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Coordinated African Programme of Technical Assistance on Services (CAPAS): A Study on Services in Zimbabwe.

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CONSULTANCY REPORT

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A STUDY ON SERVICES IN ZIMBABWE

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Members of the Inter-Institutional Working Group

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Acronyms:

AFC	Agricultural Finance Corporation
AMA	Agricultural Marketing Authority
ATM	Automated Teller Machines
BLS	Botswana, Lesotho, Swaziland
CABS	Ccentral African Building Society
CAPCO	Central African Power Corporation
CFU	Commercial Farmers Union
CGC	Credit Guarantee Company
CIFOZ	The Construction Industry Federation of Zimbabwe
CIMAS	Commercial & Industrial Medical Aid Society
CITES	Convention on International Trade in Endangered Species
CMB	Cotton Marketing Board
CSC	Cold Storage Commission
CSFPC	Child Spacing Family Planning Council
CSO	Central Statistical Office
CZI	Confederation of Zimbabwe Industries
DMB	Dairy Marketing Board
DMO	District Medical Officer
EDX	Electronic Digital Exchange
EIU	Economic Intelligence Unit
EMS	Express Mail Service
ESAP	Economic Structural Adjustment Programme
FFYNDP	The First Five Year National Development Plan
GATT	General Agreement on Trade & Tariffs
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GMB	Grain Marketing Board
IBDC	Indigenous Business Development Company
IBRS	International Business Reply Service
IDC	Industrial Development Corporation
IWG	nstitutional Working Group
NAMACO	National Manpower Advisory Council
NAMAS	National Association of Medical Aid Societies
NGO	Non-governmental Organization
NOCZIM	National Oil Company of Zimbabwe
NRZ	National Railways of Zimbabwe
NTS	National Transport Study
NTS	National Transport Sector
P.O.S.B.	Post Office Savings Bank
P.TA	Preferential Trade Area

PABX	Private Automatic Branch Exchange
PCB	Printed Circuit Board
PHC	Primary Health Care
PTC	The Post & Telecommunication Corporation
RBZ	Reserve Bank of Zimbabwe
RMS	Road Motor Services
SADC	Southern African Development Community
SADC(TAU)	Technical Administration Unit
SATA	Southern African Telecommunication Administratipn
SBU	Small Business Unit
SEDCO	Small Enterprise Development Corporation
STC	Standard Telephones and Cables
TOA	Transport Operators Association
U.D.I	Unilateral Declaration of Independence
UNCTAD	United Nations Congress on Trade & Development
VCCZ	Venture Capital Company of Zimbabwe
VCWs	Village Community Workers
WHO	World Health Organization
ZDB	Zimbabwe Development Bank
ZESA	Zimbabwe Electricity Supply Authority
ZFU	Zimbabwe Farmers Union
ZIMFEP	Zimbabwe Foundation for Education with Production
ZINTEC	Zimbabwe Integrated National Teacher Education Course
ZMA	Zimbabwe Medical Association
ZNCC	Zimbabwe National Chamber of Commerce
ZRA	Zambezi River Authority
ZSTC	Zimbabwe State Trading Corporation
ZTDA	Zimbabwe Tourist Development Authority
ZTDC	Zimbabwe Tourist Development Corporation
ZTIC	Zimbabwe Tourist Investment Corporation
ZTO	Zimbabwe Transport Organization
ZUPCO	Zimbabwe United Passenger Company

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EXECUTIVE SUMMARY

1. Aims and Objectives

This study examines the services sector in Zimbabwe with the view of assisting policy makers within both the national context and the context of the Uruguay Round. It is hoped that this study, and others being conducted in other countries, will put the nations' negotiators in a strong and informed position in the current round GATT negotiations.

In this regard, the study assesses the contribution of services to the national economy directly through income and employment generation and indirectly through linkages with other sectors of the economy. The study reviews the regulatory environment within which the sector operates and examines how liberalisation can affect the sector's role in facilitating competitive development of the productive sectors. The study also addresses issues of regional co-operation within the various service sub-sectors.

2. Methodology

The study was conducted in two phases. The first phase entailed examining the national economic environment and identifying the contribution of services to various aggregate macro-economic variables. It then went on to examine the legal/regulatory framework and regional cooperation agreements and arrangements.

To achieve the above, the study team examined secondary data published by the Central Statistical Office, policy documents and legal instruments governing the operations of various service sub-sectors. In addition interviews were conducted with government officials and officials from the various service sub-sectors.

Phase 2 entailed detailed studies on selected sub-sectors. These are financial services, transportation and telecommunications. For these detailed studies, structured questionnaire interviews were conducted to get further information on how the sub-sectors operate and interact with other sectors, the constraints faced and competition within the sub-sectors and competitiveness of the sub-sectors. In both phases the interface between the research team, representatives of the various sub-sectors and policy makers was of critical importance as part of the methodology. An inter institutional working group (IWG) was established to facilitate this process.

3. Summary of Study Findings

3.1 National Economic Environment

At independence, Zimbabwe inherited a regulated inward-looking economy. Control measures in place included import quotas, administrative allocation of foreign exchange, restrictions on profit repatriation, interest rate management and control on prices and wages. This was all within the context of an import substitution development strategy and a socialist ideology (post independence). This continued up to 1991, when government adopted the Economic Structural Adjustment Programme. This entails deregulation, trade liberalisation, public enterprise reform, fiscal and monetary policy reforms and reduction of budget deficit. Domestic deregulation entails removal of price and wage controls, removal of subsidies and regulations on markets for both input and output. The general thrust is an export oriented development strategy with resource allocation based more and more on the price system.

3.2 Place ofSendees in the National Economy

Between 1985 and 1992 the average contribution of services to national income was in the order of 53%. It was highest in 1987, when its share was 59% and lowest in 1992 when the share contribution dropped to 49%. Within the service sector, the distribution, hotels and restaurants sub-sectors, is the largest contributor to national income, contributing almost 11% on average. This is followed by education (8%), transport and communications (7%) and public administration (7%).

Excluding private domestic services, the smallest service sub-sectors, on the basis of share in national income are health, construction and electricity and water.

Education (9%) and Public Administration (8%) were the largest service sub-sector employers for the period 1985 to 1992. These were followed by distribution, hotels and restaurants which accounted for 7.8% of total formal employment on average for the same period. Electricity and water, finance, insurance and real estate and health are the smallest employers in that order. On the whole, services account for 52% to 56% of formal sector employment in Zimbabwe.

Gross fixed capital formation (GFCF) in the service sector fluctuated considerably between 1980 and 1989 (latest available data). It was highest in 1985 at 76% of total GFCF and in 1989 it stood at 52%. The largest fluctuations were experienced in electricity and water, distribution, hotels and restaurants and education.

3.3 Financial Seivices

The financial intermediary system of Zimbabwe is well developed and fairly sophisticated compared to many developing countries. It consists of: the Reserve Bank of Zimbabwe, five commercial banks, four merchant banks (accepting houses), six finance houses, three discount houses, three building societies (plus one recently established), insurance companies, pension funds, the Post Office Savings Bank, development finance institutions and the stock exchange. In 1992, finance and insurance accounted for 5.9% of GDP and only 1.6% of Employment.

Up to about 1992 the sector experienced excess liquidity. Financial institutions primarily functioned as a means of channelling private sector savings to the public sector through short term loans to the Agricultural Marketing Authority. This occurred without crowding out investment because firms faced foreign exchange shortages for investment purposes. Generally financial institutions tended to discriminate against new and particularly small firms. Government did not intervene in the allocation of credit to the private sector, although it encouraged lending to small enterprises. Competition for both depositors' funds and investment outlets was limited because of excess liquidity on the part of many firms (and at the national level) on the one hand and possibilities of purchasing government bonds on the other.

Regulations governing the operations of the financial sector are as follows:

- Those aimed at protecting the depositors: These include minimum capital requirements, maximum labilities and minimum holding of specified assets.
- Regulations governing operations/transactions: These define the operations of different types of Financial institutions, with the objective of segmenting these operations. They are used to prohibit the provision of certain services by some financial institutions e.g. building societies are not authorised to issue cheque books.
- Regulations governing entry: In Zimbabwe, these are not explicit other than the need to comply with the Banking Act and registering with the Registrar of Financial Institutions and Building Societies. Insurance companies are required to be at least 51% locally owned.
- Regulations affecting lending and borrowing operations: These are used for macro-economic management to attain sectorial and social development objectives through controlling of money supply. These regulations apply to interest rate management and determination of liquidity ratios and discount rates.

With regards to regional co-operation, Zimbabwe is a member of the African Development Bank. The Reserve Bank of Zimbabwe is a member of the Association of African Central Banks which promotes co-operation among its members. The African Centre for Monetary Studies provides research services on monetary matters to this organisation. There is also a harmonisation programme to encourage co-operation among regional financial institutions.

Trade in the sub-region has been enhanced by the establishment of the P.T.A. clearing house in Harare. It is administered by the Reserve Bank.

Non residents are allowed to invest funds from an external source through normal banking channels to purchase shares on the Zimbabwe Stock Exchange and are permitted to disinvest and repatriate their capital, provided the amount does not exceed $20,000.

The major technological development that has occurred in the Zimbabwe financial sector is computerisation particularly introduction of ATMs and introduction of on-line facilities at tellers counters. Computerization has also led to nationwide networks of each institution's branches.

Constraints faced by financial institutions include the following:

- high interest rates
- regulations governing operations
- shortage of expertise especially in specialised fields such as corporate finance and information technology system and
- inadequate telecommunications infrastructure.

With regards to deregulation, financial institutions are concerned that competition should be on an equal basis. In this regard they feel that if this is to occur, then they should have access to skilled manpower, modern technology and off-shore funds with interest rates.

3.4 Transport

Transport and Communications as a service sector account for 7% of GDP, 4% of formal sector employment and 7% Gross Fixed Capital Formation (GFCF). However, looking at the composition of national GFCF, transport equipment (including that from outside the transport sector itself) account for 19%.

Zimbabwe has three modes of transport that it effectively operates i.e. road, rail and air. Water transport is restricted to Lake Kariba. The public sector dominates air and rail transport. Road haulage and passenger services (except for Road Motor Services of the National Railways) are in private hands.

The regulations that affect this sector are in the process of transformation and are at three levels: parastatal reforms, legal reforms and general economic policy reforms. Parastatal reforms are aimed at removing subsidies to the NRZ and Air Zimbabwe, which in the past incurred huge losses. These reforms provide greater freedom to the entities in adjusting tariffs. Legal reforms are aimed at increasing competition by introducing minibuses, particularly in passenger services in the urban areas where previously ZUPCO had monopoly. General economic policy reforms that affect the transport sector include import tariffs interest rate management and exchange rate policies. Since the sector is highly import dependant, devaluation increases procurement cost of vehicles, and so does the high tariff level. With regards to regional arrangements the PTA treaty has a protocol on transport that allows easy access for regional transport operators to each other's routes.

Over the years rail haulage has been losing its share of the market to road haulage. This is mainly due to the long travel time associated with the railway and the availability of a door to door delivery service in road haulage. The majority of road haulage firms are involved in cross border haulage. Problems faced in this regard were that, despite efforts at fostering regional cooperation and standardization of tariffs, this has occurred only to a certain extent. Rules are different from country to country and they are changed frequently. The other problem is delays in clearing trucks on boarders especially at Beit Bridge, although this has improved with computerisation.

With regards to passenger carriers, the main problem cited was overtrading in certain routes. Competition in road haulage is high. While price is important in this regard, the chief mechanisms for maintaining competitive advantage at the moment is reliability, punctuality and trust. Small operators are disadvantaged because of their poor access to finance to purchase adequate and suitable vehicles. Their survival seems to lie in the movement of small and/or irregular consignments that the large operators would not normally care about.

The transport industry is very much dependant on an efficient telecommunications network for telephone, faxes and telexes. This infrastructure is not adequate. Technological improvements that are necessary for communication are, long range two way radios, cellular telephones and satellite tracking systems.

3.5 Post and Telecommunications

Telecommunications is important as a service in itself but more so as a mode of supply to other service sectors. Service sub-sectors such as financial institutions, tourism, transportation, other services and indeed the productive sectors, are heavily dependent on an efficient telecommunications network for their daily operations.

The Post and Telecommunications Corporation (PTC) has monopoly in most aspects of this service sub-sector. PTC has the exclusive monopoly of operating postal letter service. However, there is free competition in the area of parcel post.

PTC holds a monopoly in telegram service, although private persons or companies may transmit and deliver telegrams on the authority of the relevant Minister. It also has the exclusive privilege of establishing, maintaining and working of the whole transmission and local network system of telephones. However PTC can issue licenses to other operators for these purposes.

The private sector is free to establish, maintain or work a PABX contained within a building, although the work is subject to inspection by PTC. On the other hand, only the PTC is allowed to repair and maintain subscriber terminals for residential and public office users although it has problems coping with these.

The telefax segment has become a free competition area except that the equipment must be of a type approved by PTC. The telex, which has completely replaced telegram service is a monopoly of the PTC in terms of installation and maintenance.

There is close co-operation among the post and telecommunications corporations in the region. This is mainly in the technical field of developing joint international transmission networks around two projects - the PANAFTEL and RASCOM.

There are at least 14 companies supplying inputs or services to the telecommunications sector. The dominant ones are the large multinationals like Ericsson, Phillips, Siemans, GEC, Plessey and Standard Telephone Cables. Some of these are in partnership with Government through the Industrial Development Corporation e.g. Siemans and Plessey. The extent to which these firms can participate in the sector is limited by regulations that protect the PTC.

All firms in the telecomms service made significant technological advances. As most leading firms are affiliates or subsidiaries of international firms, access to latest technologies is not a big problem for them. It is however, a problem for locally owned firms which face very high costs for importing the necessary components. In general there is no expenditure on research and development except for only one company in the sample of firms covered. This also applies to expenditure on marketing possibilities.

3.6 Energy

Zimbabwe uses all forms of conventional energy i.e. electricity, coal, wood fuel, solar energy and liquid fuels. Wood fuel is the main source of energy consumed, accounting for almost 39% of the total, followed by coal. Petroleum based fuels account for 15% while electricity supplies about 14% of total energy consumed.

Over the decade since 1980, the average rate of growth of energy consumption (at 3.5% p.a.) outstripped that of GDP (at 2.7% p.a. at 1980 prices) partly due to the impact of relatively low prices of energy.

The main contributors to employment in the energy sector are electricity and water. Even then, these are arguably the least contributors in the economy as a whole. Between 1985 and 1992, the average share of electricity and water in total employment was about 0.7%. The share of the same sector to national income was higher, at 3%. Coming to GFCF, the sector dominates the rest, accounting for an average of 14%.

There is no single regulatory framework for the energy sector. However, the most elaborate framework for energy generation and utilisation relates to electricity. The Electricity Act forbids anyone, except ZESA to establish, maintain or operate any electricity generating plant with a rated generating capacity of 100 kw or more, from which he transmits, distributes or supplies electricity to any other person. This creates monopoly in favour of ZESA. All major decisions within ZESA require the approval or concern of the responsible Minister or the Minister of Finance.

ZESA can make by-laws covering things like terms and conditions under which it will supply electricity and provide equipment and appliances; payment and collection of moneys due for electricity supplied and the cutting off of supplies for non payment etc.

With regard to petroleum based energy, Zimbabwe has an agreement with Mozambique, whereby an oil pipeline runs through Mozambique from the port of Beira to Mutare in Zimbabwe.

Zimbabwe and Zambia have an agreement on the utilisation of the Zambezi River which is shared as a common border, and this includes use of the water in electricity generation. The Kariba Dam and the power station on the River (Zambezi) were constructed during the Federation to provide hydro-electricity to what are now the two countries.

Zimbabwe imports electricity from Zambia through the inter-connected electricity grid. A tripartite agreement was signed for Zimbabwe to import electricity from Zaire through Zambia in 1992. Mozambique and Zimbabwe signed an agreement on the supply of 500 mw of electricity from the Cabora Bassa power station (in Mozambique). Electricity could be flowing from Cabora Bassa to the National Grid by 1996.

ZESA and the Botswana Power Corporation reached an agreement for power sourced from Zambia to come to Botswana through the Zimbabwean national grid. These arrangements are an obvious milestone in regional co-operation, although problems sometimes arise when payment is required in hard currency. There is need for a regional planning network for example, to co-ordinate tariff charges.

3.7 *Construction*

The construction sector has been depressed since the boom years of the early 1970s. In 1975 the sector accounted for almost 5% of GDP, but this declined to almost 2% by 1992. However, it should be noted that there is a lot of under-reporting of construction work in growth points and municipalities. Interestingly enough, the share contribution of construction to employment has been steadily rising, from 4% in 1985 to 7% by 1992, although the absolute numbers employed fluctuated reflecting fluctuating employment levels in the national economy.

Prices of building materials and shortages of essential parts have bedevilled the performance of the sector. Between 1980 and 1985, the price index of building materials grew at an average rate of 18,9% per annum.

The housing sub-sector has performed below requirements. The housing waiting list in major areas and the incidence of squatting are testimony to this problem. In 1991 the housing waiting list in Harare was for 60 000 units and was growing at the rate of 900 units per month. Although the demand was mainly for low income housing, the building standards requirements by law pushed the cost beyond reach of the low income groups. For example, the high standards required meant that the minimum cost of a core house, consisting of one room and ablutions in Harare, was some Z$12 000. About 60% of the 60 000 people on the Harare waiting list in 1991 did not qualify for a loan from building societies because they earned less than Z$480 per month.

The Ministry of National Construction and Public Housing reviewed standards and allowed building of shells without windows or door frames for only Z$2 600 excluding site costs.

Constraints to development of the sector include shortage of new plant and machinery due to foreign exchange constraints (which has now improved), shortage of surveyed land due to shortage of land surveyors and surveying equipment and skills shortages in the areas of architecture, engineering, quantity surveying, valuation and «- physical planning.

Established companies dominate contracts, to the detriment of small contractors who are marginalised. The Construction Industry Federation of Zimbabwe (CIFOZ) represent less than 25% of registered contractors and only 10 to 15 of these monopolised 90% of the construction work.

Foreign companies are allowed to bring in their technologies free as long as they will take them away upon completion of projects. CIFOZ complains that these companies remain in the country and do local projects using their advantage in terms of "connections" and technological supremacy. Local firms face foreign currency constraints (which have eased), and in addition have to pay duty for imported machinery. With regard to exporting of construction services, equipment taken out of Zimbabwe should be brought back and this may not make economic sense to the companies concerned. Companies also complain of the bureaucracy involved in seeking clearance which affects their ability to successfully compete for projects outside the country.

There is not much regional co-operation in construction. This is necessary given the fact that countries such as Mozambique and Angola, devastated by civil wars, would require much construction work and Zimbabwean firms could benefit from this.

3.8 *Tourism*

Tourism services comprise a heterogenous mix of services which include those that are specific to the tourism industry e.g. accommodation facilities and food, and others not specific to the tourism industry such as travel. Statistics that indicate the contribution of tourism to development are therefore usually classified under other sectors such as transport, and hotels and restaurants. It therefore does not make sense to assess the contribution of tourism to national development by examining its contribution to various macro-economic aggregates.

To assess trends in the development of tourism in Zimbabwe, data on visitor arrivals, tourist receipts and average nights spent in hotels for the period 1980 to 1991 was used.

Visitor arrivals grew at an average annual rate of 8.2% between 1980 and 1991, while that for tourist receipts grew at an annual average rate of 25%. The biggest increase in both occurred between 1988 and 1991. During that period, visitor arrivals and tourist receipts increased at an annual rate of 12% and 80% respectively. Average nights spent declined from about 12 between 1980 and 1984 to six from 1988 to 1991.

In general, the tourism industry of Zimbabwe is growing. The major tourist centres are Victorial Falls, Kariba, Nyanga, Matopo Hills, Hwange, the Great Zimbabwe and Gonorezhou. The major attractions/activities are viewing the Victoria Falls and the Great Zimbabwe (a national monument), fishing and angling, water sports, game viewing, scenery and casino.

Regulations governing fishing and hunting are mainly aimed at controlling the rate of resource depletion, ensuring safety and in some cases raising revenue.

The Department of National Parks and Wild Life Management is a member of the Convention on International Trade in Endangered Species (CITES). Zimbabwe is a member of the Tourism Co-ordinating Unit of SADC, and is also a member of the World Tourism Organisation.

3.9 *Distribution*

Distribution is the link between production and consumption of both final and intermediate products. It is organised through a network of retail and wholesale outlets, and the state marketing boards e.g. Cold Storage Commission, the Cotton Marketing Board and the Grain Marketing Board. The Zimbabwe State Trading Corporation also engages in both domestic and international trade on behalf of the state.

Distribution, including hotels and restaurants, is the largest service sub-sector in terms of contribution to national income. Between 1985 and 1992, its average contribution to GDP was almost 11%. The sector depends very much on consumer spending power and consequently, its share in GDP is bound to fall during harsh economic times. Between 1991 and 1992 the sector registered its worst performance because of the severe drought and the economic adjustment policies aimed at reducing consumer spending. During those two years this sector's contribution to national income was 9.7% and 8.3% respectively.

The average contribution of distribution, hotels and restaurants, to employment is 7.8% and its share in GFCF is 5.3%.

Regulations that govern distribution are undergoing some formidable changes. Government used three mechanisms to regulate distribution. These are economic, institutional and legal. The chief economic means of regulating distribution has been pricing policy i.e. price controls which affected the whole economy and agricultural pricing policy, applied through the state marketing boards. With the Economic Reform Programme, price controls have been removed.

