to take into consideration the licensing and trademark arrangements. The Ministry of Trade and Commerce, which is responsible for determining South African connections, uses ownership and management (directorships) as the variables to determine the connection. The team did not succeed in getting from the Ministry of Trade and Commerce the cut-off points as mentioned earlier on. It was, however, pointed out that this exercise was carried out on an *ad hoc* basis.

### *The Question of Diverting Trade Away From South Africa*

It is the Government's explicit objective to "de-link" in all spheres with South Africa. It is also a stated condition by the Swedish authorities that Swedish aid should aim at diverting trade away from South Africa. The issue of the diversion of trade away from South Africa is a major strand in the reduction of Zimbabwe's dependence on South Africa.

The foreign currency allocation system also has a loophole in this respect. To illustrate this, let us suppose that a company was receiving \$100 in foreign currency through the normal channel, which it used to import \$80 worth of goods from South Africa and \$20 worth of goods from other sources. If its allocation is cut by 15% it would then get \$85 through the normal allocation. If the company receives \$15 through the CIP then the total foreign currency allocated to the company is still \$100. The amount can still be used to import \$80 worth of goods from South Africa, \$15 worth of goods from Sweden, and \$5 worth of goods from other sources. The CIP would not have led to a reduction in trade with South Africa in this case. To the extent that the CIP will have opened new sources (i.e. Sweden) which may not have been previously explored might lead to a permanent re-sourcing of imports in the long run.

In our sample survey of the beneficiary companies, 11 (35% of the sample) sourced the products they are now getting on the Swedish CIP from South Africa prior to the CIP. Ten companies (or 32%) were already getting the goods from Sweden, 12 companies (39%) were getting the goods from other developed countries. Three companies (or 10%) did not specify where they were sourcing the goods prior to the CIP. If *the prime objective* was to divert trade away from South Africa, then the allocation system was not efficient enough to achieve this because 65% of the assisted companies were not sourcing the imports they are now getting on the Swedish CIP from South Africa before the CIP anyway. The dilemma here is that most of the companies importing goods from South Africa have South African connections and hence they do not qualify for CIP assistance.

## **PART V**

### **SELECTION OF BENEFICIARIES TO THE CIP**

#### **Procedures Followed in the Selection of Companies to Benefit from the Private Sector CIP**

The whole process begins when SIDA and the Ministry of Finance, Economic Planning and Development formally agree and sign the legal framework for the CIP and the amount to be made available in a given allocation period.

The Ministry of Trade and Commerce is then advised on the amount made available in the CIP and asked to invite companies to apply for an allocation on the amount made available. The announcements are made through the Press, the CZI and the ZNCC. The announcements are supposed to be made on the 1st of March and applications are expected to be submitted by the 31st of March in each allocation period.

This is to give enough time for any necessary clarifications before the final list of beneficiaries is approved by SIDA by the 1st of July.

The applications pass through the Industrial Import Control (IIC) if they are of a raw material nature and through the Commercial Import Control (CIC) if they are of goods other than those of a raw material nature. These two bodies check whether:

- the applicants are recognised importers;
- the necessary documentation has accompanied the applications;
- the importer has any South African connection.

After these initial checks the applications are submitted to the Ministry of Trade and Commerce for their information and records. Those applications which are of a commercial nature remain with the Ministry of Trade and Commerce whilst those which are of an industrial nature are sent to the Ministry of Industry and Technology for further assessment.

The assessment procedure at this level takes into consideration:

- the strategic nature of the goods to be imported, and in this respect inputs into the capital goods sector, industrial chemicals and paper are given priority;
- the extent to which a given company has met part of its foreign currency needs through other foreign currency allocation channels;
- the employment generation and/or retention potential of the goods to be imported;
- the foreign currency generation and/or retention potential of the recipient industries; and
- whether or not the applying company has any South African connections. (This is the responsibility of the Ministry of Trade and Commerce.)

After the two ministries have streamlined the companies in accordance with the above criteria and in line with the conditions set by the Swedish authorities (as set out in the terms of reference) the applications are submitted to the Joint Allocation Committee (JAC) for approval. The JAC comprises:

- The Ministry of Trade and Commerce, which chairs the committee;
- The Ministry of Finance, Economic Planning and Development;
- The Ministry of Industry and Technology;
- The Industrial Import Control;
- The Commercial Import Control;
- The Ministry of Agriculture; and whenever necessary/possible)

- The Ministry of Mines.

The JAC reserves the right to question the decisions made on the applications up to this point. In most cases, however, the JAC approves the list of companies, which is then sent to the Minister of Trade and Commerce for his approval. On approval, the list of companies is sent to the Ministry of Finance, Economic Planning and Development for onward transmission to SIDA after the former has satisfied itself that the applications are in order in terms of documentation and the fulfilment of the conditions set out in the Specific Agreements. On receipt of the list SIDA satisfies itself that all the conditions agreed on in the Specific Agreements are met. It is only then that the recipient companies are notified of the success or failure of their applications and the amounts allocated.