With regards to agricultural pricing, the state marketing boards are receiving greater autonomy. The removal of controls over pricing and marketing of agricultural commodities is a key feature of the economic reform programme. Government only fixes floor producer for oil-seeds, small grains and beef. Retail prices have been decontrolled for maize meal, bread, sugar and milk products.

Institutional reforms are aimed at providing greater autonomy to the marketing boards and encouraging them to operate more along commercial lines. There is a wide range of legal and other instruments that are used to control distribution. These include the Deeds Registry Act, the Shop Licenses Act, Land Surveyors Act, Income Tax Act and the Companies Act. There are three mechanisms through which Zimbabwe has participated in regional trade, and hence distribution. These are SADC, the PTA and bilateral arrangements signed with individual countries in the region.

3.10 Health

The health structure is hierarchical, with four central hospitals at the top, eight provincial hospitals, 28 district government hospitals and mission hospitals to be upgraded to district status. Below the district hospital are rural health clinics which are considered extensions of the former. The village community worker, a multi-purpose cadre, replaced the village health worker in 1988. A department of National Nutrition was set up in the Ministry of Health, responsible for nutrition and health education, particularly regarding breast-feeding and weaning practices, growth monitoring and nutrition surveillance and supervision of the children's supplementary feeding schemes. Traditional medicine is also an important option in the health care system.

Health services account for about 2% of formal employment. Their contribution to GDP is just over 2%. During the first decade of independence, the health budget increased in real terms at an annual rate of 4.7%.

At the introduction of ESAP, government noted that the cost recovery rate in health was about 3% of total expenditure. .The target is to increase this to 10% by 1994/95.

In 1987, regulations were introduced requiring doctors to practise at a designated government institution for five years before being allowed to set up private practice. The private sector provides health care to the higher income groups and this care is sustained through private and public medical aid societies.

The Health Professions Council is the regulatory body in health practice^ts to protect the public by ensuring that standards are maintained. The Counc ensu that those who practise are in possession of current practice certificates. t s empowered by law to form a Disciplinary Committee which can take disciplinary action on acts of improper conduct.

Local authorities also regulate public health and equipment and zoning.

The Ministry of Health introduced a national code on substitutes, effectively promoting breast-feeding in accordance with the campaign the WHO

There are no official cooperation agreements in the health sector n A a members of NAMAS, like CIMAS, may be involved in advising or setting up of private medical aid societies in some countries oftheregionasoccur in Zambia. It is not possible for a medical aid society to operate A c h e m e acros borders. NAMAS maintains international contact through their membership of International Federation of Health Funds.

3-11 *Education*

Although education accounts for about 8% of national more in the fact that it represents human capital formation The educa* o Y (both formal and informal) was expanded after mdepradena tec»nect created during the colonial era. Between 1980 and 1990 primary schoofe nc at an annual average rate of 3.8% and secondary schools by 34%. Teacne vocational and technical education and training facilities as well aA.university A education were expanded to meet the expanding manpower requne economy.

With the expansion of the school system, employment in the sector increased from 900 in 1980 to 107 900 in 1990. Thus an average annual increase oi employment was seen during that ten year period.

Besides the expansion of formal education, the Zimbabwe: Foundation o r E A with Production (ZIMFEP) was established in 1980 to (a) f Zimbabwean children returning from exile, (b) establish A A A involved in both education and productive activities and (c) to ensure school-leavers are placed in jobs.

The existing legislation provides for the compulsory education of all children o school-going age but does not provide for penalties upon default.

For lower education, legislation requires that all registered with the Miihstry. Conditions for registration l that theschooshou provide appropriate premises and facilities, efficient and A a b l e instmcuo adequate qualifications and experience of the proposed staff =dAuatettn provision for proper maintenance of the school and appropriate eqmpmen satisfactory tuition in the subjects offered. Other Agulations relate to hea:it

facilities/standards, the conduct of schools, instruction and A c o j e X g e s except There are no impediments to the establishment of correspondence colleges p that the requirement of registration should be fulfilled.

All regulations that are in place, governing the education sector are intended to provide the service more as a social service rather than an investment area. Generally private schools are accepted, though their fee structures are controlled.

Regulations governing higher education are aimed at ensuring the maintenance of appropriate standards of teaching, examinations and academic qualifications in institutions of higher learning.

Generally, the system of education and higher education is tightly controlled and this is in the interest of safeguarding standards and quality of education.

There are no regional co-operation agreements which exist in this sector. Zimbabwe is considered to have a good education system in the region and that explains the significant presence of students from the sub-region in both schools and institutions of higher learning.

Independent colleges and the universities have their networks whereby cross-fertilization of ideas takes place.

4. Conclusion

This study has shown that services play an important role in the economy by way of contributing to national income and employment. Even more important, services facilitate the development of other sectors of the economy, particularly the productive sectors. The performance of services is crucial in determining the efficiency and competitiveness of the rest of the economy.

While services in Zimbabwe account for a large share of national income, their performance on the balance of payments is limited. Export performance of services is affected by the regulatory environment both within Zimbabwe and in other countries.

Liberalising the framework within which services operate can increase competition and efficiency. But this should be done carefully and selectively, taking into account the specific conditions of the different service sub-sectors. For example, competition in financial services can be increased by relaxing regulations that govern operations/transactions. In other words, if segmentation of services provided by the different financial institutions is removed, this can enhance competition within the sub-sector, even before relaxing regulations that govern the entry of foreign financial institutions. It is also necessary to ensure that local financial institutions and indeed other services sub-sectors, are not exposed to external competition on an unequal basis. In this regard it is necessary to ensure that the services sector of Zimbabwe has access to state-of-the-art technologies, skilled manpower and the necessary financial resources.

Competition and efficiency can also be improved by reducing regulated state monopoly in certain services. A good example is that of telecommunications. It was noted that the PTC of Zimbabwe has monopoly in most aspects of this sector, yet it does not have adequate capacity to meet all the requirements. Private sector participation can be increased by reducing the monopoly status accorded to the PTC through legislation. Similarly, in the transport sector, monopoly accorded to ZUPCO has resulted in poor passenger transport services in the urban areas.

Regional co-operation in the services sector is limited. There are a number of areas where regional co-operation would be of mutual benefit to the countries involved, in terms of enhancing efficiency and increasing export performance of services. It was noted that road haulage transporters involved in cross border haulage face problems due to rules that are different from country to country. This causes delays and increases costs. Regional arrangements would certainly increase efficiency in this regard.

In the case of the construction industry, it was noted that regulations governing the movement of equipment across borders, and the procedures involved in seeking clearance, discourage exports of this type of service. Regional co-operation in this field could increase exports. Finally, regional co-operation and standardisation in the field of education and health could encourage exports of these services.

SECTION I INTRODUCTION

1.1 Broad context of the study

This country study is part of a broader study being conducted simultaneously in Zimbabwe and eight other African countries under the auspices of UNCTAD.

It is the product of a brainstorming workshop on "Services in Africa" held in Dar es Salaam, Tanzania, in March/April 1992. At the meeting, African researchers and policy makers discussed the broad issues relating to services and the current Uruguay Round of multilateral trade negotiations. This workshop and the present studies can, in many respects, be viewed as part of the ongoing work of the Group of Negotiations on Services established under the auspices of GATT.

The "Ministerial Declaration on the Uruguay Round" states that the framework of principles and rules for trade in services is undertaken with a "view to expansion of such trade under conditions of transparency and progressive liberalisation and as a means of promoting economic growth of all trading partners and the development of developing countries. Such framework shall respect the policy objectives of national laws and regulations applying to service and shall take into account the work of relevant international organisations".

The general import of this declaration underpins the present study.

In its work, the Group of Negotiations on Services looked at several issues relating to services. In particular it looked at definitional and statistical issues, concepts, possible disciplines for individual industries, existing international arrangements, and existing measures and practices contributing to or limiting the expansion of services. Specific industries were selected for examination by the group and these were: telecommunications, construction, transportation, tourism and financial services. The present study follows more or less along the logic of the work of the Group of Negotiations on Services with minor variations.

1.2 Aims and Objectives

This study is primarily aimed at the policy maker. It sets out to examine the services sector as it is currently constituted with a view to assisting in the making of optimal policy decisions within both the national context and the context of the Uruguay Round.

Consequently, the interface between the researcher and the policy maker has been of critical importance particularly during the first phase of this study.

It is hoped that this study, and others, will put the nations' negotiators in a strong and informed position in the current round of GATT negotiations.

1 GATT Focus, No. 41 (October 1986) p.5.

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In this regard, the study seeks to place the service sector within the national economy and assess its contribution to development, directly through contributions to national income and employment, and indirectly through linkages with other sectors of the economy. In view of the fact that the GATT negotiations on services are concerned with liberalisation of the sector, the study reviews the regulatory framework within which the sector operates, regional cooperation agreements and arrangements, and examines how liberalisation can affect the sector's role in facilitating competitive development of the productive sectors.

1.3 Methodology

The Dar es Salaam workshop discussed the issue of methodology at length and came up with a document known as "CAPAS Detailed Methodology". In short this is made up of eight building blocks which are meant to constitute the main elements of the final report.

In accordance with the CAPAS methodology, this study was conducted in two phases. The first phase entailed examining the national economic environment and identifying the contribution of services to various aggregate macro-economic variables. It also examined the legal/regulatory framework and regional cooperation agreements and arrangements.

To achieve the above, the study team examined secondary data published by the Central Statistical Office, policy documents and legal instruments governing various service sub-sectors. In addition, structured interviews were conducted with government officials and officials from various service sub-sectors. In this regard, members of the Inter-institutional Working group (IWG) facilitated and/or were interviewed.

It should also be pointed out that while phase oe of the study was to be mainly concerned with providing a description of the various service sub-sectors in terms of contribution to macro-economic variables, regulatory framework and regional cooperation agreements, that phase went a step ahead for most sub-sectors and provided more information into their operations and analyzed how they are likely to be affected by liberalisation.

The second phase entailed detailed studies on selected service sub-sectors. These are financial services, transport and telecommunications. For this phase, structured questionnaire interviews were conducted to get further information on how the sub-sectors operate and interact with other sectors, the constraints faced and competition and competitiveness of the sub-sectors.

It should be emphasised that the interface between the research team and representatives of the various service sectors and policy makers was of critical importance as part of the methodology.

1.4 Report Structure

The report structure does not follow the logic of the CAPAS methodology which required presentation of a) the national economic environment b) Contribution of services to aggregate macro-economic variables, c) regulatory framework, d) regional cooperation agreements and arrangements, and e) detailed case studies.

The report is structured in a way that allows for the provision of a complete picture of each sub-sector. Therefore sections 1.5 and 1.6 below describe the economic environment and the place of services in the national economy. This is done briefly since greater details are provided in the sections that address individual service sub-sectors.

Sections 2 to 4 present findings on the detailed case studies i.e. financial sector, transport and post and telecommunications in that order. Sections 5 to 11 deal with energy, construction, tourism, public administration, distribution, health and education as per the findings in Phase 1 of the study. As pointed out before, the information provided in some cases goes beyond the requirements of phase one. Finally, section 12 provides a summary of the major findings and conclusions.

1.5 National Economic Environment

In the past two to three decades, the Zimbabwean economy developed within a protected economic environment. During the Unilateral Declaration of Independence (U.D.I.) period (1965-1979) economic sanctions were imposed against the country and this provided a natural umbrella of protection to the economy. However, the trade embargo imposed against the country led to foreign exchange shortages. To deal with the foreign exchange problem, the then government introduced several interventionist and control mechanisms. These included import quotas, administrative allocation of foreign exchange, restrictions on profit repatriation, interest rate management and prices and wages controls.

At independence, therefore, Zimbabwe inherited a regulated inward looking economy. The post-independence government adopted a socialist ideology and continued to apply the inherited interventionist instruments and controls, but for different reasons.

The government's intention was to use the state to redirect development to benefit the mass of the population in line with its social ideology at that time. Besides the inherited controls, government introduced new controls on wage determination and labour regulations designed to provide job security to workers. Wage controls were designed to reduce income inequalities inherited from the colonial regime. In this regard, government introduced minimum wage legislation. Job security regulations were aimed at complimenting minimum wage legislation by making it difficult for firms to fire workers.

The application of controls in the absence of rapport with the private sector, that had existed under the UDI regime, led to a situation where the bureaucracy became an obstacle to the running of economic enterprises. In particular firms were affected by the foreign exchange allocation mechanism which created distortions in the economic system. Established enterprises were favoured in the foreign exchange allocation system. They also received protection from foreign competition.

A large number of commercial and service sectors were dominated by parastatals which in some cases, had the sole right to provide a good or service and in other cases were placed in a privileged position. This was the case for example, in agricultural marketing, minerals marketing, broadcasting, air and rail transport, oil importation and distribution and telecommunications.

The import substitution development strategy and the associated protective economic environment continued up to 1991. At that time, the government adopted the Economic Structural Adjustment Programme (ESAP).

ESAP entails moving away from a highly regulated economy to one where market forces dominate in determining the pace and course of economic activities. The cornerstone of ESAP in Zimbabwe is trade liberalisation. Trade liberalisation simply means removal of barriers to trade. These barriers were in the form of quantitative and qualitative restrictions. Quantitative trade restrictions are import quarters which in the case of Zimbabwe were administered through foreign currency allocation. On the other hand, qualitative restrictions are high import duties designed to discourage the importation of competing products.

Government policy within the context of ESAP is firstly to move away from a system of quantitative restrictions by progressively placing more and more items on the Open General Import Licence (OGIL). The target is by 1995, to place all goods, excluding a small reserved list subject to safety or defence considerations, on to OGIL. This target has been almost achieved. The programme also aims at reducing and rationalising the tariff levels and structure. Therefore, with the introduction of ESAP, the major instrument that was previously used to regulate imports (namely foreign exchange allocation) has been dismantled.

The other policies which are complementary to the trade liberalisation programme entail deregulation in the areas of investment approvals, labour and wage regulations and regulations on markets for both inputs and output which have affected investment, especially for the small-scale sector.

The major objective of monetary policy is price stability and mobilisation of domestic savings. Monetary policy is therefore geared towards fighting inflation, particularly from excessive money growth. In this regard, an array of traditional and non-traditional instruments have been and are being employed. These include interest policy and measures to influence credit allocation. From 1991, the Reserve Bank applied a restrictive monetary policy which reduced money supply.

The other policy objective of ESAP is to reduce the budget deficit. Several measures are being undertaken to achieve this policy objective. Firstly, government is removing subsidies to loss making parastatals and restructuring their operations so that they become commercially viable. This involves commercialisation and/or privatisation. In addition government has taken steps to streamlining the civil service and hence reduce the size of the bureaucracy. Finally, the government has introduced cost recovery measures in health, education and social services.

Global and Regional Co-operation

Foreign trade and international co-operation are crucial for the growth and development of the Zimbabwean economy, and government is aware of this. During the first five years of Independence, Zimbabwe made great strides in the area of international economic relations. It became a member of the Organisation of African Unity (OAU), the Southern African Development Co-ordination Conference (SADCC), the Preferential Trade Area (PTA) and the United Nations Organisation.

The main objectives of SADCC included the reduction of external economic dependence, particularly on South Africa, before that country became independent, and the forging of links among member states in order to create equitable regional integration. SADCC was renamed the Southern African Development Community (SADC) which reflects the greater emphasis on regional integration, after the South African threat was over.

Zimbabwe signed a number of bilateral and multilateral trade and other economic agreements and these helped diversify the country's trade activities. In 1990, Zimbabwe had only four bilateral trade agreements and the number is now well over 25.

Zimbabwe re-joined the General Agreement on Trade and Tariffs (GATT), in 1980 and a number of developed countries made Zimbabwe a beneficiary of their respective Generalised System of Preferences.

1.6 Place of Services in the National Economy

The importance of the service sector in the national economy can be highlighted by examining its contribution to various aggregate macro-economic variables. These are provided in tables 1.1 to 1.3 below. A detailed analysis of these is provided in a recent book by Jurger Reinhardt and others.[2]

It is sufficient to highlight a few important aspects. Between 1985 and 1992, services contributed around 53% to national income on average. Within that period, the share of services in national output was fairly stable, although it peaked in 1987 when its share was slightly over 59% and declined in 1991 and 1992 to 49.36% and 44.31% in 1991 and 1992 respectively.

Within the services sector, the distribution, hotels and restaurants sub-sector is the largest contributor to national income, contributing almost 11% on average. This is followed by education, transport and communication and public administration. For the period 1985 to 1992, these on average contributed 8.2%, 7.4% and 7% respectively. Excluding private domestic services, the smallest sector on the basis of

2 Jurger Reinhardt et al, "The Services Sector of Selected Developing Countries: Development and Foreign Trade Aspect. Case Studies: Malaysia, Jordan and Zimbabwe, 1989, Federal Ministry of Economic Co-operation, Germany.

share in national income are health, construction and electricity and water.

Table 1.1

Contribution of Services to National Income (%)

	1985	1986	1987	1988	1989	1990	1991	1992
Electricity and Water	2.21	3.09	3.44	3.01	3.05	2.68	2.65	2.67
Construction	2.37	2.27	2.81	2.39	2.62	2.46	2.29	1.94
Finance, Insurance and Real Estate	6.32	5.95	7.11	7.23	7.12	6.65	5.78	4.94
Distribution, Hotels and Restaurants	11.94	13.11	12.48	11.31	10.38	10.67	9.69	8.34
Transport and Communication	6.63	7.86	8.38	7.73	7.68	7.26	6.35	7.26
Public Admin.	7.32	6.99	7.66	7.95	7.39	7.19	6.28	5.10
Education	7.99	8.23	8.43	8.39	7.92	8.48	8.58	7.22
Health	2.20	2.21	2.29	2.17	2.11	2.42	2.46	2.03
Private Domestic	1.48	1.74	1.77	1.53	1.37	1.25	1.01	0.74
Other Services	6.44	5.02	4.95	4.13	4.09	4.32	4.31	4.07
Total Services	**54.90**	**56.47**	**59.32**	**55.84**	**53.73**	**53.48**	**49.36**	**44.31**

Source: Quarterly Digest of Statistics, CSO, Harare, 1993

Coming to employment, the largest contributor to this macro-economic aggregate is education and public administration with an average share of 8.9% and 8% respectively between 1985 and 1992. This is followed by distribution, hotels and restaurants, which accounts for 7.8% of total formal employment on average for the period 1985 to 1992. Electricity and water, finance, insurance and real estate and health are the smallest employers in that order. On the whole, services account for 52% to 55% of formal sector employment.

Table 1.2

Contribution of Services to Employment (%)

	1985	1986	1987	1988	1989	1990	1991	1992
Electricity and Water	0.73	0.76	0.76	0.76	0.75	0.73	0.72	0.60
Construction	4.26	4.38	4.57	5.18	5.71	6.36	6.51	7.38
Finance, Insurance and Real Estate	1.45	1.42	1.50	1.52	1.47	1.48	1.46	1.63
Distribution, Hotels and Restaurants	7.44	7.51	7.70	7.72	7.88	8.05	8.09	7.79
Transport and Communication	4.75	4.69	4.67	4.52	4.44	4.47	4.53	4.19
Public Admin.	8.63	8.40	8.62	8.17	8.01	7.83	7.63	7.46
Education	8.48	8.85	9.11	8.88	8.93	9.07	8.80	8.74
Health	1.89	2.20	2.03	2.02	2.02	2.10	2.13	2.05
Private Domestic	9.37	9.26	9.31	9.02	8.78	8.56	8.21	8.09
Other Services	5.47	5.78	5.69	6.08	6.10	6.18	6.86	7.51
Total Services	**52.47**	**52.90**	**53.95**	**53.85**	**54.09**	**54.83**	**54.94**	**55.44**

Source: Quarterly Digest of Statistics, CSO, Harare, 1993.

Table 13

Contribution of Services to Gross Fixed Capital Formation (%)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Electricity and Water	4.9	5.7	12.8	23.3	137	16.7	16.6	13.9	8.5	5.5
Construction	2.3	3.1	3.4	2.7	1.9	2.6	2.4	2.2	6.4	1.9
Finance, Insurance and Real Estate	9.3	10.5	9.1	9.1	9.9	10.6	9.2	9.6	7.7	8.4
Distribution, Hotels and Restaurants	8.1	6.0	4.5	2.3	8.4	5.7	4.4	3.5	4.1	6.5
Transport and Communication	9.1	7.4 1	5.4	11.1	10.5	12.4	9.1	8.4	7.9	8.6
Public Admin.	4.0	3.1	3.2	5.5	4.9	5.6	2.2	2.7	3.6	2.7
Education	1.5	2.2	2.9	2.5	3.9	5.2	5.3	4.5	3.9	3.8
Health	1.3	0.8	0.8	0.9	1.1	1.1	1.5	1.5	2.6	2.3
General Purpose Inv. by Govt.	7.8	5.7	7.1	9.1	12.2	13.0	10.1	9.9	11.6	8.5
Other Services	2.7	4.5	3.8	3.4	4.7	2.9	1.7	2.7	2.8	3.3.
Total Service	**50.9**	**48.8**	**63.6**	**69.9**	**71.2**	**75.8**	**62.6**	**58.8**	**59.1**	**51.5**

Source: CSO, Harare 1993..

Table 1.4

Contribution Of Services To Earnings.

	1985	1986	1987	1988	1989	1990	1991	1992	Average
Electricity and Water	1.46	1.45	1.48	1.53	1.41	1.4	1.77	1.49	1.5
Construction	4.16	4.16	4.13	4.31	4.57	4.76	5.37	5.53	4.6
Finance, Insurance And Real Estate	4.09	4.09	4..34	4.51	4.38	4.52	5.13	6.17	4.65
Distribution, Restaurants & Hotels	10.29	9.86	9.8	9.69	9.67	9.48	10.66	11.05	10.06
Transport & Communication	8.15	8.31	8.6	7.99	8.38	8.7	8.66	8.53	8.35
Public Administration	10.8	10.35	10.92	10.02	9.67	9.17	9.13	8.44	9.81
Education	13.18	13.7	14.09	14.62	14.38	15.56	17.5	16.77	14.98
Health	2.7	2.89	2.81	2.78	2.91	3.14	3.49	3.31	3
Private Domestic	2.46	2.9	2.84	2.66	2.46	2.2	2.02	1.75	2.41
Other	6.22	6.18	6.03	6.16	6.3	6.49	7.43	8.09.	6.61
TOTALS	**63.51**	**63.89**	**64.5**	**59.76**	**65.47**	**65.42**	**71.16**	**71.13**	**65.99**

Source: CSO, Harare 1993.

Gross fixed capital formation for the whole service sector and within different service sub-sectors has exhibited tendencies of large fluctuations. In 1980, services, including General Purpose Investment by Government, accounted for 51% of GFCF. This declined to 49% the following year and peaked to 76% in 1985, only to drop to 52% by 1989. The largest fluctuations were experienced in electricity and water, distribution, hotels and restaurants and education. For the period 1985 to 1989, GFCF was highest in electricity and water (12%), transport and communication (10%), finance, insurance and real estate (9.3%). The least investment was registered in health and construction.

The average share contribution of services to earnings for the period 1985 to 1992 was about 66%. It was highest in 1991 and 1992, when it slightly exceeded 71%, and was lowest in 1988 when it was just below 60%. Education is the largest service sub-sector in terms of contribution to earnings (15%), followed by distribution, restaurants and hotels (10%), public administration (9.8%) and transport and communications (8.4%). Electricity and water, health and private domestic services are the least contributors to earnings in that order.

Table 1.5 below depicts the balance of payments (BOP) situation for Zimbabwe for the years 1990 and 1991. Of particular interest here is the contribution of services to the balance of payments. Exports of services contribute only 11.9% to the current account balance while import contribute 23%. Of the overall BOP deficit on the current account of Z$1 560 million, 78.8% is accounted for by the deficit on trade in services while the remainder is deficit on investment income.

Table 1.5

~~Balance-of-Pav'nt.~~ i i i n

ITEM	1990 CREDIT	1990 DEBIT	1990 NET	1991 CREDIT	1991 DEBIT	1991 NET
1. TRADE BALANCE			591.9			292.1
Exports	4292.0			6139.7		
Imports		3700.1			5847.6	
2. SERVICES	672.8	1199.3		930.6	2160.5	1229.9
Shipment	74.0	379.3		109.1	675.0	
Transportation	209 1	243.7	-34.6	284.8	371.9	87.1
Passenger fares	116.5	94.3		158.2	129.7	
Port services	92.6	149.4		126,.6	242.2	
Travel	158,1	163.5	-5.4	234.3	256.3	-22.0
Other Services	231.6	412.8		302.4	857.3	554.9
Fees	20.5	101.9		38.9	182.2	
Commissions	13.9	57.4		12.0	101.8	
Education	2.7	70.8		1.8	161.0	
Diplomatic	26 6	87.2		50.9	157.9	
Other	167.9	95.5		198.8	254.4	
3. INVESTMENT INCOME	12.7	703.4		92.0	1045.4	953.4
NRZ						
Profits & Dividends	2.1	227.2		1.1	285.5	
Interest:	7.2	427.4	420.2	15.1	623.8	-608.7
Public sector		409.5		0.3	552.2	
Private sector	7.2	17.9		14.8	71.6	
Other	3.4	48.8		75.8	136.1	

Table 1.5 continued

ITEM	1990 CREDIT	1990 DEBIT	1990 NET	1991 CREDIT	1991 DEBIT	1991 NET
4. TRANSFERS	468.3	208.9	-259.4	652.8	321.6	-331.2
Private:	203.4	208.6	-5.4	327.4	321.3	6.1
Migrant transfers	0.9	18.1		0.3	10.7	
NCI[1] s	61.2	32.8		1636.2	99.8	
Workers remittances						
Pensions	6.9	111.4		9.6	123.8	
Other	134.2	46.3		181.3	87.0	
Official	265.1	0.3		325.4	0.3	
5. CURRENT ACCOUNT BALANCE	5445.8	5811.7		7815.1	9375.1	
6. CAPITAL ACCOUNT BALANCE (Including Errors & Omissions)	1030.5	685.2	365.9	2774.1	1092.9	
7. OVERALL BALANCE	6476.3	6496.9		10589.2	10468.0	

Summary of Invisibles

	1990 CREDIT	1990 DEBIT	1990 NET	1991 CREDIT	1991 DEBIT	1991 NET
TOTAL INVISIBLES:	1153.8	2111.6	-957.8	1675.4	3527.5	-1852.1
SERVICES	672.8	1199.3	-526.5	930.6	2160.5	-1229.9
INCOME	12.7	703.4	-690.7	92.0	1045.4	-953.4
TRANSFERS	468.3	208.9	259.4	652.8	321.6	331.2
EXPORTS (GNFS)	4964.8			7070.3		
IMPORTS (GNFS)	4899.4			8008.1		

Notes to Table 1.5

Credits on shipment services include in-transit freight earned by the National Railways of Zimbabwe and freight and insurance services provided beyond borders by Zimbabwe transport operators. Debits are sea freight and insurance services provided by foreign carriers as well as rail, road and freight through adjacent countries.

Other transport services refer to passenger fares and port services. Port services include harbour dues, landing fees, hire of carriers, repair/maintenance fees and conveyance of mail.

Travel covers expenditure by Zimbabwean residents when abroad and expenditure by foreigners while visiting Zimbabwe. Fares to and from Zimbabwe are not included.

1.6.1 Women in the Services Sector

It is imperative, by way of preamble, to mention the historical context of the participation of women in the services sector in Zimbabwe.

While there may be international parallels in the preponderance of women in the teaching, nursing and secretarial fields, there are historical specificities that characterise the situation in this country. The reliable data bank to date on this scenario is the National Manpower Survey (NMS) of 1981 (GOZ).

Table 1.6

Proportion of Females in Trained Workforce by Racial Group

	Black	White	Asian/Mixed Race	Total
Total number of Professional, Skilled and Semi-skilled	222 806	66 224	9 361	298 391
Number of Women in trained workforce	16104	21920	2 913	40 937
Percentage	7	33	31	14

Source: National Manpower Survey (1981).

The above table shows the minuscule number and percentage of women who fell into the professional, skilled and semi-skilled categories at Independence. But this proportion is even worse for black women who only constituted 7% of their respective racial group. In fact only 0.4% of the black female population was in the total trained labour force.

The majority of women were concentrated in the health sector where they comprised 64% of the workforce. This aside, they were generally concentrated in a narrow range of occupations of a clerical/secretarial and professional nature.

Table 1.7

Race Distribution of Female Employees (Professional, Skilled and Semi-Skilled) By Occupation

Major Occupations	Black No.	Black %	White No.	White %	Asian No.	Asian %	Mixed Race No.	Mixed Race %	Total Group
Professional, Technical & Related	4 485	59	3 014	39	57	1	112	1	7 668
Administrative & Managerial	137	12	857	79	58	5	40	4	1 092
Clerical and Related	4 800	24	13 983	68	523	3	1 085	5	20 421
Sales	1 661	38	2 092	48	266	6	384	9	4 403
Service	1 660	66	662	26	25	1	183	7	1 620
Agricultural, Animal Workers, Fishermen & Hunters	1 077	66	531	33	5	-	7	-	1 620
Production and Related Workers, Transport Equipment Operators. etc	2 194	74	675	23	48	2	57	2	2 979
Occupations inadequately Described	85	38	106	47	8	4	25	11	224
Total	16 104		21 920		1 020		1 893		40 937

Source: NMS Report Vol. 1. (1981).

Table 1.7 gives a breakdown of female participation in the trained workforce by skill level. The highest female representation as noted earlier, is in the health sector (64%) followed by finance etc. (42%), welfare institutions, business etc. (28%) and wholesale and retail (23%). While in the first the high preponderance of women was found in the nursing profession, in financial sector, these were in the secretarial, accounting, cashiering and data processing fields.

Tables 1.8 (a) and 1.8 (b) give an indication of the trend in the participation of the sexes in the different sectors of the economy. Of specific interest are the service sectors.

As a percentage of total employment for each year, female participation remains very low in comparison to males. However, the figure is quite significant in the community, social and personal services sector. As a percentage of total employment, this share rose from 6.7% to 8.1% between 1982 and 1993.

In the electricity, gas and water sector the share is quite minuscule. In fact this has remained low over the ten-year period reflected in the table, i.e. still a mere 0.02% by 1993. The data under the trade, restaurants and hotels sector shows significant female participation. However, it ought to be noted that this is mainly in the trade/retail industry where women are employed as salesladies. The hotel and restaurants industry has historically been dominated by men. To what extent there have been changes in favour of female workers is difficult to assess in the absence of pointed data.

Table 1.8 (a)

Employment by Industry by Sex (%)

	1982		1984		1986		1988	
	M	F	M	F	M	F	M	F
Agriculture, Hunting Forestry, Fishing	20.8	5.60	20.3	5.80	19.2	6.2	18.0	6.4
Mining & Quarrying	6	0.13	5.1	0.12	5	0.12	5	0.13
Manufacturing	16.2	1.2	14.7	1.3	15.4	1.1	1.1	15.4
Electricity, Gas & Water	0.61	0.02	0.7	0.02	0.7	0.03	0.6	0.03
Construction	4.9	0.06	4.3	0.06	4.3	0.07	5.1	0.1
Trade, Restaurants & Hotels	6.4	1.3	6.6	1.1	6.4	1.1	6.5	1.2
Transport Storage & Communication	4.6	0.3	4.5	0.3	4.4	0.3	4.2	0.3
Finance, Insurance Real Estate, Business Services	0.9	0.5	1.0	0.5	1.0	0.5	1.0	0.5
Community, Social & Personal Services	24.8	6.7	26.1	7.3	26.1	8.2	26.0	0.8

Table 1. 8 (b)

Employment by Industry by Sex(%)

	1990		1991		1992		1993	
	M	F	M	F	M	F	M	F
Agriculture, Hunting Forestry, Fishing	18.0	6.4	17.9	6.5	18.5	7.4	18.5	7.4
Mining & Quarrying	4.2	0.13	4.0	0.1	3.7	0.13	3.7	0.13
Manufacturing	15.4	1.1	15.3	1.2	14.0	1.1	14.0	1.1
Electricity, Gas & Water	0.7	0.03	0.7	0.04	0.6	0.02	0.6	0.02
Construction	6.2	0.1	6.4	0.2	7.0	0.3	7.0	0.3
Trade, Restaurants & Hotels	6.8	1.2	6.8	1.3	6.5	1.2	6.5	1.2
Transport, Storage & Communication	4.2	0.3	4.2	0.3	3.8	0.3	3.8	0.3
Finance, Insurance Real Estate, Business Services	1.0	0.5	1.0	0.5	4.6	0.8	4.6	0.8
Community, Social & Personal Services	26.0	8.2	25.3	8.3	21.8	8.11	21.8	8.11

Source, CSO, Harare 1993.

1.6.2 Informal Sector Activities

The informal sector has always presented analysts with a host of problems. That notwithstanding, the productive and retail sectors are easier to monitor than the other services that are under consideration in this study. On the one hand there are the methodological problems of not just quantifying the informal sector in general, but those of quantifying the services sector because of their intangible nature. And on the other hand there are problems that have to do with the discreet nature of these services where they do exist.

Finance

While it may be acknowledged that there are private money lenders and that income generating projects and associations lend money out for a fee, this quite often is difficult to pin down because it is an illegal activity. Beyond the provision of finance, there are no other conceivable services that are provided by these people/associations that one would normally find in a formal financial institution.

Construction

To the extent that people are able to by-pass the building regulations of local authorities by putting up illegal structures, then one can talk of informal construction activities. This, too, is equally difficult to quantify.

Trade, Restaurants and Hotels

A lot of informal sector trading occurs. This is more under the difficulties brought about by the economic reform programme. A case in point is the sudden mushrooming of flea markets in the city centre of Harare.

However, in the case of restaurants and hotels, there are very strict building, health and licensing regulations that govern the operation of these activities. In the case of food retailing we cannot talk of restaurants but food vendors. This occurs under a variety of conditions i.e. ranging from fruit and confectionery vendors at street corners to liquor outlets that sell food as well.

We are not in a position to comment on unregistered hotels, if they may be called that. And yet on the other hand it is quite conceivable that there may be people providing overnight accommodation for a fee to stranded passengers at transport nodal points.

Transport

The transport sector probably has got the most prolific informal sector activity. This ranges from people who provide a service with their private motor vehicles to truck owners who move goods.

The informality and non-formality of this service has a lot to do with the regulatory environment within which it operates. Until recently, the Road Motor Transportation Act made it very difficult for informal activity in the transport sector.

The Act is currently under review. The use of Presidential Powers to supersede this

Act has seen the increased activity of alternative modes of transport, especially minibuses with a carrying capacity of more than seven passengers. This was prohibited under the Act.

In the same vein as the above measures, there has been a move to relax the permit system that only allowed operators to move goods only within stipulated points.

It is very difficult to establish the number of informal sector operators in this sector despite its prolific nature. Those operators who operate within specified regulations would most probably fall outside the scope of the informal sector. And yet on the other hand their undefined working hours still throw them squarely within the ambit of the informal sector.

SECTION II FINANCIAL SERVICES

2.1 Overview of Financial Sector

Financial services are the most internationally active service sector, and trade and foreign direct investment in the sector is growing. At the same time this sector is unique in that it is considered strategic by governments in that financial intermediation channels investment and at the same time is central to the payments mechanism and value storehouse of an economy.[3] Because of the strategic nature of financial services, governments are interested in monitoring and regulating the operations of financial institutions so as to maintain a stable currency and a smoothly operating payments system.

Compared to many developing countries, the financial intermediary system of Zimbabwe is well developed and fairly sophisticated. The financial institutional structure is broadly based and consists of the following: The Central Bank i.e. The Reserve Bank of Zimbabwe, five commercial banks, four merchant banks (accepting houses), six finance houses, three discount houses, four building societies, insurance companies, pension funds, the Post Office Savings Bank, development finance institutions and the Stock Exchange.

In 1992, (latest available data), finance and insurance accounted for almost 5% of domestic product and only for 1.6% of employment (infact the employment figure includes real estate). Employee earnings (including real estate) on the other hand were just over of 6%. This, in a way, reveals the relative skill intensive nature of financial institutions compared to other sectors of the economy. The contribution of the financial sector to gross product, capital formation, employment and earnings is depicted in tables 1.1 to 1.4 in section 1 above.

Between 1980 and 1991, the financial sector had an average growth rate of 1% in real terms.

However, it should be pointed out and stressed that the level of development and sophistication of the financial sector of Zimbabwe has been blown out of proportion. In the past, there was very limited competition among financial institutions especially with regards to attracting depositors.

Since independence up to 1991 the banking sector of Zimbabwe has been characterised by excess liquidity. This is reflected by the fact that the liquidity ratios of commercial banks, accepting houses, finance houses and building societies have been consistently higher than the statutory minimum: see table below:

3 "Transitional Corporation, Services and the Uruguay Round", United Nations Centre for Transnational Corporations, New York, 1990.

Table 2.1.

Liquidity Ratios of Banks and Other Financial Institutions

Institutions	Actual Ratios (%)									
	1984	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993***
Commercial Banks	44	46	44	45	42	44	44	11	13	13
Accepting Houses	47	48	46	49	43	41	47	18	25	22
Finance Houses	24	25	24	27	22	22	15	13	15	14
Building Societies	18	22	23	21	25	24	20	15	13	22

Source: Quarterly Economic and Statistical Review.

**Liquidity ratios for 1993 are averages for the first nine months of that year.*

Notes:

- With effect from 21 June 1984, commercial banks and accepting houses required to hold liquid assets equal to 40% of their liabilities to the public as at the previous month end.
- With effect from 20 December 1989, finance houses are required to hold liquid assets equal to 15% of their liabilities to the public as at the end of the previous month.
- With effect from May 1984, building societies are required to hold liquid assets equal to 15% of their liabilities specified in section 37 (2) of the Building Societies Act (Chapter 189).
- With effect from 11 October 1991, commercial banks, merchant banks, financial institutions and building societies are required to hold liquid assets equal to 10% of their liabilities to the public as at the end of the previous month.

Financial institutions have primarily functioned as a means of channelling private sector savings to the public sector through short term loans to the Agricultural Marketing Authority and through the purchase of medium and long term Government bonds. Private investments were not crowded out because there was limited demand for credit. The Central Government budget has been and still is a major user of domestic financial resources primarily from the institutional investors and the Post Office while the Agricultural Marketing Authority has borrowed extensively from commercial banks. In the past, it was possible to fulfil a large public sector borrowing requirement without crowding out investment because of foreign currency shortages. The availability of foreign exchange of both working and fixed capital was the binding constraint on production expansion and as a result, the demand for private domestic credit was correspondingly depressed. If the foreign exchange bottleneck is released, and productive investment increased, manufacturing sector credit demand will increase and to avoid crowding out, either by credit rationing or by increased interest rates for the private sector, then public sector borrowing should be reduced.

An area of concern with regards to the development of the manufacturing sector is the conservative bias of financial institutions in their banking policies, which is against new and particularly small firms. Decisions to lend are based mainly on the basis of prior earnings, credit history and strength of balance sheet. Banks lend on term basis for general expansion or against equipment purchases mainly to long-term clients. Private financial institutions undertake very little project oriented financing and therefore they usually do not use rate of return calculations in assessing lending opportunities. Because they want to protect depositors' funds, they tend to be risk averse. Such policies tend to discriminate against emergent businesses which do not have collateral. This type of development occurred because of the environment within which financial institutions operated, i.e. one of limited competition, given the excess liquidity in the economy.

Government did not intervene in the allocation of credit to the private sector. However, in recent years, government has put pressure on commercial banks to increase their lending to small firms. In response, some commercial banks have established structures to deal with small businesses. For example, Standard Chartered Bank established a "Small Business Loan Scheme" and a "Small Business Unit" (SBU) in 1988. Barclays Bank launched its "Small Business Unit" in August 1989, while Zimbank created a small Business Services Division in October 1990. The small business units of the commercial banks referred to above provide a mixture of financial support, advisory and training services to small firms.

2.2 Structure of the Financial Sector

Like in every country, the Reserve Bank of Zimbabwe is at the apex of the financial sector. It performs the normal functions of a central bank such as issuing coins and notes, being custodian of gold and other foreign assets, banker to government, banker's banker and lender of last resort and finally it controls money supply.

Commercial Banks:- The five commercial banks are Stanbic (formerly ANZ Grindlays) Barclays Bank, Commercial Bank of Zimbabwe (formerly Bank of Credit and Commerce Zimbabwe), Standard Chartered Bank and the Zimbabwe Banking Corporation (Zimbank).

The ownership of commercial and merchant banks in Zimbabwe is both domestic and foreign. Of the five commercial banks that are operational in the country, two are wholly foreign owned, two others are wholly locally owned and one is partly foreign and locally owned.

Standard Chartered Bank is a wholly owned subsidiary of Standard Chartered Bank PLC. Stanbic, formerly Grindlays Bank is 100% owned by Stanbic Africa Holding Ltd (UK). On the other hand, Zimbank, and Commercial Bank of Zimbabwe (CBZ) are wholly local owned. Zimbank, which is part of the Finhold group of companies, is

61% owned by the Government of Zimbabwe. The other shareholders include various insurance companies (16.4%), pension and provident fund (5.17%), Finhold group trust (3.8%), nominee and trust companies (2.3%), and other companies and individuals. CBZ, formerly Bank of Credit and Commerce (Zimbabwe), is 100% owned by the Government of Zimbabwe. Barclays Bank is both foreign and locally owned. Barclays Bank PLC (UK) controls 66% of the shares. Old Mutual Insurance Company controls 25%. The rest of the shares are controlled by First Mutual Insurance Company (2.7%), the National Railways of Zimbabwe (NRZ) Pension Fund (2.3%), non-resident individuals (0.5%), and the rest are controlled by resident individuals.

Commercial banking is the largest financial sub-sector. Commercial bank lending is mostly short term to finance working capital requirements of industry and agricultural finance. Most of the loans are lines of credit (generally termed overdraft facilities) usually provided against real property or commercial assets as collateral. Under certain circumstances, medium-term lending is granted (three to seven years), but normally this type of lending is catered for by merchant banks or finance companies. In addition, commercial banks are significant providers of funds to central government through their holdings of government paper and also to some parastatals, especially the Agricultural Marketing Authority. In 1987, around 50% of their lending was to the public sector.

Merchant banks (accepting houses): In Zimbabwe merchant banking dates back to 1956. Some of the merchant banks are subsidiaries of commercial banks, while others are owned by other entities. These are First Merchant Bank (Anglo American Corporation), Merchant Bank of Central Africa (consortium of overseas banks), Standard Chartered Merchant Bank (Standard Bank), and Syfrets Merchant Bank (Zimbank).