### **Procedures Followed in the Selection of the Public Sector CIP Beneficiaries**

Upon agreement of the CIP amounts by SIDA and MFEPD, user ministries and parastatals are advised of the CIP and invited to submit their bids. The bids should include the name of the product to be imported and a justification for importing such a product. The bids are scrutinised by MFEPD and the requirements, as put forward by the user ministries and parastatals, are prioritised by MFEPD in close liaison with the Ministry of National Supplies. An inter-ministerial meeting is then called to discuss the list of products to be imported under the CIP. The final list of products is agreed upon by SIDA and MFEPD. The use of the CIP is also bound by the conditions set out in the Specific Agreements (Part I of this report). Priority is given to imports which:

- facilitate the execution of projects under the Sector Support Programme;
- uplift the conditions of the rural areas;
- enhance regional co-operation;
- lead to a reduction on the dependency on South Africa.

The actual procurement of the goods is done by SIDA's Procurement Division where the goods are of a specialised nature. Where this is not the case, the Government Purchasing Authority would perform this function. This is the ultimate goal for all procurement under the CIP. Given that the Government Purchasing Authority is a new phenomenon, the Authority's function as a procurement agent is not fully fledged at this point in time.

## **PART VI**

### **DISBURSEMENT**

#### **Private Sector CIP Disbursements**

Zimbabwean importers identify Swedish suppliers of the required goods and obtain pro-forma invoices for the required consignment. The buyers approach Zimbank for letters of credit to be opened via P.K. Banken in favour of the suppliers. For non-Zimbank importers guarantees are required (for the Zimbabwe dollar equivalent of the goods to be imported) from their respective banks. In turn, Zimbank gives MFEPD a blanket guarantee for the whole amount of the private sector CIP.

The Swedish exporters are paid on presentation of the shipping documents to P.K. Banken. The payment of the Zimbabwe dollar equivalent (the counterpart funds) is made on receipt of the shipping documents. The applicable exchange rate is that pertaining to the date of shipment.

#### **Public Sector CIP Disbursements**

For the tied portion of the public sector CIP, payment is done directly by SIDA to the Swedish exporter concerned. For the untied portion SIDA pays the exporter (not necessarily Swedish) via a commercial bank.

#### **Disbursement Problems**

The disbursement problem is revealed in two ways:

- large year-end balances which are carried forward into the next allocation period (see Table 1);
- uneven distribution of the utilisation of CIP funds. The disbursement problem is a problem in various ways which include:
  - the fact that large year-end balances indicate that the amounts allocated for the CIP are probably in excess of requirements, making it difficult to push for increases in CIP allocations;
  - a skewed distribution of the utilisation of the CIP and the large balances at the end of an allocation period indicate fundamental problems in the running of the CIP programme.

To fully appreciate the causes and possible solutions to the problem, different views from the various parties to the CIP programme were obtained. The views so obtained are summarised below:

#### *Late Submissions of Applications for CIP Funds*

Late submissions of applications for CIP funds lead to late processing of applications, which in turn means that CIP funds cannot be utilised as soon as they are made available. This

would explain the skewed nature of the utilisation rate of the CIP funds and possibly the large year-end balances.

#### *Lack of a Proper Procurement Plan*

Article VI of the *Specific Agreement on Import Support* dated 24th May 1985 states that:

Before the beginning of each financial year Zimbabwe shall furnish Sweden with a proposal of a procurement plan. Such a plan shall for each item indicate type of goods, quality, estimated costs including freight, area of utilisation and procurement procedure (showing the distribution of the procurement responsibility between the parties).

The procurement plan is to be submitted by May 1 of each period. This procedure seems not to have been strictly adhered to, leading to delays in the disbursement process.

#### *Inadequacies in the Reporting of How the CIP Funds Have Been Utilised*

In the *Agreement on Development Co-operation* dated June 1982, Article V (2) states that:

Without prejudice to the provisions of any Specific Agreement, Zimbabwe shall as soon as possible after the end of the period covered by this Agreement, submit to Sweden a report regarding the use of the resources made available under this Agreement. As regards resources for import financing made available as set forth in Article III:1 above, the report shall include for each item procured by Zimbabwe information on cost and supplier.

Similar sentiments were again expressed in Article VII (1) of the *Agreement on Development Co-operation* dated May 1985 where it is stated that:

Unless the parties otherwise agree, Zimbabwe shall no later than October 1 each year furnish Sweden with a report about the goods and auxiliary services received during the preceding financial year. The report shall comprise information on type of goods, supplier, price, time of arrival and receiver.

It is the understanding of the evaluation team that lack of such reports would lead to delayed disbursements of funds. The lack of the reports is echoed in a letter to MFEPD from SIDA dated 27th October, 1986 where it is pointed out that:

SIDA never has received such a report from MFEPD, whether on the public or the private sector import support.

This has tended to put SIDA in an awkward position whereby it attempts to fight for increases in the Zimbabwean CIP but without a detailed explanation/report on how the previously allocated funds have been utilised. It was also understood by the evaluation team that SIDA strictly requires a full account of how the previously allocated funds were utilised before more funds are disbursed.

#### *Lack of Adequate Documentation*

Inadequate supporting documents accompanying applications for CIP funds lead to a delay in the disbursement process. The lack of adequate supporting documents seems to emanate from ignorance on the part of the recipients as to what documents are required. This in turn points to a problem of dissemination of information.

### *The Question of South African Connections*

The problem here arises from the fact that there are no set criteria of what constitutes South African connections. Currently, the Ministry of Trade and Commerce uses ownership structures and directorships as criteria to determine South African connections.

Two questions need to be raised in this regard:

- Where do we draw the line; and
- Are the criteria used universally accepted by all the parties concerned?

This burning question of South African connections has led to delays in the approval of certain applications pending further enquiries. Again, this has led to delays in the disbursement process with all the consequences that go with it, as described earlier on.

### *Possibility of Defeating the Rural Bias of the Swedish Aid Programme*

As stated earlier on, one of the aims of Swedish aid to Zimbabwe is to uplift the living standards of the disadvantaged rural population. This is almost always the case with development co-operation (that is, Sector Support Programme) and the public sector CIP, but with the private sector CIP this link is not so obvious. Assistance to the private sector is likely to deepen the modern/rural sectors dichotomy. The argument here is that assistance to the private sector would be contrary to the broad objectives of Swedish aid if the above is the case. The need to ascertain that the products imported under the private sector CIP do not further disadvantage the rural poor has, at times, caused disbursement problems.

As at present the viability of the rural economy to a large extent depends on wage employment in the modern sector. From this point of view it would follow that assistance to the modern sector in an indirect way has an impact on the rural poor. Apart from this is the fact that most of the manufactured goods consumed by the rural population come from the modern sector. Cuts in output in the modern sector (especially in industries producing the basic commodities) will affect the rural areas as much as they affect the urban areas.

### *Late Shipment of Goods Imported*

Late shipment of the imported goods contributes to the disbursement problem in that:

- the pro-forma invoices are obtained well before shipment;
- bank guarantees are obtained based on the amounts on the pro-forma invoices, and the current exchange rate;
- the actual amounts of the counterpart funds are based on the exchange rate prevailing on the day the goods are shipped.

Delays in shipment under these conditions only lead to the actual amounts of the counterpart funds being more than the amounts guaranteed by the bank. In some cases this has led to importers being unable to fully utilise the allocated amounts. Delays in shipment have also led to large year-end balances if shipment is effected in the next allocation period. This would be so because allocation is made in one period whilst disbursement takes place in the next period.

The other consequence of late deliveries is changing prices, which would mean that a higher amount would have to be paid on the shipment of the goods. If the price hike is high this might lead to the importer being unable to cover the counterpart funds.

## PART VII

### RECOMMENDATIONS

The recommendations are classified into two categories for analytical purposes:

- Enhancing the effectiveness with which the objectives of the CIP are achieved.
- Increasing the efficiency of the administrative/procedural structures by which the CIP is disbursed.

The ultimate aim is, however, the same, i.e. derivation of the maximum benefit from the CIP for the recipient country.

#### Enhancing the Effectiveness of the CIP

By "effectiveness" we refer to the success of the CIP in *adequately targeting the stated objectives of the programme*. The Swedish CIP is a multi-objective programme. Table 7 summarises the major objectives of the programme and briefly indicates the basic policy prescription that is implied in terms of the handling of the CIP resources if that specific objective is given priority above the rest. This presentation points out to the potential clash of objectives that may emerge and the need to prioritise the goals in a systematic manner. However, it should be noted that not all objectives are necessarily in conflict; some are mutually supportive.

Each of the objectives and the implied policies shall now be discussed, referring to the contradictions where they exist and thus highlighting the need to make deliberate decisions as to priority objectives.

#### Assisting the Balance of Payments Position

As discussed above, since the Swedish CIP is in grant form, the economic effects of the CIP on the BOP position are positive. The continuing decline of foreign exchange available from normal channels has led to a widening of the gap between the import needs and the import capabilities of the country. In these circumstances of a crisis the evaluation team makes the case for a substantial increase in the resources available under the Swedish CIP.

Table 7

#### SUMMARY OF SWEDISH CIP OBJECTIVES AND RECOMMENDED POLICY PRESCRIPTIONS

Objective	Implied Policy if Objective is to be Maximised
1. <i>Assist BOP stress</i>	Increase the resources under the CIP and continue the grant nature of the assistance.
2. <i>Reduce trade dependence on South Africa</i>	Give priority in CIP allocations to firms normally importing from South Africa
3. <i>Maintain/increase employment</i>	Give priority in CIP allocations to companies with the greatest employment potential

4. *Maintain/expand productive capacity*

Give priority in CIP allocations to companies occupying critical positions in the production process in the economy.