With regard to merchant banks, some are owned by the commercial banks listed above while others are owned by other entities. Standard Chartered Merchant Bank is a wholly owned subsidiary of Standard Chartered Bank and Syfrets Merchant Bank is wholly owned by Zimbank. The Merchant Bank of Central Africa is owned by a consortium of overseas companies including Hill Samuel Company Ltd (UK) NM Rotschild and Sons (UK), Bank America (USA) Banque Nationale de Paris (France), Banque Rotschild (France), Drasdner Bank AG (Germany), Amax Incorporated (USA) and Tanks Investment Ltd (Zimbabwe). First Merchant Bank is owned by the Anglo American Corporation and the National Merchant Bank (NMB) is owned by a variety of local shareholders including First Mutual Life Insurance Company, Local Authorities Pension Fund, NRZ Pension Fund, Mining Industry Pension Fund, Rio Tinto Company etc.

Merchant banks, technically known as accepting houses, are geared mainly to corporate needs and large account holders. They finance foreign trade through granting of acceptance credits, process commercial letters of credit and foreign bills of exchange, provide short term financing, bridge financing, and foreign exchange transactions and dealings. Merchant banks and commercial banks are Zimbabwe's only authorised private foreign currency brokers. Merchant banks also engage in the floatation of public companies and are authorised to underwrite new issues, manage portfolios, raise development capital, and arrange financing for mergers and takeovers.

Finance Houses: There are six finance houses - Stanbic Finance (Stanbic), Fincor (Private Company), Scotfin (Zimbank), Standard Finance (Standard Chartered), Finhold (Zimbank) and UDC (public company). These normally provided finance to purchase both consumer durables and capital equipment on a hire purchase basis. However, since the mid-1980s government issued a directive that led to a shift of financing capital goods. Finance houses used to lease capital equipment, but this has been inhibited by the tax regime. Sales tax is raised on both the principal amount and the finance charges and also on the terminal value if the items are subsequently sold to the lessee. At least one of the finance houses has introduced a new service, namely debtors financing (termed factoring). With factoring, UDC undertakes to pay up to 80% of outstanding debts upfront, and this enables a company to maintain its cash flow and concentrate on its core business activity while leaving the finance house to collect the outstanding debts.

Building societies: The three building societies are, the Central African Building Society (CABS), Founders Building society and Beverly Building Society. The building society movement in Zimbabwe dates back to 1924. They specialise in providing mortgage finance for existing buildings and new construction activities. They are also significant providers of funds to government and local authorities, through their holdings of short-dated stock and play a major role in providing funds for the development of low cost housing schemes.

Discount Houses: The two discount houses accept call money from banking and other institutions. They invest this in short-dated assets such as treasury and other bills and government securities.

P.O.S.B: The Post Office Savings Bank accepts savings and time deposits from large and small savers. The P.O.S.B. has attracted substantial savings from the public because it held a competitive advantage over other institutions since it offers tax-free deposits.

Insurance Companies and Pension Plans: There are about 50 insurance companies and over 1 200 pension funds operating in Zimbabwe. These are essentially long term investors. Sixty percent of their assets must be invested in Government and parastatal securities and the rest is normally in property, equity, corporate debentures and some direct industrial term loans.

These institutions play an important role in the operation of the stock exchange and the capital market in general by channelling funds both to government and the private sector.

Government set up the Zimbabwe Re-insurance Corporation as a wholly owned state institution to deal with the outflow of foreign exchange arising from re-insurance. The role of the corporation is to create, develop and sustain local retention capacity of re-insurance business.

Credit Guarantee Company (CGC): This was formed under the name of FEBCO in 1978 and was resuscitated in the late 1980s to overcome problems faced by commercial banks in lending to small firms due to arrears that had risen to a level where banks had curtailed lending to small firms. CGC is jointly owned by the Reserve Bank (50) and the five commercial banks (10%). It operates by extending guarantees of up to 50% of the amount being loaned by a commercial bank for a small project.

Development Finance Institutions: There are three development finance institutions, namely the Small Enterprise Development Corporation (SEDCO), the Zimbabwe Development Bank (ZDB) and the Agricultural Finance Corporation. SEDCO was established by Act of Parliament in 1984, to provide financial assistance and training services to small-scale enterprises.

Like SEDCO, ZDB was established by Act of Parliament (in 1985). It is owned by government to the tune of 51%. Other share holders are; the Reserve Bank (7%), the African Development Bank (8%) and the remaining 24% is shared among the Commonwealth, European, Finnish, Dutch and German development agencies. As a development bank its objectives are to provide medium to long term loans, equity and technical support to productive enterprises in the country. The bank places considerable weight to projects that are in line with national developmental objectives such as employment creation, foreign exchange saving or generation, development of linkages and the promotion of indigenous ownership and management.

The AFC is a wholly government parastatal that is the successor of the former Southern Rhodesia Land Agricultural Bank, after its amalgamation with the Agriculture Assistance Board. Its overall mandate is the promotion of agriculture through the provision of credit. It plays a crucial role in the provision of short, medium and long term loans for seasonal inputs, capital equipment purchases and land acquisition and development.

Since 1990, most development lending by the AFC is directed to small scale communal and resettlement farmers and is under-written by government. Commercial lending is advanced to the commercial farming sector.

Venture Capital and Joint Ventures: There are several investment companies/institutions that can be used by the manufacturing sector in raising investment capital by way of joint ventures. These include, the Venture Capital Company of Zimbabwe (VCCZ), Zimbabwe Development Corporation and Hawk Ventures Ltd. In general, these provide equity and other forms of financing, and in some cases technical assistance to new and expanding business ventures of different sizes. In addition, there are several foreign institutions which do not have offices in Harare, but which offer equity finance for small enterprises in African countries. These are listed in the ZDB/CZI handbook on project finance.

The Zimbabwe Stock Exchange: The Zimbabwe Stock Exchange based in Harare was given legal status through an Act of Parliament in 1974, but it had been operating since 1946. Currently 62 companies are listed on the stock exchange and investment is largely institutional (85%). Thus private investment represents only 15% of the total investment on the stock exchange. Foreign investment is permitted under the following conditions, i.e. that only 5% per investor or collectively 25% of the entire issued share capital of a company can be purchased by foreign investors and that capital gains and dividends may be freely remitted to the investor after the payment of relevant taxes.

There are a total of five stockbroking firms which are operational in Zimbabwe, through which investors may purchase shares on the stock exchange. All the five companies are based in Harare.

2.3 Regulatory Framework

There are four statutory instruments that govern the operations of banking and financial institutions. These are the Reserve Bank of Zimbabwe (RBZ) Act (Chapter 173), The Banking Act (Chapter 188), The Building Societies Act (Chapter 189) and the Post Office Savings Bank Act (Chapter 249). The RBZ Act details the field of operation of the RBZ to have control over the banking sector and to monitor the reserve balance that banks are required to hold with the Reserve Bank. For instance commercial and merchant banks and finance houses must hold a minimum reserve balance with the Reserve Bank equal to 10% of their demand deposits (including savings) plus 4% of their time deposits.

The Reserve Bank is also empowered to change these ratios when necessary, but with the permission of the Minister of Finance. The Banking Act (Chapter 188) applies to commercial banks, merchant banks, discount houses and finance houses and it outlines the conditions of operations of these.

Regulations governing the operations of the financial sector can be broadly categorised as follows:-

- Those aimed at protecting the depositors;
- Those that define/limit the operations of the different types of financial institutions;
- Those that govern entry of new institutions; and
- Those that affect the lending/borrowing policies of the financial institutions.

Before discussing these regulations, it should be pointed out that the legal framework that govern the operations of financial institutions is quite out-moded and is in a way not compatible with the current policy thrust. The banking Act is therefore being revised and consultations in this regard, are going on between government and the relevant financial institutions. The regulatory framework at this point is therefore a rather elusive phenomenon and any attempt at providing a picture of the framework is like shooting at a moving target.

2.3.1 Regulations Aimed at Protecting Depositors:.

Regulations aimed at protecting depositors are also aimed at ensuring viability and continued existence of the financial sector. In other words they are aimed at avoiding bankrupty. In fact at a global level, financial sector regulations evolved in response to a tendency of unregulated financial institutions getting into recurring crises and this is damaging to depositors, investors, policy holders, industry and commerce and to the whole economy. Such an occurrence can have tremendous spill-over effects in that potential depositors can lose confidence with financial institutions and keep their savings "in the mattress" as it were.

Minimum Capital Requirements: The Banking Act specifies the legal minimum capital of the different financial institutions. For commercial and merchant banks, the Act requires that these should have a minimum paid up equity capital and unimpaired reserves of Z$1 million. For discount houses and finance houses, the figure is Z$0.5 million. The minimum requirements apply equally to institutions with head offices in Zimbabwe and those that have head offices outside Zimbabwe. In the latter case, it is the offices and branches in the country that together are required to maintain the minimum specified capital and unimpaired reserve funds.

Maximum Liabilities: Financial institutions are required by law to have liabilities to the public which at any time do not exceed ten times the aggregate of their paid up equity capital and unimpaired reserve funds in the country. This regulation applies equally to those financial institutions with head offices in Zimbabwe and those with head offices outside Zimbabwe. In the later case the requirement is that the offices and branches in Zimbabwe should have liabilities to the public that exceed ten times the aggregate of capital and unimpaired reserve funds in Zimbabwe of those offices and branches.

Minimum Holding of Specified Assets: With effect from October 1991, commercial and merchant banks, finance houses and building societies are required to maintain a minimum holding of liquid assets equal to 10% of their liabilities to the public as at the end of the previous month. Prior to that date, commercial banks and accepting houses were required to hold liquid assets equal to 40% of their liabilities whilst building societies and finance houses were required to maintain a ratio of at least 15%.

Offices and branches in Zimbabwe of institutions with head offices outside the country are regarded as if they constitute separate institutions carrying on business in the country. Therefore all the liabilities to the public and assets of those branches and offices in the country are regarded as if they constituted liabilities of separate institutions. In addition liabilities to the public are deemed not to include liabilities to the head office of branches outside Zimbabwe

For those institutions with head offices in Zimbabwe, with the approval of the Registrar, their liabilities are deemed not to include liabilities to an equity shareholder outside Zimbabwe of that institution. Except with the approval of the Registrar, no portion of the minimum liquid assets required to hold and maintain can be pledged or encumbered. Failure to comply with this requirement results in a penalty.

2.3.2 Regulations Governing Operations/Transactions

This class of regulations is aimed at defining the operations of different types of financial institutions, with the aim of segmenting these operations. The regulations also prohibit certain transactions by some financial institutions.

With regard to segmentation of operations, commercial banks are not allowed to lend for building while building societies cannot lend for working capital requirements of firms. The Post Office Savings Bank and building societies are not allowed to issue cheque books. Only commercial banks and accepting houses are authorised to accept deposits of money withdrawable by cheque, draft or order payable on demand. Previously building societies were not allowed to issue negotiable certificates of deposits, but this has been relaxed. Commercial banks and accepting houses are prohibited by law from engaging on their own account, in the wholesale or retail trade including the export or import trade unless it is necessary in the course of recovering debts. In addition they are prohibited from acquiring or holding immovable property except for conducting business or providing housing amenities for staff.

In general commercial banks are not allowed to take equity in non-Banking institutions. Banks feel that at times it is better to blend debt and equity. At the moment this occurs only on exceptional basis e.g. in cases where companies are on the verge of bankruptcy and are failing to sustain debt servicing. However, this regulation is being reviewed.

2.3.3 *Regulations Governing Entry*

The Banking Act does not have explicit regulations governing entry of new businesses into the financial sector other than the need to comply with the Banking Act in terms of minimum capital requirements and other operations. But every financial institution should be registered with the registrar of financial institutions and building societies.

In considering a new venture, the registrar requires that such a venture raise at least Z$10 million in liquid assets in the case of commercial and merchant banks. In the case of building societies, finance houses and discount houses, an amount equivalent to Z$5 million should be raised. The amount should be raised not through borrowing. The registrar strives to ensure that any new financial institution should be potentially viable. There is therefore the requirement of a feasibility study which proves viability before any new commercial bank, merchant bank, building society, discount house or finance house is registered. The feasibility study should identify the target group of clients i.e. the deposit base. In addition it should provide proof for financial back-up during periods of losses. This requirement is also aimed at protecting depositors' funds.

At the present moment, financial institutions are facing a liquidity crisis although this is easing. Competition among financial institutions for depositors funds has increased tremendously in the past two years or so. They are introducing several instruments to lure new clients and keep existing customers. The increasing internal competition makes it difficult for new entrants to be potentially viable especially given the limited market size of the country.

The registrar of financial institutions encourages and requires foreign banks to have local counterparts. There is no fixed local participation but it is expected to be in the order of 30% to 40% or more. But at the moment potential local counterparts are facing a liquidity crunch due to the tight monetary policy. There are already several international banks that have representative offices in the country and are exploring the market. These include the Meridian Bank, Bank Mees and Hope (Dutch), Bank of Yugoslavia and Society Generale. These are not operating as banks but can facilitate loan syndication.

The banking sector in Zimbabwe is dominated by British banks. The country therefore has a bias towards non-British banks in order to install a new culture into the banking sector. In particular existing banks have tended to stick to well established customers and are very risk averse. Special consideration is being given to those willing to take greater risk and in the process promote new businesses.

The registrar takes keen interest in approving directors, especially foreign ones, but also locals. The office prefers that the board consists of directors with different backgrounds such as lawyers, accountants, economists, industrialists etc. It is to national interest that new institutions encourage development of local skills and introduce new technologies and products. The chief executive or managing director should not have been put to liquidation before.

2.3.4 Regulations Affecting Lending and Borrowing Operations

These regulations generally arise from government concern over macro-economic management, with the purpose of attaining sectoral and social developmental objectives. Financial institutions distribute credit and interest rate regulations can be used to benefit certain social groups. In addition, these regulations can be used to control money supply and hence, the rate of inflation. The Reserve Bank of Zimbabwe has generally employed traditional monetary instruments, especially the determination of liquidity ratios and discount rates. Open market operations have also played an important role.

The recent and current financial and monetary sector policies are aimed at containing inflationary pressures and mobilising domestic savings. Up to the end of 1989, the Reserve Bank fixed the minimum lending rates and maximum deposit rates for banks and finance houses. As a result, the level and structure of interest rates remained stable while inflation rose during the past few years. Beginning October 1989, the Reserve Bank adopted an active monetary policy stance in which indirect methods of controlling credit and money supply and regulating the financial system are used.

"Essentially, the new system involves introduction of Base Lending Rates (BRL) which are fixed taking into account prevailing market interest rates. Maximum lending rates which are discriminating on the basis of sector are set by stipulating specific margins over the BRL. [4]

In August 1991, minimum rates on demand and savings deposits were introduced, and this marked a departure from earlier practice. With minimum rates stipulated, rates on savings and demand deposits could move up to any level.

In general, it can be said that, from the second half of 1991, the Reserve Bank has applied a restrictive monetary policy and this has caused shortage of liquidity in the money market. The high interest rates and liquidity crisis has become a major constraint on manufacturing and other sectors of the economy. Companies particularly that are agro-based (e.g. food processing and textiles) have experienced problems due to the last drought. These problems are worsened by high interest rates to finance working capital through borrowing. Finally, the viability of new projects that tend to have a high gearing ratio is adversely affected and hence there is a squeeze on investment.

With the financial sector reform programme, interest rates were freed for the banking sector. The Finance House Association has been holding extensive discussions with government to be able to push up interest rates on hire purchase to cushion them against the high cost of borrowing. The hire purchase legislation

4 H. Ndoro, "Structural Adjustment and Financial Sector Reforms", Paper presented at ZIDS Workshop on Economic Structural Adjustment Programme in Zimbabwe, November 1991.

prevents finance houses from passing on interest increases to hire purchase borrowers. This is being revised so that interest rates are freed for all financial institutions.

However, mortgage rates for building societies are government controlled. This in turn implies that building societies cannot offer high interest rates to depositors. These institutions borrow from the public in order to lend to the public principally for home ownership, but also for industrial and commercial property development. They therefore compete with other financial institutions for individual, corporate and institutional savings. Because of the higher interest rates offered on savings by the banking sector and the Post Office Savings Bank, building societies have lost several hundreds of millions of dollars worth of depositors to these institutions. Their position has been worsened by the fact that they borrow short term and lend long term. Building societies can now issue negotiable certificates of deposits which means that they can borrow at a high interest rate e.g. 35%, but the rate at which they can land is governed at a lower level.

The long term solution to the crisis faced by building societies is not to free interest rates. There is a limit to which interest rates can be increased and have housing affordable. The long term solution lies in controlling inflation and the general rise in interest rates.

Government has on some occasions come to the rescue of building societies by providing loans. For example in June 1992, government injected about Z$110 million to the three building societies. Building societies have also been allowed to offer a tax free account - but for a minimum of two years. But still this does not quite cover the differential interest rates.

2.4 Regional Co-operation Arrangements

Zimbabwe is a member of the African Development Bank. The Reserve Bank of Zimbabwe is a member of the Association of African Central Banks which promotes co-operation among its members. The African Centre for Monetary Studies provides research services on monetary matters to this organisation. There is also a harmonisation programme to encourage co-operation among regional financial institutions.

Trade in the sub-region has been enhanced by the establishment of the P.T.A. clearing house in Harare. It is administered by the Reserve Bank.

Non-residents are allowed to invest funds from an external source through normal banking channels to purchase shares on the Zimbabwe Stock Exchange and are permitted to disinvest and repatriate their capital provided the amount does not exceed $20,000.

2.5 Insurance Companies

There are broad categories of insurance businesses, namely life and non-life insurance. Non life insurance companies provide property insurance against fire and associated risk, accidents e.g.breakage of goods in transit, motor insurance and engineering insurance. Engineering insurance covers losses when factory machinery breaks down by accident. Some insurers engage in marine and aviation insurance to cover goods being exported or imported. In addition there is insurance against loss of profits which might arise from the accident mentioned above. Some companies require insurance against injury to employees, in addition to the workmen's compensation. Some insurance companies also provide insurance against liabilities.

The major regulations relating to the operation of insurance companies are aimed at safe-guarding clients, and also at satisfying government financial requirements.

The Insurance Act of 1987 required insurance companies that are not in life insurance business to maintain a margin of solvency such that the total value of assets exceed the amount of liabilities by one million dollars or 25% of net premium income in the processing year - which ever is greater. For life insurance business, the total value of assets should exceed liabilities under unmatured life policies by one million dollars or an amount that the commissioner of insurance may determine on the advice of the insurer's actuaries.

These requirements do not pose a problem to insurance companies since the companies recognised and appreciate the need for protection of policy holders. In fact most companies have their solvency margins.

Insurers are also required to hold at least 30% of their investments in government stock. However, this requirement is seen as burdensome to some extent. Insurers feel that for practical purposes the figures are on the higher side.

Life insurance companies are required to maintain in Zimbabwe a life insurance fund, unimpaired assets of an aggregate value no less than the total liabilities of the company in Zimbabwe in respect of:

i) unexpired premium reserves,

ii) net outstanding claims and

iii) provision for the claims, incurred but not reported.

Companies that undertake both life and other insurance business are also required to maintain unimpaired reserves to cover their liabilities. The insurance fund that every insurer is required to maintain is to be held in prescribed assets in such proportions as determined by the Minister of Finance, Economic Planning and Development.

Insurance brokers are also required to hold and maintain investment in approved securities of not less that $25 000,00 or a greater amount which the Commissioner of Insurance may determine. In addition every insurance broker should maintain a professional indemnity insurance with a limit of liability of not less that $500 000 or 50% net brokage income in the last proceeding year. This type of policy should be insured in Zimbabwe.

The Insurance Act prohibits insurance companies from carrying out insurance business outside Zimbabwe to cover risk that can occur in Zimbabwe.

The 1987 Insurance Act requires that all insurance companies operating in Zimbabwe should have a controlling interest held directly or indirectly by a person or persons who are citizens of Zimbabwe ordinarily resident in the country or permanent residents of Zimbabwe. For existing insurance companies, this requirement should be fulfilled before the 1st August 1993.

In general, insurance companies in Zimbabwe have accepted to comply with 51% localisation requirements. However, some companies feel that this is not quite in line with the current economic reform programme. There are certain advantages that accrue to subsidiaries of international insurance companies. These are in the form of technologies, exchange of knowledge through such things as provision of external training programmes funded by the parent company. If the major foreign shareholder loses interest in a subsidiary because it does not hold at least 50% of the shares, then some of these benefits could be lost.

It should be pointed out however, that a company can have a controlling interest in another, even with less than 50% shareholding, provided that the remaining shares are divided among many other small shareholders. A foreign shareholder with less than 50% of the shares can therefore still make the major decisions at a lower risk exposure.

On the localisation drive, if an external investor wanted to sell off some shares to meet the 51% local share-holding requirement, money paid is not remittable externally. The alternative way of meeting that requirement would be by increasing the share capital. Unfortunately most insurance companies feel that they do not need to increase their share capital at this point in time.

2.6 Financial Sector Survey Results

2.6.1 Introduction

To assess the contribution of the financial sector to the dynamics of the national economy, a questionnaire was administered to various representatives of the sector which included commercial banks, building societies, merchant banks, development finance institutions and representatives of insurance companies and pension plans. Interviews were also carried out with representatives of the major clients of the sector including, agriculture (Commercial Farmers Union and National Farmers Union), industry (Confederation of Zimbabwe Industry), commerce (Zimbabwe National Chamber of Commerce) and the indigenous business people (Indigenous Business Development Centre) to assess the adequacy of the services provided by the sector to its clientele.