5. *Procure price and quality competitive goods*

Give priority to companies normally importing from Sweden

6. *Benefit rural/poor (communal area population)*

Give priority to companies in the following order:

- Those located and producing in the communal areas;
- Those producing production equipment targeted for the small farmer;
- Those producing consumer goods which the low-income communal population buy;
- Companies with the largest employment potential.

### **Reduction of Trade Dependence on South Africa**

A necessary condition to the switching of imports sourcing from South Africa to elsewhere is that the company should have been intending to import from South Africa in the period in which the CIP funds are allocated. As a result of the allocation, Swedish imports are substituted for South African imports. In any period, the companies most likely to intend to import from South Africa are those which normally import from that country. Thus, to reduce trade dependence on South Africa most effectively it is necessary to *first identify the companies which rely heavily for their inputs on South Africa*. It is this set of companies, then, which are given priority in the allocations.

### **Maintaining or Increasing Employment**

Employment generation or maintenance is not uniform across the entire manufacturing sector. It varies among the sub-sectors depending mainly on the capital-labour ratios found in each. If critical raw materials, intermediate inputs and spare parts are normally imported, a given reduction in the imports is bound to have a differential impact on employment depending on the labour-intensity of the production process in a given sub-sector. The types of imports procured under the CIP are mostly raw materials, intermediate goods and spare parts.

On this premise, it would seem necessary, if the major objective is to maximise the employment impact of CIP funds, to rank industrial sub-sectors by *direct* employment capacity as well as, as far as possible, *indirect* employment implications. An indication of the approximate *direct* employment capacities of the 11 manufacturing sub-sectors in Zimbabwe is given by the labour/output ratios in Table 8 below. The table ranks the sub-sectors in terms of their labour intensities.

Depending on which broad industrial sub-sector an applicant company is located, one can begin to make judgments as to the potential employment creation/retention effects of the supply of foreign exchange to procure inputs. More detailed analysis and ranking at lower sub-sectoral levels would yield a better guide as to which companies to give allocations if job-creation or job-retention is the predominant objective. However, it should be emphasised that this criterion is a crude one because it leaves out the *indirect, inter-sectoral* effects which may be more important in some cases than the direct effects. Such effects



could be captured by an adequately detailed input-output analysis. However, it is a moot point whether the 33-sector input-output model that currently is in use in Zimbabwe could register the effects of a Commodity Import Support Programme such as the Swedish CIP. Given time and resources the evaluation team would like to perform such an analysis.

### Maintain/Expand Productive Capacity and Output

As was discussed above, there is a fairly strong degree of correlation between output and employment. However, some companies, while not contributing significantly to employment, could be producing goods of a capital and/or intermediate goods nature thus critical to the maintenance or enhancement of the productive capacity of the economy. Such key industries ought to be identified and targeted in the CIP disbursement. Their *downstream* effects, both in terms of output and employment, should be assessed.

### Procurement of Price and Quality Competitive Goods

Allocative efficiency in terms of the use of the CIP is increased if the goods imported are obtained at the lowest price, given that the quality is adequate. To the extent that the goods procured are price competitive, the impact of the CIP is greater in real terms and the pressure on the BOP should be less. Given that the CIP to the private sector is tied to the purchase of goods from Sweden, and assuming availability of information on prices and quality of commodities in Sweden to companies in Zimbabwe, the priority in allocating CIP funds should be given to companies normally importing from Sweden. These are the companies which would have imported from Sweden, anyhow, with foreign exchange from the common foreign pool. In their unbiased assessment, Sweden would be the most economic source of such products.

**Table 8**  
**RANKING OF MANUFACTURING SUB-SECTORS BY LABOUR-INTENSITY OF OUTPUT**

Sector	Employment (L)	Gross Output (Q) (Z\$'000)	L/Q	Rank
Wood and Furniture	12 914	93 964	0,1374	1
Clothing and Footwear	21 879	211 259	0,1036	2
Other (inc. Leather Products)	3 411	37 195	0,0917	3
Non-Metallic Products	7 818	94 361	0,0829	4
Textiles (inc. Ginning)	20 789	302 415	0,0687	5
Metals & Metal Products	42 237	639 137	0,0661	6
Paper, Printing & Publishing	9 445	163 489	0,0578	7
Drink & Tobacco	13 206	229 831	0,0575	8
Transport Equipment	5 245	93 836	0,0559	9
Foodstuffs	26 334	788 273	0,0334	10
Chemical & Petroleum Products	12 945	395 246	0,0328	11

Source: *The Manufacturing Sector in Zimbabwe 1982* (UNIDO).

Notes: The ranking of labour intensity is in descending order.

## **Benefit to the Rural Poor**

The objectives of the CIP specifically identify the rural poor as the socio-economic group within the country to whom most of the benefits are supposed to accrue.

The socio-economic group loosely defined as the "rural poor" consists of the majority of people (not all) who reside in the communal areas and a relatively small, but significant population who are employed as labourers on private commercial farms. Historically, most of the disadvantaged are at the bottom of the economic ladder. It is important therefore that the award of the CIP to the private sector should not increase the imbalance that already exists, but rather, the CIP should help to bridge the gap.

A number of specific ways of prioritising the recipient companies of the CIP in order to maximise the benefits to the rural poor present themselves.

The companies to receive the CIP aid should be prioritised in the following manner:

- The first preference should be given to companies which have the most intensive number of linkages with the rural economy, both backwards and forwards. Those companies which have *geographically located their manufacturing activities* in the communal areas would tend to have a very direct impact on the rural economy. This is in line with the Government's policy of industrial decentralisation. In this light, the CIP could be used as *one* of the incentives/facilitating factors for the companies which plan to set up industries in the growth points. The increased probability that they will acquire the necessary foreign exchange by setting up a rural-based industrial concern would go some way to increase the chances that the investment will actually be made. In the foreign exchange predicament that Zimbabwe finds itself in, targeting the CIP on rural-based manufacturers would ease a serious bottleneck. In this regard, emergent businessmen who want to get into *industrial* production should be consulted through bodies like SEDCO.
- The second priority should be given to those companies which produce goods which enhance the productive capacity of the communal area farmers. The idea is that companies which produce equipment or goods which strengthen the productive capacity of the peasant farmer are more critical than those which produce consumer goods. The potential impact on the communal area incomes is greater if productive capacity is reinforced.
- Following on from the point raised above, those companies which produce basic consumer goods which are (also) bought by the low-income communal area population should be assisted next.
- The question of the urban-rural nexus in terms of income transfers has been alluded to. In view of that, it follows that a significant way of assisting the rural poor is by maintaining or expanding urban wage employment, which is one of the major objectives of the Swedish CIP (see Page 30).

## **The Potential Contradictions that Exist in the Objectives**

An assessment of the objectives that the Swedish Commodity Import Support Programme attempts to achieve shows that to simultaneously maximise *all* objectives is not possible. The maximisation of one aim implies some sacrifice with respect to some other goal. The rules of thumb that the study has generated with respect to maximising each objective will in most cases identify different sets of companies.

For example, maximising the employment impact of the CIP implies giving priority to companies with the greatest employment potential. These companies might, however, not normally be importing from South Africa. The CIP would then have minimal effect on reducing Zimbabwe's trade dependence on South Africa.

Awarding CIP funds with the aim of raising the living standards of the rural poor could also result in the CIP having less forceful effect on the other objectives.

What this analysis brings out is the need for policymakers *to indicate the prioritisation of the objectives in a clear, unambiguous way such that the programme implementers would make allocation decisions in a consistent, systematic manner, fully aware of the trade-offs being made*. At present, it does not seem there is an allocation system in place that places weights on the different objectives of the programme. Decisions seem to be made in an *ad hoc* fashion.

### **Recommendations on Disbursement**

Recommendations in this area are aimed at alleviating the disbursement problem. To do this the issues raised in Part VI of this study are going to be dealt with one by one. The evaluation team was led to believe that the disbursement problems were high on the agenda and that some of them had been partially resolved. The team, however, felt it necessary to give recommendations on how the disbursement problems might be resolved.

#### *Late Submissions of Applications for CIP Funds*

Late submissions are normally caused by:

- improperly documented applications resulting from ignorance on the part of the applicants on what is required.
- inadequate checks on applications at the various levels leading to some applications being investigated further before resubmission.

It is therefore recommended that when applications are invited, the requirements are clearly indicated, and that seminars are held to educate potential participants to the CIP programme on procedural issues. It is also recommended that the two responsible authorities (i.e. SIDA and MFEPD) reach an agreement on subjective issues like what precisely is meant by "South African connections", etc.

#### *Lack of a Proper Procurement Plan*

It is recommended that the Ministry of National Supplies co-ordinate the preparation of a procurement plan. In the Specific Agreement on Import Support it is stated that the plan is supposed to show the sharing of the procurement responsibilities between the parties. Zimbabwe's participation in this responsibility is highly curtailed by lack of experience. It is therefore recommended that whenever Sweden is given responsibility for procurement, Zimbabweans ought to be incorporated in the procurement team so as to gain from the Swedish experience. May 1 is also quoted as the date for submission of such a plan. Given that applications for CIP close on March 31 each year and that Government would have to go through a process of screening, it is most likely that one calendar month is rather short for the submission of the plan. It is therefore recommended that such a plan be made available by the 30th of May rather than the 1st of May.

*Inadequacies in the Reporting of How the CIP Funds Have Been Utilised*

It is common knowledge that civil servants are busy people. Given that no reporting has been going on, this is likely to be a result of the above reason. It is therefore recommended that a consultant be engaged for a nominal fee to perform this duty towards the end of each allocation period.

*Possibility of Defeating the Rural Bias of the Swedish Aid Programme*

Again, here a lot of subjectivity does come into play, and the most logical thing to do is for the two responsible authorities (i.e. SIDA and MFEPD) to discuss and agree on a case-by-case basis.