2.6.2 Service Provision

The survey results indicated that the various financial sub-sectors still provide the traditional services assigned to them especially to the domestic market with very little or no exportation at all. Commercial banks perceived their major function to be banking, thus the operation of individual and corporate accounts and provision of short term credit facilities. Building societies on the other hand described their services as the provision of mortgage finance and the operation of savings accounts. For merchant banks, the main activities were described as the acceptance of deposits, lending and the provision of financial advisory services. In the case of this sub-sector, in certain cases, the financial advisory service and management consultancy service is extended to clients beyond the Zimbabwean borders, especially in Botswana and Malawi, through links with associate firms. Also in the same sub-sector, there is a significant development of new services, for example, the introduction of interest hedging by Standard Chartered Merchant Bank of Zimbabwe and retail credit by UDC Limited. UDC also has plans to introduce lease hire in the short term and insurance products in the long term. The main insurance companies described their activities as life assurance and group pension schemes. In addition they use substantial amounts of their profits for investment in real estate for both residential and commercial purposes.

2.6.3 New Services

The survey results show a glaring lack of plans to introduce new services in almost all the sub-sectors except for one merchant bank, one finance house and the Agricultural Finance Corporation (AFC). Some merchant banks plan to introduce new services. The AFC whose main activity is currently to provide loan facilities to farmers in both the large scale and small scale agricultural sub- sectors intends to introduce banking services for its clients in the long term. Most of the other institutions were more concerned about improving the quality of their current services through processes such as computerisation of functions. Computerisation programmes are taking place in almost all institutions in the sector. Among the commercial banks and building societies, the process includes the introduction of Automatic Teller Machines (ATMs) in all of them except the Commercial Bank of Zimbabwe and Stanbic. In these two sub-sectors this technological development is aimed at speeding up the banking process and eliminating queues. It is also aimed at improving banking convenience by providing an after hours banking facility.

The introduction of on-line facilities at teller's counters has improved teller service considerably. The computerisation programme has also led to nation-wide networking of each institution's branches making it easier for transfers to be effected. In the particular case of the Central African Building Society (CABS), plans are under way to place terminals in leading chain stores to enable account holders to use their CABS cards for shopping. Computerisation also dominates most institutions's future plans. Particular examples include plans to upgrade management information systems, to introduce cashless transactions and to reduce manual production of information.

2.6.4 Exportation of Services

The survey results indicated that there was virtually no exportation of services by the Zimbabwean financial sector. In the case of all respondents except UDC and Standard Chartered Merchant Bank, there was no exportation of services. Neither had there been any attempt to export services. There were also no indications of future plans to venture into the export market. In the two cases where some services were exported, the services are provided through associated firms in the respective countries of service destination. The Zimbabwe Banking Corporation (ZIMBANK) has also ventured into the foreign market, through the establishment of Zimbank Botswana which is a subsidiary of Zimbank Zimbabwe limited. Internal infrastructural services were considered, in one of the cases to be the major obstacle to the exportation of services. In the other case, both the internal and foreign regulatory environment was cited as the inhibiting factor. However, overall, there seemed to be a lack of keenness on the part of the sector in general to test external markets.

2.6.5 Competition Within the Domestic Market

The Zimbabwean financial sector consists of about seven sub-sectors. Competition within each of the sub-sectors is limited by factors ranging from the predominance of one or two institutions, through the existence of a limited number of institutions, thus promoting monopolistic tendencies, to the existence of government regulations which favour some institutions at the expense of others.

The commercial banking sub-sector is the largest financial sub-sector. It has five banks. However, Standard Chartered Bank predominates this sub-sector with a control of over 30% of the national market. The same situation exists within the building societies sub-sector. Of the three building societies there are in this sub-sector, CABS controls 52% of the national market while Beverly and Founders control 28% and 20% respectively. The insurance sub-sector is predominated by Old Mutual. The finance houses sub-sector consists of six firms most of which are linked to the commercial banks. In this sub-sector, UDC, which is a public company, controls about 40% of the market. The other sub-sectors consist of two discount houses, one credit guarantee company, the Post Office Savings Bank (POSB), two development finance institutions and the AFC.

The POSB enjoys a competitive advantage against all the other financial institutions because it offers tax-free investments for both savings and fixed deposits at higher rates than any other institution. Its current rate of tax-free interests on fixed deposits is 21.75% while that for building societies' paid up permanent shares is 13%. The development finance institutions are state corporations that were established by Act of Parliament and given special mandate. Three such institutions exist. The Small Enterprises Development Corporation (SEDCO) has the task of offering financial assistance and training services to small scale enterprises. While the commercial banks have also set up small business units, as mentioned before, SEDCO has a competitive advantage over these because it can offer concessionary lending rates since it can acquire funds from government at lower cost. For the same reason, the AFC which offers financial assistance to the agricultural sector, also has a competitive edge against the agribusiness units of commercial banks. The Zimbabwe Development Bank plays the unique role in supporting productive ventures which are in line with national development objectives.

Government has made efforts to target finance to the small business sector by providing Z$400 million that is being channelled through commercial banks at concessionary terms.

2.6.6 Constraints Faced in the Delivery of Services

The factors which respondents cited as constraining their operations are subdivisible into two categories, i.e., those that concern the general environment within which firms operate and those that relate to internal problems of individual firms.

The following environmental factors feature prominently in most of the responses:

- High interest rates, especially as they affect finance houses. This factor was viewed as resulting from high inflation which in turn resulted from excessive recurrent expenditure on the part of government.
- The implementation of the Economic Structural Adjustment Programme (ESAP) and the effect of a world recession which have reduced the viability of corporate clients and increased the amount of non-performing accounts.
- Loan repayment problems especially as they affect the development finance sector.
- Inhibitive legislation.

The internal problems cited as constraining some of the institutions' operations include shortage of expertise in such specialised fields as corporate finance, an inadequate telecommunications infrastructure, and poor progress in the installation of modern information technology systems. Most of the respondents reported a drain on their qualified personnel. There seems to be a high level of mobility of qualified personnel within the financial sector in search of better packages. In a few cases, the losses were reported to be to destinations outside Zimbabwe. For development finance institutions, the loss has been to the private sector which offers better remuneration packages than statutory corporations. Despite the turnover, all the respondents reported having adequately qualified and trained staff to render them competitive. The notion created then is that, except in a few specialised fields, for example, corporate finance, more concerted efforts should be placed on programmes to encourage staff retention by offering attractive packages. Employee development and the recruitment of new personnel is also inevitable given the technological advances which most of the firms are embarking upon.

The existence of adequate telecommunications infrastructure is indispensable for the efficient operation of modern information systems. The Post and Telecommunications Corporation provides this infrastructure. However, due to technological and manpower problems within the corporation, financial institutions, especially banks and building societies with on-line services, experience frequent breakdowns which may have adverse effects on the quality of their services. The computerisation programmes which most firms are undertaking depend on imported technology. However, a fairly large network of computer companies exists to provide backup services.

2.6.7 *Regulatory and Market Environment*

The regulatory framework of the financial sector in Zimbabwe has been adequately described above. Specific sub-sectors have own concerns with regard to the regulatory environment.

The development finance institutions are more concerned about government intervention in their operations and would favour more autonomous operations. The same goes for the POSB. For the AFC, the expressed concern is for the statutory provision of its existence to be amended to allow it to engage in innovative means for raising funds in order to compete effectively. In particular, the AFC requires the authority to become deposit taking and to operate banking services so as to be able to provide a full financial package to its customers. The POSB is concerned about the heavy protection and control by the government. Due to this control, the bank is forced to invest in government stock which at times has yields far below the market rates. As such it would like to see a removal of this control to allow it to operate on the open market. It would also like to be divorced from its current marriage with the PTC and be allowed to operate autonomously. As pointed out before, building societies are more concerned about the unfair competition which they have to endure as a result of government control over the interest rates they can offer to depositors which are pegged at lower levels than those offered by the commercial banking sub-sector and the POSB. For example, between October 1991 and January 1993, according to the Building Societies Association of Zimbabwe, the sub-sector lost about $350 million in deposits to other financial institutions which offer competitive rates. The result of this lack of competitiveness has been the drying up of funds for mortgage advances from building societies between 1991 and 1993. Commercial banks, finance houses and merchant banks are more concerned about Reserve Bank of Zimbabwe (RBZ) controls of the financial sector and its limits on the operational flexibility of institutions especially with regard to interest rates and exchange controls. Specifically, this sub-sector would like to see a complete removal of exchange controls and a reduction of government expenditure in order to reduce the crowding out effect and release more financial resources to the open market. It should be pointed out however, that great strides have been made in relaxing foreign exchange regulations, especially removal of foreign exchange allocation. Insurance companies are more concerned about the introduction of the compulsory pension scheme under the National Social Security Authority which threatens their own existence.

The following incentives were recommended as necessary in order to increase the viability of the financial sector:

- reduction of corporate taxes in order to boost the performance of the productive sectors and boost resources available for private reinvestment;
- reduction of interest rates for borrowers; and
- the creation of a stable economic and political environment conducive for both domestic and foreign investment.

With regard to the liberalisation of foreign investment, various views were expressed. On the general, the participation of foreign investors was viewed as undesirable. It was only in only one case where there was a preference for a high level of foreign investment to the tune of 75%.

2.6.8 The Adequacy of Financial Services in Zimbabwe: The Views of Major Clients

The views of five major representatives of the clientele of financial institutions were solicited with regard to the adequacy of the services provided and the extent to which current reform programmes are leading to enhanced efficiency and effectiveness in service provision. Those included were CZI, ZNCC, CFU, ZFU and IBDC.

For all the respondents, the problem was not that of adequacy of financial services, but that of cost. The high interest rates on credit provided by banks have put such facilities beyond the reach of many clients. The high interest rates levied push up the cost of borrowing, thus adversely affecting the operations of the sector. According to the CZI respondent, in January 1993, the inflation rate stood at 18.5% and borrowing rates were at 28% posing a 12% difference. Thus interest rates should come down. Banks should reduce their lending rate in line with the decreasing rate of inflation. In the case of the ZFU, the facilities currently existing are unsuitable for their requirements. Commercial financial sector facilities are inaccessible due to the high interest rates levied and their demand for collateral security. The short term facility offered by the AFC on the other hand places heavy repayment burdens on the farmers over a very short space of time. The IBDC experiences similar problems with the existing institutions. The demand for collateral security puts most of the services of the commercial banking sector beyond its members' reach. The IBDC view is that the situation in banks has remained stagnant with no new lending instruments geared towards a new clientele of small business people and the indigenous sector.

The liberalisation programme has brought a few improvements in the financial sector including the establishment of new institutions which include a new discount house, a new merchant bank and a new building society operated by indigenous people. However, the benefits of the liberalisation programme still have to be fully appreciated by the productive sectors.

2.7 Conclusion

2.7.1 General Remarks

Regulation of the financial sector stems from its strategic position in the economy and concerns by government to maintain a stable monetary/payments system. Financial intermediation can be used to distribute financial resources to meet specific developmental and social objectives. Lending limits, reserve requirements and minimum capital requirements are administered to avoid insolvency. Interest rates are administered as an instrument of macro-economic management. Finally, regulations that govern entry of new, particularly foreign institutions, are aimed at protecting the domestic infant financial sector. As mentioned before, in Zimbabwe, the regulatory environment of the financial sector is being reviewed.

2.7.2 *Concerns on Deregulations.*

- Competition on an Unequal Basis

  Opening of borders should be reciprocal. In other words if an American bank is allowed to operate in Zimbabwe, then Zimbabwe banks should be allowed to operate in America.

  Access to Skilled Manpower

- Local financial institutions need to have the flexibility to higher skilled manpower even abroad if such skills are not locally available. But such a system could be abused to the detriment of development of indigenous skills.

  Access to Modern Technology.

Local financial institutions need to get access to modern technologies to compete on an equal footing with foreign institutions.

- External banks are likely to concentrate on offering cooperative services and could avoid rural areas. In other words high risk business could be left for local banks.
- Given the high interest rates prevailing in the country foreign financial institutions can access low interest rate funds and be in a better competitive position.

These are concerns raised by financial institutions and they need to be considered in the process of deregulation.

SECTION III TRANSPORT

3.1 Definition and Significance

Zimbabwe has three modes of transport that it effectively operates i.e. road, rail and air. The fourth, water, is of little significance, being mainly restricted to Lake Kariba. However, the country is totally dependent on its neighbours i.e. South Africa and Mozambique, for access to water-borne transportation and on international shipping lines for the movement of its international trade.

The transport sector is operated by both the public and private sector. The public sector dominates the air transport system, through the Air Zimbabwe Corporation which runs the national passenger carrier and Affretair the national cargo carrier. The former is a statutory body and the latter is publicly owned.

Apart from the regional and international airlines operating to and from Harare international airport, there are other smaller private companies that provide charter services, cloud seeding and agricultural air spraying services.

The air transport infrastructure consists of three international airports, three aerodromes capable of accommodating large planes and some 190 small airfields.

The railway system is the monopoly of the public sector through the statutory National Railways of Zimbabwe (NRZ). The NRZ operates 2 708 km of route in Zimbabwe on which, over the period 1986 to 1990, it carried in excess of 13 million tonnes of bulk good traffic per year on average. In 1991 it carried 14,4 million tonnes. This is about 90% of all bulk goods.

It also operates a fleet of trucks and trailers - Road Motor Services (RMS) - which operated both scheduled and unscheduled routes to areas not served by the railway system.

Road haulage and passenger services, except for RMS are in private hands. There are two significant organisations in this field i.e. The Zimbabwe Transport Organisation (ZTO) which mainly represents rural passenger bus operators and the Transport Operators Association (TOA) which represents goods freight operators. The latter represents some passenger carriers including the Zimbabwe United Passenger Company (ZUPCO) which, till recently, had a monopoly of urban commuter traffic.

The road network itself is approximately 85 000 kilometres of which 18 500 kms are classified as state road, 23 700 kms are rural council roads and 5 300 kms are municipality (urban) roads [National Transport Sector Study (NTS), 1985]. The NTS noted that generally the roads were good, despite the age, except for those in the communal areas i.e. those administered by district councils.

Communal roads are poorly serviced because of resource constraints. About 60% of state roads are beyond life span.

3.2 Broad Macro-Framework and Policy Objectives

3.2.1 Macro-Framework

The pattern of development of the transport sector has historically been linked to the political economy of the country. Of specific significance here is that physical infrastructure tends to live long after particular political, policy and economic regimes.

The above point is simply demonstrated by the fact that despite the efforts of the post-independence government, communal areas, by and large, are still serviced by the network of gravel roads that can become quite inaccessible during the rainy season. This network compared very badly with the one that serves commercial farming areas, mines and urban areas. Similarly, the railway network tends to serve and link these latter areas. If it serves communal areas this is purely by accident and not design.

What the preceding observations mean is that there remains a substantial part of the country that relies on a not so efficient transport network both for commuting and for productive purposes. This has to be pointed out because there is a tendency to provide a static picture of services i.e. to examine services within existing confines.

But beyond these observations it is important to reiterate that this is a landlocked country that is totally dependent on its neighbours for the movement of its trade by sea. Consequently the geopolitics of this region have had such a major impact on the economy of this country through the bottlenecks that have been created.

3.2.2 Policy Objectives

Government is very much aware of the crucial importance of transport. This is reflected in the proposed capital expenditures in this sector in government development plans. The First Five Year National Development Plan (FFYNDP) proposed an investment of Z$545 million. The estimated investment requirements in the current plan are put at Z$2,8 billion.

Three areas of concern have hitherto underpinned government policy on the transport sector. These are:

- the need to reduce dependence on South Africa because of the apartheid regime. This concern took dimensions that went beyond the transport economist's office i.e. joint security patrols in Mozambique in order to keep sea access routes open. It has also seen Zimbabwe's major involvement in the SADCC transport commission (SATCC).
- efforts to make previously neglected communal areas accessible. This has been done through a programme to upgrade the rural road network. Added to this is the maintenance of the existing primary road network.
- re-equipping and increasing the capabilities of the two major transport parastatals, and continued access to new vehicles for private operators.

The last two policy concerns have been implemented mainly through the determinants of the budget and the foreign exchange allocation system, while the first has been through geo-strategic considerations, a consideration of which goes beyond the confines of this study. But these are considerations that, hopefully, with recent developments in the region, may fall away shortly.

With the advent of ESAP, government thinking on the sector seems to be a movement towards a less regulated sector. Thus the major transport parastatals are to have greater autonomy in their operations. It is also envisaged that subsidies to the parastatals will decline. However, the point still remains that there are other, not so obvious ways of regulating a sector that shall always be there. These shall be examined further on.

3.3 Role of Transport in the Macro-Economy

3.3.1 Contribution to Employment

In 1979 employment in both the transport and communication sector stood at 43 400. By 1982 it had reached 50 4000 before dropping to 49 600 in 1983.

In 1989 the two employed 51 800 employees which grew to 53 300 in 1990 or 4.4% and 4.5% of total employment respectively. Of these Air Zimbabwe Corporation employed 1 812 and 1 810 in the 1989/90 and 1990/91 financial years respectively, while NRZ employed 17 158 and 16 799 during the same years. However, employment figures are expected to drop with the restructuring of those organisations. For example, in the first quarter of 1993, NRZ employed 16 000 people and expected to reduce this figure to between 12 000 and 14 000, with restructuring of the organisation.

It is estimated in the SFYNDP that of the 50 000 plus employees in this sector, 20 000 are in the private transport industry.

3.3.2 Contribution to GDP

The sector's contribution to GDP at constant 1980 prices remained slightly above 6% between 1985 and 1988. This dropped to 5,9% for the years 1989 to 1990. It must be remembered that once the sector has been equipped its performance is very dependent on the performance of the productive sector and the market. Consequently the current policy reform is going to have an impact on the future growth of the sector.

3.3.3 Role in Gross Fixed Capital Formation

In 1980 transport equipment accounted for 15.9% of gross fixed capital formation. This figure dropped to 14,5% in 1981 only to rise again to 16,0% in 1982. From then it declined to average 13.0% until it rose again to 16.3% in 1987. However, there was a general decline in investment during that period. Furthermore this is a very foreign exchange dependent sector for its major items like engines and chassis, locomotives, aircraft etc. The general foreign exchange squeeze led to a decline in gross fixed capital formation.

3.4 Regulatory Environment

The regulations that affect this sector are in the process of transformation, with the most being the parastatal reforms. Regulations can be examined at three levels i.e. parastatal reforms, legal reforms and general economic policy reforms.

Before proceeding to examining these, it should be stated that the general impression from interviews conducted with those involved in the sector is that regulations that appertain to safety should generally stay.

3.4.1 Parastatal Reforms

The accumulated subsidies and advances to the NRZ from the government between 1986/87 and 1990/91 is Z$655 million. For Air Zimbabwe the figure during that period is Z$ 118.9 million. The two parastatals have respective cumulative losses of Z$668.8 million for NRZ and Z$90 million for Air Zimbabwe between 1985/86 and 1989/90.

With the policy reform programme, government intends to reduce its subsidies from Z$70 million (1990/91) to about Z$14 million by 1993/94 for NRZ. Air Zimbabwe ceased to receive subsidies in 1990/91 financial year. In 1991/92, it realised profits.

The underlying reason behind government efforts to make parastatal more enterprising is their burden on the fiscus. However, what is of immediate relevance to the transport sector will be their ability to adjust tariffs without the previous lengthy delay through the government machinery.

One of the results of this recent freedom in policy determination is the careful assessment of route profitability. This applies particularly to NRZ, RMS and Air Zimbabwe. The latter has dropped its route to Athens, and is said to be carefully examining other routes.

However, it has to be said that the question of deregulation has to be approached very carefully. Air Zimbabwe currently has a monopoly to undertake domestic scheduled flights. Currently there are 22 other airlines flying to and from Harare International Airport from and to a variety of destinations. It would seem that the level of competition for passengers is already sufficiently intense. Air Zimbabwe has to compete with airlines such as British Airways which, because of economies of scale, have got lower operational costs. It should be quite clear that wholesale deregulation, and not affording the national airline some measure of protection in such circumstances, can produce quite negative results.

In fact it is an acknowledged fact internationally that the transport sector is a carefully regulated one for considerations of national security and sovereignty. [5]

5 [UNCTC Current Studies No. 19 Series A - New Issues in the Uruguay Round of Multilateral Trade Negotiations, July 1990, p. 23].

3.4.2 Legal Reforms

The ESAP programme makes it very clear that the legal status of all parastatals will be reviewed and changes made where necessary. There are two pieces of legislation that have been the subject of much consternation among businessmen including the IBDC. These are the Urban Areas (Omnibuses Services) Act and the Road Motor Transportation Act. They are the subject of the deliberations of the Deregulations Committee.

Currently ZUPCO has a franchise with the government due to expire in 1999. This gives ZUPCO a monopoly on urban transport. There are stipulations in the agreement that any vehicle carrying more than seven passengers is defined as an omnibus and therefore should not operate in the urban areas. This is a direct import from the Road Motor Transportation Act. The Road Motor Transport Act has been amended, as at March 1994, the amendments are still under Cabinet consideration.