*Late Shipment of the Goods Imported*

Once the shopping list has been agreed upon, delayed shipment affects the importer in that the counterpart funds on the pro-forma invoice would be substantially different from the actual amount paid on shipping. There are two possible ways of overcoming this problem. The first is to make the Zimbabwean importer pay the counterpart funds as reflected on the pro-forma invoice (that is to say, the applicable exchange rate is the one on the pro-forma invoice). The second option is that projected exchange rates are made and delays estimated, and these are used in the determination of counterpart funds.

It is recommended that forward purchasing be practised so as to curtail price increases arising from delayed shipments.

## **APPENDICES**

## NOTES TO ANNEX 1

- (1.1) The FRG
- (1.2) The FRG, Austria (prices 50% lower)
- (2.1) The FRG
- (2.2) Still being assessed
- (2.3) The general public
- (3.1) Prices are generally higher than elsewhere
- (3.2) All those in need of medical tissues
- (4.1) All households
- (6.1) No previous source because it is the first time in the kind of business
- (6.2) India and Holland
- (6.3) Capacity utilisation increased by 40%
- (6.4) Textile Industries
- (7.1) France, the UK, and the FRG
- (7.2) All those who use matches
- (8.1) The UK, Italy, and Switzerland
- (9.1) The FRG
- (9.2) Taiwan
- (9.3) For some imports
- (9.4) Had little effect on employment
- (9.5) All sectors using telecommunications
- (10.1) All sectors
- (11.1) It helped to reduce the extent to which output would have dropped
- (11.2) The National Railways of Zimbabwe, the Government's Central Mechanical Equipment Department (CMED), and the District Development Fund (DDF)
- (12.1) For end-users
- (12.2) Geysers manufacturers and plumbers
- (13.1) South Africa, Egypt, and Romania
- (13.3) The building industry
- (15.1) Australia, the UK, and the FRG
- (15.2) The high prices were matched by the high quality
- (16.1) The UK
- (16.2) Passbooks for the Post Office Savings Bank and Building Societies, Air Zimbabwe, the Ministry of Education, and CAPS  
( a pharmaceutical company)
- (17.1) Households
- (18.1) Increased sales (these were merchants)
- (21.1) Italy, and South Africa
- (22.1) Production increased in end-user companies
- (22.2) Employment increased in end-user companies
- (23.1) The UK, and South Africa

- (23.2) Production increased by 3%**
- (24.1) Swedish prices are 50% higher than elsewhere**
- (24.2) The FRG and Italy**
- (25.1) The Swedish prices are the best only on the Euro-markets**
- (25.2) South Africa and South America**
- ((25.3) Bottling Companies**
- (26.1) South Africa**
- (26.2) The Forestry Commission**
- (29.1) Europe ,**
- (29.2) Japan**
- (29.3) Increased sales**
- (30.1) Japan, the FRG and Holland**
- (30.2) Holland and the FRG**
- (31.1) The FRG and the USA**
- (31.2) Meat processors, butchers and furniture makers**
- (NS) Not Stated**

## **ANNEX 2**

### **List of Companies Interviewed**

1. GEC (Zimbabwe) (Pvt) Ltd
2. CAPS (Pvt) Ltd
3. CNC Laboratories
4. DAB Marketing (Pvt) Ltd
5. Bestobell (Zimbabwe) Ltd
6. Tinto Industries
7. Lion Matches
8. Twine and Cordage
9. Ericsson
10. Baldwin Steel (Pvt) Ltd
11. Willowvale Motor Industries
12. Non-Ferrous Metal Products
13. Crittall-Hope
14. Atlas COPCO
15. Bearing and Equipment (Pvt) Ltd
16. A.W. Bardwell
17. Colgate-Palmolive
18. Zimbabwe Publishing House
19. Lab Suppliers
20. John W. Searcy
21. More Wear Industries
22. Hubert Davies
23. Cernol
24. Randalls Plastics
25. Mardon Printers
26. Blackwood Hodge
27. G. North and Sons
28. Sandvik (Pvt) Ltd
29. Drury Wickman (CA) Ltd
30. Field Technical Sales (Pvt) Ltd

### **List of Ministries Visited**

1. Ministry of Finance, Economic Planning and Development
2. Ministry of Trade and Commerce
3. Ministry of Health
4. Ministry of Education



5. **Ministry of Public Construction and National Housing**
6. **Ministry of Industry and Technology**
7. **Ministry of Labour, Manpower Planning and Social Welfare**

**Other institutions Visited or Interviewed**

1. **SIDA - Harare**
2. **The Confederation of Zimbabwe Industries (CZI)**
3. **The Industrial Import Control (IIC)**
4. **The Commercial Import Control (CIC)**