This stipulation which carries stiff penalties if it is broken, according to government sources, has for a long time handicapped the government's efforts to legalise minibuses operated privately. However, in the last quarter of 1993, privately operated minibuses were authorised to operate in the urban areas because of the transport crisis, provided that they are registered. In addition, there is a limit on the number of licences that are issued to operators, and hence a limit on the number of minibuses that can operate in any urban area. Minibuses, defined as vehicles carrying 8 to 18 passengers, were introduced under Presidential Powers which expired after six months, and then Ministerial Emergency Powers were used for them to continue operating.

There are also suggestions that amendments be made to the Road Motor Transportation Act that would lead to the deregulation of the permit system. The licensing system would be replaced by operator's licence. Effectively this would allow operators to carry anything as long as the vehicle is suitable for the purpose.

There is also the need to deregulate the routes themselves which would allow operators to move between several onward destinations if they find them profitable instead of the present two destination system. Alongside this is the partial or complete removal of timetables to make rural transport more competitive. The watchword in this exercise should be safety.

3.5 General Economic Policy Reforms

Three aspects of general economic policy are of special interest to the transport sector viz. customs duty, monetary policy and the exchange rate policy.

3.5.1 Customs Duty

The Transport Operators Association estimates that 50% of the vehicle fleet in road motor transportation in Zimbabwe is time life expired. Consequently, there is need to re-equip and replace fully depreciated vehicles. This would make local operators better able to withstand regional competition. At the moment they would seem to be competing on an unequal footing because of fiscal considerations and the consequent heavy duty on imported vehicles and spares. In Malawi and Tanzania there is a zero duty on imported vehicles while in BLS states it is only 5%.

3.5.2 Monetary Policy and the Exchange Rate:

The currently existing interest rates seem to be a big handicap to transport operators in replacing their fleets. In July 1991 the ERF horse and trader was available at $532 000. In January 1992 this had gone up to $846 000 and by November 1992 this stood at $940 000. The monetary policy and the devaluation of the currency led to a price increase of 77% in a period of one and half years.

Generally currency devaluation for a sector that is dependent on imports for its equipment tends to bring in unforeseen difficulties. The upshot of Zimbabwe's fiscal and monetary policy, it was learnt, has been to force operators to register their vehicles outside the country with the corresponding foreign currency losses.

3.6 Regional Arrangements

Zimbabwe is a member of the PTA. The PTA treaty has a protocol on transport that allows easy access for regional transport operators to each others' routes.

Similarly, Zimbabwe is a member of SADC and sits on its SATCC and has participated in a number of regional projects in this capacity.

3.7 Transport Sector Survey Results

While the situation with respect to rail and air haulage is fairly clear in Zimbabwe, the situation is not necessarily so with road haulage.

Consequently, greater attention was devoted to road haulage in the survey. Apart from this, there are other reasons engendered by (a) structural shifts in production, (b) international regulations, and (c) the number of actors involved, that makes the focus on road haulage imperative.

Starting with (a) it would seem that over the years rail haulage has been losing its share of the market to road haulage. This applies not just to the National Railways of Zimbabwe but to the South African Spoornet system and other railway systems internationally.

This shift in modal choice is a result of the long travel time associated with the railways, the lack of a door to door delivery service that the use of the railways entails, and regularity. Underpinning this shift is the increasingly competitive environment that firms find themselves in. Added to this is the development of "just-in-time" production systems, no matter how rudimentary. The National Transport Study of 1985 (NTS) cites the example of a major brewery that was able to cut its stock of return bottles to one third through a modal switch-over. In the process it saved more than double the increased transport costs.

The current Economic Structural Adjustment Programme in Zimbabwe is bound to lend even greater strength to this shift to road haulage. The NTS (1985) also notes that customers were prepared to pay the extra cost of road haulage use because of its reliability and regularity.

With respect to international regulations, IATA generally governs the operations of airlines operating on international routes. Deregulation in this field is mainly through the release of the government's grip on a national airline.

The number of actors involved is largest in the road haulage sub-sector. For most intents and purposes there are only three major actors registered in Zimbabwe in the air and rail sub-sectors i.e. Affretair, Air Zimbabwe and the NRZ. The air freighters face competition from international airlines that land in Zimbabwe, 22 in all.

Added to the above is the observation that there seems to be little emphasis on road haulage in discussions of multi-modal transport. At least this is the case with the Mexico Study on services. Emphasis is on air and shipping services. Such an approach, to the extent that it is prevalent in international discussions would seem to underplay the interests of landlocked countries. The debate cannot revolve purely around the need to improve trade facilitation in transit countries. It has to look at the modal splits occurring in these countries and the exigencies of their production structures.

3.7.1 Road Haulage in Zimbabwe

Most road haulage firms in Zimbabwe are members of the Transport Operations Association (T.O.A.) i.e. about 105. Efforts were made to conduct interviews with a 10% sample of this membership.

The sample exhibited the following characteristics:

- wholly foreign owned.
- wholly locally owned.
- a mixture of a) and b).
- road haulage cum passenger carriers.
- indigenously owned i.e. owned by black businessmen.
- large and small.
- cross border operators and local operators
- a parastatal organisation i.e. D.M.B.

3.7.2 Ownership Characteristics

From the sample and discussions with the T.O.A. it emerged that the largest operators tended to have an element of foreign share-holding. In this case it was 100% for Unifreight, which is owned by the British Electric Traction Company, and 49% for the Clan Group.

The smaller operators were generally 100% locally owned. However, there is a phenomenon that is generally known to exist in the industry. This is the phenomenon of externally registered vehicles.- Unfortunately this could not be established empirically during the course of the study. All the same, a number of major operators are known to have large fleets that are either externally owned or registered in neighbouring countries in order to avoid the local tax system that is considered to be penal in its rates. Consequently, their earnings are not fully accounted for in Zimbabwe (Nineth Report of the T.O.A. on Road Motor Transport: Problems Facing the Industry, June 1992).

It has also to be added that there are many small operators that are not necessarily members of the T.O.A. However, their problems were captured through interviews with various representatives of the industry.

3.7.3 Selected Items of Accounts

The research team also sought to establish the net book value and turnover of the sample firms.

This is the type of information that firms are generally reluctant to disclose. Consequently, the data obtained would render any comparison meaningless.

However, for comparative purposes, a publicly quoted company i.e. Clan, reported a turnover of $49,1 million for the year 1992. Comparable figures for a medium sized indigenous firm were $2,5 million for the same year. By the same progression the figures for a smaller company, i.e. with 1-5 vehicles, would be much smaller.

It goes without saying that these figures have a bearing on fleet recapitalisation, cash flow and the ability to handle large or cross border contracts where payment is not always immediate.

3.7.4 Organisational Structure

The purpose of this information was to establish the level of division of labour within the firm. This was done through establishing the number of departments within an organisation.

This enabled the study team to judge the level of inter-departmental specialisation and consequently the possibility for marketing these skills or the need to purchase them.

It goes without saying that the larger the firm i.e. size of fleet, the greater the number of departments involved. The structure of a large organisation i.e. Unifreight, can be said to be typical of larger organisations:

- Operations - fleet movement
- Finance - accounts
- Personnel - labour
- Engineering - fleet maintenance
- Marketing - securing contracts

Within the smaller firms, these functions were usually merged into two or three departments:

- Operations - fleet movement
- Administration - accounts, labour and marketing
- Workshops - fleet maintenance

It goes without saying, on the face of it that the potential for externalising some of these services lay with the larger organisation. But in practice, as the study team discovered, there were circumstances that enabled some of the smaller firms to offer their services on a specialised basis. This was either due to specialised skills already embodied within the- firm or the nature of the market that forced the smaller firms to offer these services.

Consequently, one firm developed a separate branch within its transport operations to provide gear-cutting facilities and spare parts refurbishment for the industry. And yet another provided consulting services to larger firms i.e. contract brokerage. In this case, while the operator had sufficient knowledge of the industry, he did not have the spare capacity to take up the contracts.

One respondent organisation deserves particular mention with respect to its fleet management system i.e. the DMB. While the DMB is not a transport company, the sheer size of its fleet makes it one; i.e. 195 horses (leaving aside the smaller non-delivery vehicles).

In this organisation Fleet Management as a specific department was introduced in 1992. Prior to this, the situation was chaotic. It had never been seen as an important function. Traditionally it had been put under either an engineer or a sales manager.

By 1987 the system was collapsing. The government was approached for assistance because of the deterioration of the fleet. The Zimbabwe government in turn requested the U.K. government who brought in consultants. They recommended, inter alia, the setting up of a transport management unit. The present head of this unit and two others underwent training in the U.K. on fleet management.

The net effect of this programme has been to bring down expenditure on workshops, running costs and distribution to $36 million per annum from $48 million. The aim is still to increase savings.

Milk as a product is a good example of the need for efficient and quick distribution because of the perishability of the products. In this regard the DMB transport management unit may have something to offer the transport industry in terms of training and the specialisation of its unit.

3.7.5 Main Activities and Problems Encountered

Road hauliers are in the business to move goods on behalf of clients. Basically these are manufactured goods and inputs, agricultural products including livestock, minerals, fuel and other liquids, and perishables etc.

Out of the ten sample firms, six were involved in cross border haulage. As a proportion of total activities this ranged from 7.5% to 100% of tonnage.

Of the remaining four, two were passenger carriers, but also provided other specialist services. One was a furniture removals company and one was the DMB.

The only problems cited on the local routes were those experienced by the passenger hauliers included in the sample. These were overtrading on some routes and the application of road traffic regulations by the police. With respect to the latter it was felt that the police were rather over-zealous in issuing traffic fines.

The main problems cited were on the international routes. Generally, the feeling is that despite efforts at fostering regional cooperation and standardization of tariffs, this has not occurred in some cases. For example, while in other countries within the region, road tolls are harmonized, in Mozambique, they are higher because of their road fund.

Local operators travel as far as Uganda and Zaire, and the South African ports of Durban and Pietermaritzburg. They feel that to date the easiest routes to operate on, are the South African ones. The only problems are the delays in clearing trucks at Beit Bridge border post. However, there are reports that with the installation of ASYCUDA at Beit Bridge border post, the clearance times have been reduced from 24 hours in a manual environment to five hours in a computerised environment. [Foreign and Trading Weekly, Oct. 29 1993. Travel and Trade Publishing (Pvt) Ltd. Johannesburg].

These problems were best summed up by one operations manager this way:

> "The main problem is that the rules are different from country to country and they are changed overnight."

Operators will quite often find out about these changes to the rules when their trucks cannot go through a border post or are impounded.

The most difficult route at the moment, it would seem, is Mozambique. Mozambique does not allow interlink or semi-trailers with independent trailers coupled to them. This quite obviously increases the expenses for the hauliers. In addition, as pointed out above, road tolls in Mozambique are higher than elsewhere in the region.

The T.O.A. is very much aware of these problems. Alongside its own efforts the government and the SATCC should make concerted efforts to resolve them. A reduction in the payloads of Zimbabwean trucks entails an increase in the number of horses needed to move the same tonnage.

3.7.6 Competition in Road Haulage

As mentioned earlier on, this sub-sector is characterised by numerous actors and therefore competition is very intense. In such a situation it is not just the price that is of critical importance, but other non-price mechanisms for maintaining and gaining market share. In two cases the rates charged were above the market average, but nevertheless customers were quite prepared to pay because of reliability. Therefore while there is a certain amount of price undercutting in the industry, it would seem that the chief mechanisms for maintaining competitive advantage are reliability and punctuality.

Further to the above, the road haulage industry thrives on trust. Clients are unlikely to switch over from haulier to haulier once they have established working relations with one. But over and above this, smaller operators are disadvantaged because of their poor access to finance, to purchase both adequate and suitable vehicles. Their survival seems to lie in the movement of small and/or irregular consignments that the large established operators would not normally care about. However, these remarks by and large apply to domestic haulage. The scenario changes on the regional scene. The main reason for this has to do with the duty paid on imported trucks.

Customs duty for road haulage vehicles is 15% in Zambia while in Malawi and Tanzania there were no duties on such vehicles. This effectively means that operators in these countries can afford to offer lower rates than local operators. Furthermore, new and modern vehicles quite obviously offer more reliable service. It is the sheer ingenuity of local operators to have maintained the competition edge with a fleet, 50% of which is estimated to have time life expired i.e. it is more than eight years old. The situation has improved of late, albeit at a cost, firstly with the export retention scheme and now with the freer access to foreign exchange through the banks.

3.7.7 *Utilisation of Other Services*

Although it was not possible to give a cost breakdown of services utilised by respondent firms, the most frequently mentioned i.e. 100%, was telecommunications. The industry is very much dependent on an efficient telecommunications network both for telephone, facsimiles and telexes. However, these services were not always adequately provided either in terms of the number of lines available to an operator or accessing clients.

However, it appears the industry needs a different kind of communications service from the existing one:

- The industry needs access to affordable long range two way radios. At the moment installing these sets for two vehicles would cost around $80 000. This may prove prohibitive if a whole fleet has to be equipped. This equally applied to the small indigenous operators.

  The operators that have such equipment e.g. GDC Hauliers and Truck Africa, have easier control over the trucks and their movements. Such systems allow for flexibility.

- Cellular telephones were mentioned by operators on more than one occasion. These would be an additional advantage in terms of fleet management if they were affordable.

- While the cost of satellite tracking systems may be prohibitive to most operators, it sounds the most efficient for fleet management. Such a system, if available, would allow the tracking of each individual truck in the region. This information would be picked up by the operator through a satellite dish, thus enabling sufficient forward planning for operators.

Apart from maintenance services, where these are not provided in house, foreign forwarding agents source work for hauliers. Electricity and water are very common utilities used by almost every modern building no matter how small and need no special mention.

3.7.8 *Vehicle Fleet*

For analysing the vehicle fleet data, a survey conducted by the T.O.A. in 1993 was used. The table below gives a breakdown of the composition of the vehicle fleet both by type and mass, and by age. This data is based on a survey of 84 companies out of a total membership of 120, giving a 60% response rate.

Table 3.1

VEHICLE AGE ANALYSIS AS AT: 30/09/93

VEHICLE TYPE	PRIOR 1985	1986	1987	1988	1989	1990	1991	1992	1993	TOTAL
A. FREIGHT										
Ricids										
Up to 9t	132	7	9	2	6	21	15	1	15	208
9 to 301	137	16	14	20	17	29	37	44	18	332
Over 30 t	2	0	0	0	0	0	1	0	0	3
TOTAL	271	23	23	22	23	50	53	45	33	543
Articulated Trailer										
Up to 25t	115	15	6	6	7	9	26	17	19	220
25 to 501	101	12	11	18	26	38	26	16	8	256
Over 501	481	31	20	56	49	59	104	50	35	885
TOTAL	986	81	60	120	105	156	209	128	95	1904
%	50.8	4.3	3.1	5.4	5.5	8.2	10.	6.8	5	100
Vanette	117	9	16	19	14	12	53	52	29	321
B. BUSES										
Rural Bus	26	5	8	12	14	5	3	2	5	81
Urban Bus	659	76	71	76	99	118	32	60	12	1204
Mini Bus					12	68	81	22	1	184
TOTAL	685	81	79	89	125	191	116	84	19	1469
%	46.6	5.5	5.4	6	8.6	13	7.6	5.7	1.3	100
C. TOURING										
Hire Cars			1	8	15	23	21	31	27	126
Vanettes	117	9	16	19	14	12	53	52	29	321
TOTAL	119	9	30	29	29	65	74	83	56	494
%	24.1	1.8	6	5.9	5.9	13	15	16	11	100

100

Source: Transport Operators Association Survey, 1993

Looking at the percentage of the time life expired freight vehicles, i.e. more than eight years old, the situation seems to have deteriorated from 49% in 1992 to 50.8% in 1993. However, this increase is accounted for by one operator in the survey population who imported second hand reconditioned vehicles from the U.S.A. Otherwise by and large the situation seems to be improving.

The over 50 tonne articulated trailer vehicle is the long haul cross border vehicle. It constitutes 46% of the freight vehicle population i.e. 885 out of 1 904 vehicles. This makes it the standard vehicle for not just cross border operations, but domestic operations too.

Continued fiscal relief from the government as has been the case of late should see to fleet recapitalisation in the industry.

Currently, improvements in truck technology and new environment regulations in the USA are making it possible to import reconditioned vehicles at 20% of the imported cost of a similar new vehicle. According to interviews, in the USA, reconditioned vehicles except for being left hand drives, were fully compatible with the local standard horses e.g. the ERF. They are powered by the same Cummins diesel engine, Fuller gearboxes and Rockwell power trains.

Unfortunately, only those operators involved in cross border operations or those who have trucks registered outside Zimbabwe and earn foreign exchange are the only ones benefitting from this scheme. Current government regulations do not allow the use of foreign currency on either second hand vehicles or spares.

In its 1992 June Survey, the T.O.A. estimated the value of an ERF horse at $846 000 of which $290 000 was duty and sales tax. Notwithstanding the fiscal relief from government, the interest rates hitherto prevailing have proved exorbitant.

Vehicle management devices installed in trucks are difficult to fit in older vehicles. However, these newer vehicles were fitted with tachograph recorders. Of the operators visited, most however, had a vehicle fitted with a Tacholog on Board recorder. One operator argued that the cost did not justify installation.

While there is a range of technologies available to bring down the cost of trucking and general vehicle maintenance e.g. on board tyre inflators to prevent delays due to punctures and tyre damage, tachograph recorders to monitor vehicle movement etc. the local prices of these make them prohibitive. This is an area that the industry needs to lobby the government on.

3.7.9 Regulation of the Industry

Regulations that specifically affect the industry emanate from the application of the Road Motor Transportation Act. However, the regulatory environment facing the transport industry in general has either been changing or is due for some major changes. What deserves specific mention is the removal of the power of objection by established operators on specific routes. Effectively the Act has hitherto protected established operators.

Secondly, the movement from the permit system to the operator licence system will make the administration of the transport system easier. Of interest here also is the ability of operators with less than five vehicles to obtain an operator's licence without the need for a registered company. This should enable small operators <u>ceteris paribus</u> to compete.

Still on the subject of small operators, government's support for these ought to be total e.g. the Tender Board has its own laid down procedures which up to now are not favourable to them.

If the government is sincere in its support for small operators then the Tender Board ought to given an allowance for small operators' bids to be above the big and established ones. Similarly, small operators ought to be allowed to bid as a consortium so that they can meet the number of vehicles required.

Establishing a vibrant transport sector that can withstand international competition lies beyond the confines of the present Act and the proposed amendments to it. Besides sector specific policies, the overall macro-economic policy frame work need to be addressed.

SECTION IV POST AND TELECOMMUNICATIONS

4.1 The General Context

Post and telecommunications should be examined within the broad economic environment and policy framework of Zimbabwe since independence. Three major issues emerge in this regard and these are elaborated on below.

4.1.1 Inherited Structures

Like most "public" services, post and telecommunications were designed mainly to service the White settler community. African peasants in the rural areas and working classes in the high density townships received lower quality services of this kind, if any.

The main priority of the post-independence government was to address the inherited imbalances, by democratizing the social structures both on the service provider and the consumer side. The main efforts were achieved by 1985 on the personnel side, and by 1992 on the service provision side. Government has been successful in providing access to postal services in rural areas and high density suburbs. On the other hand, the capital and import intensive nature of telecommunications has restrained progress. However, a programme to provide a subscriber-dialled automatic and direct access to the national trunk from every district of Zimbabwe is near successful completion. [6]

4.1.2 Infrastructural decay in the 1980's

During UDI there was a general shortage of capital and technology in the country, due to the international sanctions. State finances were increasingly diverted to meet the heavy burden of military expenses of the regime. The telecommunications sector in particular, was vulnerable to the lack of adequate investments, and this brought about a state of serious undercapitalization. As a result, by the end of the 1980s, the national network suffered from a seemingly endless congestion and deterioration of the quality of services. A three-year and a five-year development plan tried to address these problems in the early 1980s, starting with the international exchange. But these plans were flawed by lack of financial backing, and this reflected, most likely, that telecommunications were not a priority sector in the eyes of government and the Ministry of Finance. However, the signing of a contract with the Japanese government in the last month of the decade, to digitalize Mashonaland and Manicaland, initiated a new era. [7]

6 See Annual Report, 1980 to 1992.

7 Ibid.

4.1.3 The New Government Policy

This is the economic reform programme adopted in 1991. The programme, which was developed in collaboration with the World Bank, places greater weight on post and telecommunications. Partly on the World Bank's own initiative, and partly because of the need of the Ministry of Finance to cross-check the capital expenditure plans presented by the PTC, a World Bank Mission of senior telecommunications experts visited Zimbabwe several times since 1991 and produced an aide-memoire. This goes even further than the PTC documents in emphasising the need for urgent investment in this sector. It has also helped the government to commit itself to institutional changes in the sector, including the following actions:

- separation of postal from telecommunication services, to end the subsidisation of posts by telecoms. This required about 30% of the net income from telecommunications over years;
- preparation of new sector policies and statutes that will ensure that the sectors operate in a competitive environment on separate and fully commercial basis;
- establishment of the necessary regulatory framework that will determine the rules for competition and monitor the observation of these rules;
- development of principles and procedures to guide formulation and implementation of appropriate tariff structures and levels. [8]

A proposed study by a private consultancy firm, financed by the World Bank Project Preparation Facility fund, was to support the implementation of this new sector policy. The study was due to be presented in the first quarter of 1994. Sadly though, the study has to date not taken place.