ANNEX 1

RESULTS OF THE MICRO-ECONOMIC SURVEY

COMPANY	1	1	1	1	2	1	3	1	4	1	5	1	6	1
SOURCE OF GOODS BEFORE CIP	1 SWEDEN	1		1		1	1		X	1		1		1
	1 DEVELOPED	1		1	X(2.1)	1	1		1	1		1		1
	1 COUNTRIES	1		1		1	1		1	1		1	X(6.1)	1
	1 DEVELOPING	1	X(1.1)	1		1	1		1	1		1		1
	1 COUNTRIES	1		1		1	1		1	1		1		1
1 SOUTH AFRICA	1		1		1	1		1	1	X	1		1	
QUALITY COMPET- ETIVENESS	1 BEST	1		1		1	1		1	1		1		1
	1 GOOD	1	X	1		1	1		X	1	X	1	X	1
	1 FAIR	1		1	X(2.2)	1	1		1	1		1		1
	1 BETTER SOURCES	1		1		1	1		1	1		1		1
	1	1		1		1	1		1	1		1		1
PRICE COMPET- ETIVENESS	1 BEST	1		1		1	1		1	1	X	1	X(1985)	1
	1 GOOD	1		1		1	X(		X	1	1	1	1	1
	1 FAIR	1	X	1	X	1	1		1	1	1	1	X(1986)	1
	1 BETTER SOURCES	1	X(1.2)	1	FRG	1	n		1	1	1	1	(6.2)	1
	1 OTHER COMMENTS	1		1		1	1		1	1	1	1	1	1
1	1		1		1	1		1	1	1	1	1	1	
EFFECT ON PRODUCTION	1 INCREASED	1		1		1	1		1	1	X	1	X(6.3)	1
	1 MAINTAINED	1	X	1	X	1	1		X	1	1	1	1	1
	1	1		1		1	1		1	1	1	1	1	1
	1 OTHER COMMENT	1		1		1	1		1	1	1	1	1	1
EFFECT ON EMPLOYMENT	1 INCREASED	1		1		1	1		1	1	1	1	1	1
	1 MAINTAINED	1	X	1	X	1	1		X	1	X	1	X	1
	1	1		1		1	1		1	1	1	1	1	1
	1 OTHER COMMENT	1		1		1	1		1	1	1	1	1	1
PRODUCT END-USER	1 1	1		1		1	1		1	1	1	1	X(6.4)	1
	1 2	1	X	1		1	1		1	1	1	1	1	1
	1 3	1		1	(2.3)	1	1		1	1	1	1	1	1
	1 MINING SECTOR	1	X	1		1	(3		(4.1)	1	X	1	1	1
	1 MANUFACTURING	1	X	1		1	1		1	1	1	1	1	1
1 PUBLIC SECTOR	1		1		1	1		1	1	1	1	1	1	



ANNEX 1 CONTINUED

RESULTS OF THE MICRO-ECONOMIC SURVEY

COMPANY	1	1	13	1	14	1	15	1	16	1	17	1	18	1
SOURCE OF GOODS BEFORE CIP	1 SWEDEN	1		1	X	1		1		1	X	1	X	1
	1 DEVELOPED	1		1		1	X(15.1)	1	X(16.1)	1		1		1
	1 COUNTRIES	1		1		1		1		1		1		1
	1 DEVELOPING	1		1		1		1		1		1		1
	1 COUNTRIES	1		1		1		1		1		1		1
1 SOUTH AFRICA	1	X	1		1	X	1	X	1		1		1	
QUALITY COMPET- ITIVENESS	1 BEST	1	X	1	X	1	X	1		1	X	1	X	1
	1 GOOD	1		1		1		1	N/S	1		1		1
	1 FAIR	1		1		1		1		1		1		1
	1 BETTER SOURCES	1		1		1		1		1		1		1
	1	1		1		1		1		1		1		1
PRICE COMPET- ITIVENESS	1 BEST	1		1	X	1	X(15.2)	1		1	X	1	X	1
	1 GOOD	1		1		1		1	X	1		1		1
	1 FAIR	1	X	1		1		1		1		1		1
	1 BETTER SOURCES	1	(13.1)	1		1		1		1		1		1
	1 OTHER COMMENTS	1		1		1		1		1		1		1
1	1		1		1		1		1		1		1	
EFFECT ON PRODUCTION	1 INCREASED	1	X(13.2)	1	X	1		1		1		1		1
	1	1		1		1		1		1		1		1
	1 MAINTAINED	1		1		1	N/S	1	X	1	X	1	(18.1)	1
	1	1		1		1		1		1		1		1
1 OTHER COMMENT	1		1		1		1		1		1		1	
EFFECT ON EMPLOYMENT	1 INCREASED	1		1		1		1		1		1		1
	1	1		1		1		1		1		1		1
	1 MAINTAINED	1	X	1	X	1	N/S	1	X	1	X	1	X	1
	1	1		1		1		1		1		1		1
1 OTHER COMMENT	1		1		1		1		1		1		1	
PRODUCT END-USER	1 1	1		1		1		1		1		1		1
	1 2	1		1		1	X	1		1		1	X	1
	1 3	1		1		1		1		1		1		1
	1 MINING SECTOR	1	(13.3)	1	X	1	X	1	(16.2)	1	(17.1)	1	X	1
	1 MANUFACTURING	1		1	X	1	X	1		1		1	X	1
1 PUBLIC SECTOR	1		1	X	1	X	1		1		1	X	1	

ANNEX 1 CONTINUED

RESULTS OF THE MICRO-ECONOMIC SURVEY

COMPANY	1	1	19	1	20	1	21	1	22	1	23	1	24
SOURCE OF GOODS BEFORE CIP	1 SWEDEN	1		1		1		1		1		1	
	1 DEVELOPED	1	N/S	1	X(FRG)	1		1		1		1	
	1 COUNTRIES	1		1		1		1		1	N/S	1	
	1 DEVELOPING	1		1		1		1	N/S	1		1	X
	1 COUNTRIES	1		1		1		1		1		1	
	1 SOUTH AFRICA	1		1		1	X	1		1		1	
QUALITY COMPET- ITIVENESS	1 BEST	1	X	1		1	X	1	X	1		1	
	1 GOOD	1		1	X	1		1		1	X	1	X
	1 FAIR	1		1		1		1		1		1	
	1 BETTER SOURCES	1		1	FRG	1		1		1	(23.1)	1	N/S
	1	1		1		1		1		1		1	
PRICE COMPET- ITIVENESS	1 BEST	1		1		1		1	X	1		1	
	1 GOOD	1	X	1	X	1	X	1		1	X	1	X
	1 FAIR	1		1		1		1		1		1	(24.1)
	1 BETTER SOURCES	1	N/S	1	FRG	1	(21.1)	1		1	N/S	1	(24.2)
	1 OTHER COMMENTS	1		1		1		1		1		1	
	1		1		1		1		1		1		
EFFECT ON PRODUCTION	1 INCREASED	1		1		1		1	X	1		1	X
	1	1		1		1		1	(22.1)	1		1	(24.3)
	1 MAINTAINED	1	X	1	N/S	1	X	1		1	(23.2)	1	
	1	1		1		1		1		1		1	
	1 OTHER COMMENT	1		1		1		1		1		1	
EFFECT ON EMPLOYMENT	1 INCREASED	1	X	1		1		1	X	1		1	
	1	1		1		1		1	(22.2)	1		1	
	1 MAINTAINED	1	N/S	1	X	1	X	1	X	1	N/S	1	N/S
	1	1		1		1		1		1		1	
	1 OTHER COMMENT	1		1		1		1		1		1	
PRODUCT END-USER	1 1	1	X	1		1	X	1		1		1	
	1 2	1		1		1	X	1		1	X	1	
	1 3	1		1		1		1		1		1	
	1 MINING SECTOR	1		1	N/S	1	X	1		1	X	1	
	1 MANUFACTURING	1		1		1		1	X	1	X	1	X
	1 PUBLIC SECTOR	1	X	1		1	X	1		1	X	1	

ANNEX 1 CONTINUED

RESULTS OF THE MICRO-ECONOMIC SURVEY

COMPANY	1	1	25	1	26	1	27	1	28	1	29	1
SOURCE OF GOODS BEFORE CIP	1 SWEDEN	1		1	X	1		1	X	1		1
	1 DEVELOPED	1		1		1		1		1	X(29.1)	1
	1 COUNTRIES	1		1		1		1		1		1
	1 DEVELOPING	1		1		1		1		1		1
	1 COUNTRIES	1		1		1		1		1		1
1 SOUTH AFRICA	1	X	1		1	X	1		1	X	1	
QUALITY COMPET- ITIVENESS	1 BEST	1		1	X	1		1	X	1	X	1
	1 GOOD	1	X	1		1	X	1		1		1
	1 FAIR	1		1		1		1		1		1
	1 BETTER SOURCES	1	N/S	1		1	N/S	1		1		1
	1	1		1		1		1		1		1
PRICE COMPET- ITIVENESS	1 BEST	1	X(25.1)	1	X	1		1	X	1		1
	1 GOOD	1		1		1	X	1		1	X	1
	1 FAIR	1		1		1		1		1		1
	1 BETTER SOURCES	1	(25.2)	1		1	(27.1)	1		1	(29.2)	1
	1 OTHER COMMENTS	1		1		1		1		1		1
EFFECT ON PRODUCTION	1 INCREASED	1		1		1		1		1		1
	1 MAINTAINED	1	X	1	X	1	N/S	1	X	1	(29.3)	1
	1	1		1		1		1		1		1
	1 OTHER COMMENT	1		1		1		1		1		1
EFFECT ON EMPLOYMENT	1 INCREASED	1		1		1		1		1		1
	1 MAINTAINED	1	X	1	X	1	X	1	X	1	N/S	1
	1	1		1		1		1		1		1
	1 OTHER COMMENT	1		1		1		1		1		1
PRODUCT END-USER	1 1	1		1		1		1		1		1
	1 2	1		1	X	1	X	1	X	1	X	1
	1 3	1		1		1		1	X	1		1
	1 MINING SECTOR	1		1	X	1	X	1	X	1	X	1
	1 MANUFACTURING	1	X(25.3)	1	X	1	X	1	X	1	X	1
1 PUBLIC SECTOR	1		1		1	X	1	X	1	X	1	