The general trend between 1980 and 1992 is that there has been a significant and steady growth in the service operations, both in terms of traffic volume and in revenues. [9] However, this has not been a result of deliberate government policy; rather it is a result of a step-by-step response by the PTC to the market within strong financial and technological constraints. The number in employment has been nearly constant, varying between 4 800 and 5 200 in telecoms and between 2 800 and 2 900 in posts. The number in the category "administration" for both posts and telecoms saw an increase from 772 in 1984 to 1 476 in 1991. The administration was however trimmed down to about 800 in 1992.

The structural adjustment policies and the sector reform actions under way, are not likely to bring about any retrenchment plans. By contrast, the high investment activities planned especially in the labour-intensive external plant (civil works, cable laying, internal wiring, digital network etc), should increase the amount of employment significantly in the telecoms sector as a whole.

8 Kachinge, 1993.

9 A Quarterly Abstract of PTC Statistics, December, 1992.

4.2 Macro-Economic Aggregates

There are at least two sets of methodological and statistical problems that arise when assessing the macro-economic contribution of posts and telecommunications.

The first set of problems is related to assessing PTC as a single state enterprise operator. There are several aspects of this:

The PTC Contribution to State Finances: This should take into consideration the fact that telecommunications subsidise postal services. The whole organisation therefore does not receive subsidies from government. In addition, PTC attracts soft foreign loans or grants which the Ministry of Finance lends on to the PTC at a higher interest rate. Finally, like other organisations, the PTC contributes indirectly to the budget in terms of tax from the salaries of its employees and the levies on its services.

The PTC Contribution to the National Finance, Trade and Foreign Exchange Deficit: This is possible, but more difficult to measure. Firstly there is the international trade or traffic operations of the PTC. Statistics of the volumes are available over all the years. Those of payments are not available, nor are prices in different currency denominations. Secondly, there is the contribution to the foreign debt of Zimbabwe. All foreign loans, including the local on-lent loans, can be accounted in the financial statements of the PTC annual reports. But data on the debt service capacity, which depends on the net forex income/deficit of the PTC, is not readily available.

The PTC contribution to activities of the productive sectors:

Measuring the contribution of the PTC to the development of the productivity and international competitiveness of the productive sectors is rather problematic. This can be assessed with a certain level of accuracy, but only in retrospect, through regression analysis of a longitudinal time-series from a sample of countries. However, anecdotal studies may give useful indications. In Zimbabwe, complaints of the business community in the press in the past two years or so, give strong indications that the contribution of telecommunications is not adequate. But then one communication service must not be reviewed in isolation. Firstly, the mail, telegram and telex services may compensate for the shortcomings of the telephone; secondly, the service quality in Zimbabwe must be compared to the service quality of the country of the main competitors, market by market.

The second set of problems relates to assessing the contribution of private enterprises participating in the telecoms sector. Analysis of such enterprises faces the same problems as the last two mentioned above. In addition to that, the private enterprises present a few more methodological problems. They have since 1980 contributed mainly in the customer premises equipment marker - by trading, installing and maintaining PABX, facsimiles, various radio stations etc. However, the companies involved are usually general electrical traders and dealers. Therefore, their financial (and employment) statements are not always adequately broken down to refer to the telecoms category as a source of income. And their contribution to the trade and forex balance of the country are even more difficult to estimate, because on the one hand their installing activities are based on imported equipment; on the other hand, their repairs and maintenance activities may be regarded as substitutes for imports.

4.3 Other Contributions of the PTC

The PTC is the main producer of skilled labour in the sector, assisted by the University of Zimbabwe and to some degree the Polytechnic in the supply of engineers. The PTC technicians, and to a less extent the engineers, move in to the other parastatals and the private sector to satisfy their needs of skilled labour. Furthermore, the engineers and other professionals in the PTC middle and senior management, provide a pool of top managers for all industries in the country. PTC submits that it has lost some of its qualified personnel who have left to set up own firms, to work for competitors within the country or to overseas and to the region.

4.4 Regulatory Environment

The Post & Telecommunications Company (PTC) was established by an Act of Parliament in July 1970, prior to which posts and telecommunication services were administered as a government department in the Ministry of Posts.

The financial services operated by the PTC, like the money and postal order as well as the Post Office Savings Bank, are not taken into consideration here.

4.4.1 Letter Post

Here, PTC is conferred a monopoly: "the Corporation shall have the exclusive privilege of receiving, collecting, dispatching, conveying and delivering letters and of performing all the services incidental thereto" (Section 3). Here it is spelt out that courier service, that is conveyance and delivery of a letter "personally" or "by a friend", is not "unlawful" only when there is no "hire, reward or other profit or advantage for receiving, carrying or delivering it".

This means that commercial quick-delivery of letters, containing urgent documents and other relatively large items, by motor-bike etc., which is common in many market economies, is literally illegal in Zimbabwe. Probably this kind of urgent letter post is expedited nonetheless, but disguised as parcel post. A more important source of competition to state monopoly of letter post (as well as of telegrams), however, globally and in Zimbabwe is the facsimile.

Given the monopoly accorded to PTC, a question that arises is how quality of service is ensured. Firstly, there is the convention concluded between countries of the Universal Postal Union (UPU). That union decides on certain international standards for the quality of postal service recommended to the member organisations. Therefore, PTC is adhering e.g. to the norm that every internal letter should be delivered within five days. Another target is that there should be a post office per 50 000 inhabitants. By 1992 this target was achieved but it is difficult to uphold considering the population growth of 3% a year.

Two recent and interesting trends in the provision of letter post services need to be mentioned:

Private and Commercial Participation in Service Provision: Since 1992 there has been a deliberate policy to improve access to postal services in rural and high-density areas (the target of one post office per 50 000 inhabitants). Licenses or sub-contracts will be handed out to local businessmen - in bottle-stores and shopping centres. These will run sub-post offices and operate as agents for the PTC (PTC remunerates per service transaction and gives training to the person who has been employed as a sub-post master by the business-person). The first four sub-post officer were opened in February 1993.

The PTC post planning department is going to select numerous businessmen for contracts in the coming year. At this point, the regulatory and control functions of PTC transactions with the private sector lack a clear and distinct institutional basis.

International Business Reply Service (IBRS):

This is specially designed for business users to conduct economically their advertising and publicity Campaigns through posts. Internationally, PTC started providing the service with a number of countries on a bilateral basis from 1st July 1992.

4.4.2 Parcel Post

Here there is free competition (PTC Act, Section 20). The PTC share of the market is only 25-30%. The multinational DHL and the national transport companies Swift, Clan and TNT are the main private competitors. Unlike letter post, this segment has never been a state monopoly. There is free entrance to the market. All that is needed is to register as a company. With new emphasis on the courier service EMS (expedited mail service), PTC hopes to continue the expansive trend that was experienced between 1991 and 1992. During that period, the volume of EMS increased from 25 000 articles to 51 358 articles. The market for "cash-on-delivery" service is also on the increase. Again, the regulatory mechanisms of this market is non-existant. A main issue here is the cross-subsidisation within the PTC, with the telecommunications subsiding the posts, thus putting its courier service (EMS) on a favourable footing for competition.

4.4.3 Telegram Seivice (by telex)

PTC holds in the telegram service, a virtual monopoly (Section 27). It is today, may be, the best example of the improvement of a public service by combining one good old distribution system (posts) and a relatively new technology (telex) in quite an innovative way.

But private persons or companies may transmit and deliver telegrams on the authority of the Minister, in accordance with conditions recommended by the PTC. This licensing service is however outdated by the development of the technology and of the service organisation, respectively. Telegram messages are no longer transmitted by telegraph, but by a telex network commissioned in 1983. An in-house telex network of the PTC connects most of the post offices. The telegram has become an increasingly popular service within Zimbabwe because of the following supply side factors: (a) the increased penetration of post offices, (b) the high efficiency, with low maintenance and operation costs of the telex system compared with the telephone and (c) the set-up by PTC of separate telex bureaus in the major post offices. The domestic telegraphic traffic in 1991/92 has increased to 296% of the volume five years earlier for messages transmitted and to 130% for messages received.

4.4.4 *Telephone Services*

Section 26 of the PTC Act distinguishes between telecommunication services "within, into and from Zimbabwe", and those "contained within a single building".

Telephones "within, into and from Zimbabwe": This refers to the whole transmission and local network system (external plant) of telephones. Here PTC has the exclusive privilege of establishing, maintaining and working of the services. This applies even to:

- the installation of a telephone apparatus in the residential areas as long as this is not defined as a PABX - subscribers may however use alternative licensed handsets;
- the installation of a telephone line (called "drop wire") from the "distribution points" in the outside plant or cable network, into the business building - the "distribution frame" which is usually in the basement;
- the installation of lines from the distribution frame and into the various offices or rooms of the building (called "internal wiring").

However, PTC can issue licences either in accordance with the prescribed conditions and on payment of prescribed fees, or on a special basis with the consent of the Ministry when PTC finds it "impracticable and inexpedient" to provide the service. Such licences have for telephones, however, not been issued for operation in any urban and economically viable area. The licences have therefore been used not to promote competition, but to complement a monopolist telephone network without any competition.

Telephone "within a single building": Concerning services "contained within a building", the PTC "shall not establish, maintain or work a private automatic branch exchange (PABX) on behalf of any person". This is left to the private sector without any competition from the PTC. But infact, this is a very protected and regulated market. Any suppler to and repairer for the PABX market has to be approved by the PTC, and the work is subject to the inspection of the PTC. In addition to establishing the PABX itself, the suppliers may also do the internal wiring. By April 1993 there were 14 approved suppliers. The main ones are subsidiaries of multinational companies. They include Ericsson, Phillips, Siemens, GEC Plessey Telecoms, and Standard Telephones and Cables (STC).

The PTC has monopoly over establishment, maintenance and works on any PABX for "the President, the State and the Parliament". Considering the large size of the public sector, this ensures PTC a monopoly of a potentially large segment of the PABX market. The Minister can also, "in the public interest, direct the Corporation to establish, maintain and work any private PABX". As far as we know, this is applied only to the parastatals and "private" companies owned by the government or by government-controlled holding companies.

Telephone **Maintenance** Services: It is necessary to distinguish between maintenance of, on the one hand, the terminal equipment (the telephone sets or "stations" - consisting of the "box" called base-unit, the handhold piece and its wire) and on the other hand the external plant (the cables and other devices linking the stations to the public network). The legal regulations governing these are in the PTC Act, Section 20.

For subscribers' terminals, the privileges conferred to PTC in "establishing" services for residential and public office users, ensure the PTC a dominant position in the procurement and manufacturing of the equipment. The telephone apparatus (when installed called telephone stations) are rented from the PTC to the end user. The PTC is the only one allowed to repair and maintain these stations. The rights of the users towards this monopoly are not specified. They are repaired at one central PTC factory in Harare, assisted by a workshop in Bulawayo. There is no scope of direct contact between users and repairers. This arrangement has been justified by the high costs of the test equipment. However, as 40% of all the faults reported in the network stem from these terminal equipment, the PTC management would not mind to get rid of this burden and leave the installations and maintenance of all the terminal equipment to the market or to licensees, like in the PABX segment.

By contrast, for the external plant, there is scope for direct contact but the service is not backed up by an adequately decentralised organisation by PTC.

As will be elaborated below, PTC is allowed to sub-contract any services to other companies (PTC Act, Section 20, Paragraph 21). As there already exist approved suppliers for the private business PABX market, there is a huge potential for sub-contractors and private participation in the construction and maintenance of the external plant/customer connections.

4.4.5 Telefax (Facsimile)

The telefax segment has become a completely free competition area. There are no separate regulations for facsimile. The telefax and the telephone set are connected to the same pair of wires. Telefax is therefore treated equal to the alternative telephone handsets that subscribers are allowed to add to the PTC-owned terminal equipment they are forced to hire. The only regulation or restriction here is that the equipment must be of a type approved by the PTC.

The PTC competes in this segment through their combined Telex and Fax Bureaus in the post offices. But the PTC considers this a public service and therefore charges only the ordinary tariff, without calculating profits and costs of running the bureaus themselves. Many private vendors like one name "Fax World" have emerged over the last years.

4.4.6 Telex

This is a complete monopoly of PTC, both in installation, maintenance and operations. Still, even for this service, the existing legal and regulatory framework is under-specified. Being a technology introduced in Zimbabwe after the PTC Services Act, there is no reference to telex there. Telex is now partly the new basis for an old public service, the telegram, as outlined before above. Partly, it is an independent subscriber service offered to non-residential users, providing a global network separate from the telephone. Nevertheless, telex is under a stricter monopoly regime than telephones.

For inter-business communication and international trade activities, telex has completely replaced the telegram service. The international traffic statistics show that the telegraphic traffic volume in 1990/91 is 10-20% of that of 1980/81 (10% measured in messages and 20% in words, while the telex volume has increased by around 160% (in calls and minutes alike). As the number of annual international telegrams have dropped by 224 000, the telex calls have increased by 334 000.[11]

The high efficiency of the telex network not only worldwide, but also in Africa compared to other post and telecom services, may explain this development. The main competing service to the telex is the facsimile. But as the telephone network transmitting the facsimiles is quite congested and suffering from a high fault rate, the telex is regarded as the "cleanest" side of the telecommunication operations of the PTC.

The separate telex switch is an Electronic Digital Exchange (EDX) supplied by Siemens and commissioned in 1983. The PTC supplies and installs the telex terminal equipment, imported from Siemens and SAGEM (Alcatel) manufacturers abroad. There is an unfortunate mismatch in the customer relations. There are as many idle telex lines as there are would-be-users on the waiting list (approximately 1 200 and 1 000, respectively, out of an equipped telex capacity of 4 162. This is due to shortage of forex to import the required cables to install new telex channels.[12]

4.4.7 Data Transmission Sendees

Until July 1991, PTC was not able to provide access for the customer to its own data transmission services. Instead it has been leasing point-to-point transmission facilities, by four wire circuits. So far, 524 local, 221 inter-city and 12 international circuits are being leased by private companies (PTC: Report on Telecoms Network Status, February 1993).

After commissioning on the 27 of July 1992, PTC offers its own data transmission network called ZIMNET. It is based on packet switching exchange technology, offering a variety of transmission speeds and a dial-up data communication service from other regional centres, with its own network control unit and billing computer in Harare. In this regard, therefore, one can conclude that there is regional cooperation.

4.4.8 Radio-communication Setvices

The role of the PTC is primarily regulatory, control and supervision. The control takes the form of licensing. The growth of privately owned radio-communication services is, therefore, captured by the growth of licenses. The licenses increased from 14 000 in 1980 to 25 496 in 1992 (PTC Annual Report, 1982/83, Annual Radio

11 Quarterly Abstract of PTC Statistics, December 1992.

12 PTC, Report on Telecommunications Network Status, February 1993.

Section Statistics, 1991/92). This is viewed as a good development in the sense that it eases the pressure on PTC lines^ However it also implies that there would no longer be any controls on outgoing information and it might qlso affect the profitability of PTC international telecom services by reducing the volume of demand for such services.

4.5 Regulations Governing Allocation of Jobs

All contract jobs offered by the PTC go through the Public Tender Board. The idea behind this is to ensure that a fair allocation is adhered to. However, there are instances where conflicts arose between PTC and the Tender Board in this respect.

For the construction of new buildings, post offices, houses for staff etc. every project is sub-contracted to the private sector. Where such construction is outside the big cities, indigenous businesses are the sole bidders for the contract.

Macro-Regulatory Aspects: macro-regulation of the posts and telecoms sector is confined to the regulations of the Post and Telecommunications Corporation, as expressed in the PTC Act (9/1970 - Chapter 250). The act itself and its application indicates that the regulations of financial operations are the most important. That also eventually brings in the Audit and Exchequer Act (Chapter 168).

It does not make sense to distinguish between the regulatory and the policy framework, respectively. At least not from the point of view of the PTC Act.

4.5.1 Policy Guidelines

The main policy guidelines are contained in the PTC Act. These pertain to the commercial orientation, autonomy, tariffs and borrowing approvals of the PTC. These are dealt with below:

- **Commercial Orientation;** This merely states that the P TC should operate on viable commercial lines.
- **Autonomy:** In the case of failure to make a profit the Act provides that the PTC draws from its reserves or borrow from the Treasury.
- **Authorisation of Tariff Changes and Borrowing:** Any changes in **tq**riffs is subject to approval by the Cabinet. Any borrowing by the **PTC** needs the approval of the Ministry of Finance.

This seems to be in contradiction with (a) and (b) above. It also tends to reduce the efficiency of policy implementation due to the bureaucracy in government departments.

4.6 Regional Cooperation:

Close cooperation is already 'institutionalised among the posts and telecommunications corporations in the region. This is mainly in the technical field of developing joint international transmission networks around two projects:

- THE PANAFTEL
- THE RASCOM

PANAFTEL is an effort by the African telecoms administrations organised in the Southern African Telecommunication Administration (SATA), to develop a terrestrial network of micro-wave links. This effort was sped up with the formation of SADCC/SATTC and the intention of regional integration: to link the infrastructures between the member-countries. PANAFTEL is now nearly complete and provides effective communication.

Less successful has been RASCOM. As a spin-off from SATA, it was meant to develop an Africa-operated satellite transmission service, but has never taken off. The African countries disagreed on where to locate the headquarters, in Abijan or not.

Nevertheless, two recent developments seem to intensify the process of increased regional cooperation:

a Technological development, with increased global competition and off-springs to the Southern African region in the mobile and satellite communications,

e Re-orientation of existing regional organisations, nurtured by the global and technological developments, with the perspective of developing a regional common policy and institutional or regulatory framework for telecommunications.

4.6.1 The Satellite and Mobile Communications Development

In 1997 there will be a low-orbit-satellite system globally, promoted by a consortium around Motorola. That is a real threat to the local telecoms administrations. The customer shall only pay once, to the global operator, for the license for a hand held. Even today there is INMARSAT - a London-based satellite organisation. Its satellites charge $6 dollars per minute of transmission, and an earth satellite station for mobile telephones which costs US$6 million dollars. This makes it non-viable to operate in one country, given the small number of customers in Africa. But one regional earth satellite, e.g. in connection with the international gateway in Gweru and earth satellite in Mazowe, can earn money on the transit traffic, requiring from INMARSAT a certain percentage of the revenues from the traffic. One organisation, e.g. the PTC could lease, on behalf of multinational companies based in the region, a time-sharing satellite circuit and charge the companies.

Another project in the GSM - Global System for Mobile Communications. If introduced, this European system has to be adapted, both in its hardware and software, to the local natural and political-economic environments. With a potential for a common market in the manufacturing establishment and operation of the GSM, a regional regulatory framework, e.g. for type approvals and bill collection enforcements is necessary. The SATTC had its first planning seminar on the issues and options in mobile communications in Harare, March 1993.

liberalisation particularly of the telecommunications sector. The capacity of private firms to be competitive in this area is probably not in doubt.

All the firms in the telecomms service had made significant technological advances, moving from electro-mechanical exchanges through analogue electronic to digital electronic exchanges. Others had even diversified into solar and power engineering fields.

As most leading firms are affiliates or subsidiaries of international firms, access to the latest technology is not a big problem for them. This however, is a problem for locally owned firms which face very high costs of importing the necessary components to install the latest technology. For example, one firm connected to GEC UK and Siemens had been able to introduce the Printed Circuit Board (PCB) manufacturing operations which enable it to manufacture PCBs to Double-Sided Throughole Plated Level. It has plans for expansion of PCB capabilities and electronic assembly to enable it to.do Surface Mount Technology. It clearly was able to accomplish this due to its connection to and backing of a major internationally combined group. Yet, a wholly locally owned firm, involved in the manufacture of telecomms equipment and with the capacity to do as the one mentioned above, could not contemplate undertaking this latest state-of-the-art technology because the end result would be cost-prohibitive.

It is noted that the firms in this sector are in all categories of small, medium to large in terms of the workforce they employ and percentage share of the national market for their services. For example, apart from the PTC, two of the six firms responding have a workforce of less than 20. Two had between 20 and 50, the rest had 100 and above.

However, it must be noted that the two firms with below 20, gave only the number of employees in the telecommunications activity and not other activities connected with this or being undertaken by the firms. Furthermore, such companies tended to be those that simply import and distribute (install and service) telecomms equipment rather than assemble or manufacture, distribute and provide maintenance services. Those that did the latter (and are mainly local firms) were bigger employers of labour. Those that do the former (and mainly subsidiaries of multinationals) employ a small workforce, the majority of whom are in skilled and semi-skilled categories. At the same time, a big local enterprise like PTC employs over 9 000 persons. But these include employees in other services like postal and banking.

Apart from the PTC taking 95% of the national market in terms of the Statutory services that it has the monopoly of supply, there appears to be sound competition among firms in the activity that they are allowed to undertake. No one firm has a monopoly. In fact, none of the firms except one, a locally owned manufacturer, claimed to take up to 40% of the national market. The rest claimed between 15% and 30% of the national market in the service activities they supplied. In fact, it becomes clear that the competitiveness of firms is hampered by the legalised monopoly enjoyed by the PTC. This is negative in the sense that the PTC is obviously unable to fulfil demand, particularly in the telecomms service.

The study came across two firms (both affiliated) providing a radio communication service through sub-contracting (military radio). There is a diversified modality of service supply by firms. One firm used a patent, while others used registered service marks. Most firms however, operate under license except the PTC itself and the direct manufacturers.

4.7.2 International Linkages

All enterprises responding except one, had linkages with international organisations with corporate status. For example, three firms were linked to GEC PLC (London) a holding company; one had links with AT&T Corporation, while others were linked with Siemens. The advantages cited by firms with these linkages range from ability to source technology, keeping abreast of latest know-how and other developments, and the advantages of being backed by or being linked to internationally renowned heavy-weights in communications technology. Certain advantages seemed to accrue if one had the backing of a major world corporation. One firm suggested that it had learned better management flexibility and adaptiveness through its links with one of the world's largest corporations, AT&T.

As pointed out before, the PTC is a member of a number of regional and international organisations. These include ITU, UPU, PANAFTEL, IATELSAT, PATU, AFRALT./SATA, ARTC and RASCOM. The benefits are really those of co-ordination, standardisation and harmonisation of regulatory and development issues. There are others such as provision of or sourcing of funding for projects, courses for training of personnel and general sharing of expertise and advice. Access to software and equipment is another benefit from such linkages.

The PTC is not a member of any national organisation. In fact, only two of the responding firms indicated membership of 'national' organisations. The national organisations were Confederation of Zimbabwe Industries (CZI), the Zimbabwe National Chamber of Commerce (ZNCC), and ZIMTRADE. The confederations, ZNCC and CZI were criticised for providing no benefits for membership while ZIMTRADE helped to liaise with the government in search for "markets". The team was unable to secure an interview with either the CZI or the ZNCC.

4.7.3 Profile of Expenditure

Only four of the responding firms provided statistics on the profile of their expenditures for 1992/93. It was only in one firm that compensation and salaries took up to 50% of expenditure. This was a local subsidiary of a multinational company. The next highest expenditure for this firm was on equipment depreciation and other expenditures (both making up 36.5% of expenditure). The PTC spent only 29.26% on compensation and salaries. Its expenditure on other items unspecified was quite high at 40.17%. This situation however, compares very well with that of a local firm which spent 29% on compensation and salaries, and 44% on other expenditures. Only one company indicated expenditure on research and development and this was only 5%. Others spent 0% on this. This underlines the technology dependence that prevails in this sector and the fact that this is being reproduced.

Again, expenditure on marketing is not that significant. This might on the one hand be indicative of the monopoly situation enjoyed by PTC or on the other, the abundance of the market and shortage of suppliers. However, since the monopoly situation is known for a fact, the fact that the PTC spends only 1.20% on marketing, while other companies in the sector spend between 1 and 10% on the item could be indicative of no high competition. The operators in the sector therefore seem to remain fairly circumscribed.

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4.7.4 Possibility for Export

The possibilities for export of service activities here seem to be very limited at the moment. All the firms cited the frustration by domestic bureaucratic procedures as barriers to export. Apart from the nauseating paper work, there were said to be trivial regulations which made locally-based companies uncompetitive in the region. One local company involved in the telecomms equipment manufacturing for example, had out-competed others in the region to start up a project in Namibia. It lost the opportunity to less competitive SA-based firms because it could not provide a back-up service due to Zimbabwe's restrictive policies. It gave up trying to export its services again. Another company, a subsidiary of a multinational, castigated the domestic policy regime for being restrictive on export of service and declared that the only way it could expand in the region was for the mother company to open up branches in the region and not link these to Zimbabwe because of its restrictive policies. This, the company submitted, was preventing Zimbabwe from being a springboard for economic expansion in the region, a role which countries with more progressive and liberalised environments would gladly take up.

Another barrier to exports in the region was said to be dishonesty. While one company had won tender to put in place a communications physical network in a country in the sub-region, it could not fulfil this as the top person in the host country's corporation demanded a bribe as a reward for awarding the contract. The company noted that a French company ultimately took up the project at double the cost that it (the company) had offered. The French consortium had probably complied with the demand. This method of doing business had convinced the local company that regional cooperation was a non-starter.

4.7.5 Regulatory Environment

Overall, it must be emphasised that all the companies with international connection are quite happy with the current regulations which they see as changing for the better. It must be understood that companies which are linked to multinationals are also linked in shareholding with the government through the IDC. There is still unhappiness with PTC control on manufacture, supply and maintenance of telecomms equipment. There is also unhappiness with removal of the 9% export incentive scheme. This has been unfavourable particularly to firms involved in manufacturing.

It is indigenous firms that are particularly bitter with the PTC monopoly particularly in the telecommunications service activity where it is clearly failing to meet the public demand. A group of firms came together to form a network (the Enhanced Communications Network - ECONET) and led by Retrofit challenged the PTC's legal monopoly on this and declared its intention to establish a mobile cellular telephone network. The PTC had indicated its intention to introduce the same in its public sector investment programme for 1993 to 1998. However, the matter remains sub judice as the PTC has recently appealed to the Supreme Court after Retrofit had won its case before the High Court.

The matter really appears to be one of seeking to enjoy monopoly in an area obviously promising high returns. It is not clear what the negative and positive outcomes would be with liberalisation of the communications sector. The PTC and government have not undertaken a thorough study to determine the issue on the economic standpoint, in terms of what the national economy would gain and/or lose with liberalisation of the sector, particularly the telecomms activity. Up to now, unconvincing arguments of the national security risk; of indigenous enterprises as "fronts for a foreign element" are being used without any cogent economic basis. The communications is such a vital sector that no investment, foreign or local, will be attracted without a sound and dynamic modern communications infrastructure. This is heard in the local press almost on a daily basis.

With developments in the region, Zimbabwe cannot afford to act irrationally on the economic front. The major conclusion of the second annual US-Africa Telecommunication and Broadcasting Conference in September 1993 (AFCOM'93) was that African countries should open their continent to embrace new modes of communication technology and allow the private sector the freedom to develop and enhance better communications. Zimbabwe has to consider developments in the sub-region. In South Africa,, no doubt the strongest competitor to Zimbabwe's economy, liberalization in this sector was reported at the end of 1993 to have involved the awarding to two private consortiums, the licences to introduce cellular telephones. One of the firms, Vodacom (50% owned by Telkom) announced that it would roll out its network early this year (1994), "providing some 2 2000 subsidised community telephones to more than 60 townships over the next five years". The company aimed to provide 20 million South African citizens with access to telephones in five years. "One of the biggest impacts would be a big increase in productivity", said the company chief executive (Financial Gazette, September 30, 1993, p.30). What is more, the South Africa government could expect to earn at least R5 billion in taxes and fees from the two firms over the next 10 years.

There is a case for Zimbabwe to consider in an honest way its regulatory environment on this sector. What is on the surface at the moment is rather negative. An impartial and comprehensive national study of this is urgent. There is required in this respect, honest political will in the interest of national development.

SECTION V ENERGY

5.1 Place in the Economy

Zimbabwe uses all forms of conventional energy. Firewood is the main source of energy consumed, accounting for almost 39% of the total, followed by coal (30%). Petroleum based fuels account for almost 15% while electricity supplies about 14% of total energy consumed. All petroleum products are imported in Zimbabwe.

Over the decade since 1980, the average rate of growth of energy consumption (at 3,5 % p.a.) outstripped that of GDP (at 2,7% p.a. in 1980 prices), and this was partly due to the impact of relatively low prices of energy.

The main contributors to employment in the energy sector are electricity and water. Even then these are arguably least contributors in the economy as a whole. Electricity and water's share of total employment averaged 0.73% in the period 1985 to 1992. "

During the same period, electricity and water's average contribution to national income was 3%. This sector experienced large investments between 1980 and 1992 and this constituted 14% of GFCF. While the share contribution to employment and national income was fairly stable, investment had large fluctuations. It was lowest in 1980, at 4.9% of GFCF, and highest in 1985, at 16.7% of GFCF.

Over the years, the structure of electrical energy consumed by different sectors of the economy has been changing. During 1989, manufacturing consumed 47% of total electrical energy consumed in the country. Mining consumed 18%, the domestic sector 16% and agriculture 9%. The SFYNDP notes that the annual rate of growth of electrical energy consumed over the period 1980 to 1990 was high for the agriculture and domestic sectors at 5,8% and 4,9% respectively whilst that for mining and manufacturing was low at below 2%. Overall electrical energy consumed grew by 4,8% p.a. between 1985 and 1990. It is suggested that the above average increase in the consumption of electricity by the domestic sector is due to the higher rate of urbanisation, with the number of domestic consumer connections rising from 167 393 in 1981 to 269 624 in 1989. The rural electrification programme was also active mostly during the period 1984 to 1988 when up to 52 growth centres were electrified.

At independence, the country's main source of domestic electricity generation was the Kariba South hydro-electric power plant supported by three thermal power stations named below and their capacity indicated:

1. Kariba South - F^ydro	=	666 Megawatts
2. Harare - Thermal	=	135 Megawatts
3. Bulawayo- Thermal	=	120 Megawatts
4. Munyati - Thermal	=	120 Megawatts
Total		1041 Megawatts

There were some private sector generating plants that contributed to the electricity supplies, but the shortfalls were generally met by imports from Zambia. The commissioning of the Hwange Thermal Power Plant, done in two phases, was the most significant development between 1980 and 1990. The first phase provided some 480 megawatts and the second, some 440 megawatts. This achievement decreased Zimbabwe's dependence on the import of electricity from 44% to about 20% of total electricity supply.

Investment in electricity generation and supply has been significant. Close to Z$1.2 billion was apportioned for the implementation of programmes proposed in the Government's First Five-Year National Development Plan (FFYNDP). The major projects that the investment went into were: Kariba South Extension; Hwange units no. 7 and 8 and the extension of the transmission network. Work also started on the upgrading of existing generating equipment at Kariba Power Station. Overall, the investment on Hwange Power Station amounted to $967 million. The actual expenditure over the period of the FFYNDP was $1.3 billion.

As far as the liquid fuels are concerned, the main fuel for the transport sector is petroleum based, except for the railways system where electricity and coal are also used. Zimbabwe also manufactures ethanol which it blends with petrol to the extent of 13%. Research results show that butanol and ethanol can be used as diesel extenders. Studies are being conducted to assess the feasibility of manufacturing diesel extenders in the country.

During 1989, about a million tonnes of liquid fuel were consumed. It was not possible to increase the proportion of ethanol in blend petrol since ethanol production could not be increased due to the water constraint on increasing sugar cane production. Explorations of oil and gas were under way in the Zambezi Valley while a 200km oil pipeline connecting Harare and Feruka was approved. Through the National Oil Company of Zimbabwe (NOCZIM), Zimbabwe sources oil from the world market which is shipped to Beira in Mozambique and transported to Feruka (near Mutare) by pipeline.

5.2 Regulatory Framework

There is no one regulatory framework for the energy sector. This is because in this sector there are a number of sub-sectors defined by the different fuel types. The most predominantly used, as we have already indicated, are the wood fuels. There are various pieces of legal instruments falling under the Forestry Act which regulate the wood-based fuels eg. the prohibition on the cutting of trees etc. The major shortcoming obviously is that wood fuels are the ones mostly used by the majority and yet there is no direct legislation governing their generation and utilisation.

Coal is put to many uses including electricity generation. However, it is considered a mineral when it is being mined underground, but becomes energy once on the surface. It is currently governed by legislation in the mining sector. The iron and steel industry and thermal power plants are the major consumers of coal. The ferrochrome industry requires low-sulphur, low-phosphorus coal which until recently was imported. Coal is produced by private companies like the Wankie Colliery

Company and the Sengwa Coal Mine. In the agriculture sector tobacco and tea growers are the major consumers of coal.

Nearly 4.5 million tonnes of coal was consumed in the country during 1989, 49% of it being used for electricity generation and about 32% consumed in the manufacturing sector. Coal is also used as cooking fuel via use of efficient coal burning stoves introduced in some parts of the country which have suffered acute deforestation.

Field testing of solar absorption refrigerators was undertaken during the first half of the 1980s and some solar crop driers were constructed for demonstration in communal areas. These are still being evaluated. A feW solar water heaters were installed in high density residential urban areas to study their possible economic benefits for use by low income urban households. This evaluation is still under way.

Photovoltaic technology has been used to convert solar energy into electricity. This technology would be suitable for meeting the requirements of electricity in areas that are far from the electricity grid. This project, being undertaken with co-operation from Germany, is proving to be of great benefit to remote areas. However, there is as yet no legal instrument regulating this form of energy generation and utilisation.

There is no legislation governing the liquid fuels. The National Oil Company of Zimbabwe (NOCZIM) was established according to the Companies Act. It only has to adhere to the provisions of the Income Tax Act. However, practically there are some constraining aspects. The company has a Board whose relationship with the Minister responsible for Energy is not in black and white. However, the Board cannot make decisions and implement them without referring to the Minister. There is no law, for example, which says NOCZIM cannot increase the price of petrol or oil without the consent of government, but practically they seek such consent. The relationship between the responsible ministry and the company can sometimes be discerned through memoranda - the only form of tangible communication between the two. This unclear relationship makes for operational inefficiency. (To date NOCZIM has not been keen to make an input into this study).

The most elaborate legal framework for energy generation and utilisation relates to electricity. This form of energy is governed by the Electricity Act of 1985 which repealed the Electricity Act (Cap 282) and amended the Rural Councils Act (Cap 211), and the Urban Councils Act (Cap 214), the Central African Power Act (Cap 279), and the Local Authorities Employees (Pension Schemes) Act 1978. The Act also established the Zimbabwe Electricity Supply Authority (ZESA) and provided for the constitution and functions of the ZESA Board. The Electricity Act, 1985 (the Act) regulates the generation, transmission, distribution and supply of electricity within Zimbabwe.

Section 3 of the Act established ZESA and Section 4, the Zimbabwe Electricity Supply Board (the Board). The ZESA (or the Authority) is a body corporate and its operations are controlled and managed by the Board. The Board consists of the general manager and no fewer that six and no more than nine other members appointed by the Minister in charge of Energy (or any minister charged with the administration of the Act). At least one of the members of the Board must represent local authorities in Zimbabwe and on this member's appointment, Section 5 (2) of the Act provides for the Minister to consult with the Minister responsible for Local Government.

The Minister also appoints the Chairman and Deputy Chairman of the Board and may assign to the Chairman, through written notice to the Board, such duties as he may specify for the better implementation of the provisions of the Act and may amend or revoke any such notice. Members are appointed for a period not exceeding three years (as the Minister may fix on their appointment) and those retiring are eligible for re-appointment. The Minister may, in terms of Section 9 (1) (a) (b) (c) and (2) dismiss or suspend members on grounds of unsuitability.

Section 18 specifies the functions of the Authority as: to acquire, generate, transmit, distribute and supply electricity; to investigate new or additional facilities for the generation, transmission, distribution or supply of electricity and to advise the Minister of the result of such investigations (provided that if the Minister so directs, the Authority shall consult the central African Power Corporation in any such investigations); to acquire, control and operate other undertakings within Zimbabwe; and to acquire assets from the Central African Power Corporation (CAPCO) for the purpose of generation, transmission, distribution or supply of electricity. The powers of the Authority are specified in Section 19 (in the First Schedule) and are fairly extensive. Several have to have the approval or consent of the Minister, and others should have the approval of the Minister and the Minister responsible for finance, particularly where borrowing and/or expenditure is involved.

With respect to the relationship between the Authority and the Minister, Section 20 of the Act requires the Authority to submit to the Minister any report which may be required in terms of the Act, (or in terms of Audit and Exchequer Act (Cap 168); such other reports as the Minister may require and may submit to the Minister such other reports as the Board may consider advisable; in regard to the operations, undertakings and property of the Authority. The Board is required to give to the Minister all such information relating to the undertakings of the Authority as the Minister may require.

Section 21 of the Act allows the Minister after consultation with the Board, to issue such directions of a general character to the Authority relating to the exercise of its functions as appear to him to be requisite in the national interest. The Authority is required to comply.

Section 22 (1) provided for the appointment of the general manager of ZESA by the Board "on such terms and conditions as the Board, with the approval of the Minister, may fix". The person appointed must also be approved by the Minister. The experience with these processes underlines the fact that these provisions are not mere formalities. The general manager is required to be ordinarily resident in Zimbabwe. The Board may terminate the appointment of the general manager in terms of conditions set in paragraphs (a), (b) and (c) or (e) of Section 8 and paragraphs (a), (b) and (c) of Section 7 of the Act.

The general manager subject to the control of the Board sees to the management of operations, undertakings and property of the Authority.

Section 23 of the Act allows the Authority to make by-laws prescribing anything which by the Act is to be prescribed in by-laws or which, in the opinion of the Board, is necessary or convenient to be prescribed in by-laws for the better exercise of the functions of the Authority. The by-laws would not be of force and effect until approved by the Minister and published in the Gazette. By-laws made by the Authority may range from: the terms and conditions under which the Authority will supply electricity and provide equipment, apparatus and appliances; to the payment and collection of moneys due for electricity supplied and rentals of meters and other apparatus; to the cutting off of the supply of electricity for the non-payment of any price, fee, charge or rental and the reconnection of a supply that has been so cut off; to the fees chargeable by the Authority for services incidental to the transmission, distribution or supply of electricity; and to the construction, operation of works, plant, machinery, apparatus, appliances and equipment for transmission, distribution, connection, installation and use of electricity supplied by the Authority and to the regulation of the operation of undertakings by local authorities with which and persons with whom the Authority has entered into contracts in terms of Section 35 of the Act.

The Act requires the Authority to conduct its business on sound commercial lines. Section 24 reads:

> It shall be the duty of the Authority so to exercise its functions and conduct its business as to ensure that its income, taking one year with another, is not less than sufficient to enable the Authority to meet the expenditure of the Authority and other matters properly chargeable to operating account, and in general the Authority shall conduct its business on sound commercial lines.

The funds of the Authority consist of those payable to the Authority from moneys appropriated for the purpose by Parliament and those moneys or assets accruing to the Authority in the course of its operations or otherwise.

The law forbids anyone to establish, maintain or operate any undertaking, the plant of which has a rated generating capacity at the site where it is installed of one hundred kilowatts or more, from which he transmits, distributes or supplies electricity to any other person. It creates a monopoly in favour of (a) CAPCO, (b) the Authority or (c) a private undertaker who has obtained the consent of the Authority and the Minister or who, being a member of or associated with a group of associated companies, transmits, distributes or supplies electricity to that group of companies or (d) a local authority which or other person who has entered into a contract with the Authority for the operation of an undertaking, or for carrying out any activity incidental therefore, by the local authority or person within the area specified in the contract. Applications for consent are submitted to the Authority in a prescribed manner and must contain the requisite details as stated in Section 34 (2). The Authority will forward the application to the Minister if it is agreeable to it. The Minister and the Authority, upon consenting to the application, may impose conditions as they see fit and shall cancel their consent if any of the conditions are not complied with. The Authority itself may make by-laws regulating the generation, transmission, distribution and supply of electricity by any contractor.

The prices at which a contractor may supply electricity to a consumer shall be determined in accordance with the contract concerned provided that such prices and any variations thereof are approved by the Minister. Every contract is required to make provision for an increase in prices in the event of a development levy being imposed.

Section 37 (1) of the Act forbids the Authority or a private undertaker permitted to supply electricity to another person to increase or decrease the rated generating capacity of its or his plant, or to erect a new generating station, or the Authority to alter its contractual rights to purchase power from outside Zimbabwe without the approval of the Minister. The Minister consults CAPCO in the consideration of any such application.

Section 40 (1) of the Act provided for the approval of prices chargeable by the Authority for the supply of electricity to various classes of consumers. The prices at which the Authority may supply electricity to consumers shall be those specified in the current schedule of standard prices approved by the Minister. Subject to this proviso, the Authority may from time to time vary the price or prices for the supply of electricity to a particular consumer above or below the prices specified in the current schedule of approved standard prices, after paying due regard to any one of the following circumstances:

- the amount of electricity consumed;
- the uniformity and regularity of demand for electricity;
- The time when or during which electricity is required;
- The expenditure of the Authority in furnishing the supply;
- the need to phase in new prices or tariffs; an
- any other circumstances approved by the Minister.

If a consumer objects to the proposed variation of prices, he may appeal to the Minister who may, after considering representations made to him by the Authority, confirm the proposed variation of prices or order that the proposed variation be not made or order the Authority to make such variation as the Minister thinks appropriate. If there is no objection and application for review by the consumer, the proposed variation may come into effect.

There is disquiet over the degree of control exercised by the State over the Authority as it is felt that this harms efficiency. Although autonomous, the Authority still remains a parastatal and therefore has to comply with restrictive regulations, eg. Tender procedure must comply with Government Tender Board regulations. Capital projects have to be approved by Ministry of Finance while tariffs have to be regulated by Ministry of Industry. The delays are usually harmful to viability and efficiency. Besides, time is usually wasted and wrong decisions taken with disastrous consequences for the consumer. The best situation would, it is suggested, be that in which certain intermediate stages of the Authority's operations are privatised or commercialised. It is thought that full privatisation may not be that feasible and/or desirable given that there are huge capital outlays required for investment and few foreign investors might want to venture into this given also the other controls which still exist in the economy. The Authority is currently being studied with a view to making institutional and regulatory adjustments.

The other important regulatory framework is the Zambezi River Authority Act, 1987 (the Act) which was enacted to give effect to certain provisions of an inter-state agreement relating to the utilisation of the Zambezi River between the governments of Zimbabwe and Zambia. The Act also repealed Part III of the Federation of Rhodesia and Nyasaland (Dissolution) Order in Council, 1963 and the Central African Power Act, (Cap. 270).

Section 4 (1) of the Act renamed the Central African Power Corporation (CAPCO) the Zambezi River Authority (ZRA). Its status did not change and remained as a body corporate. The composition, functions, administration, financing procedure, privileges and immunities of the Authority are set out in Articles 7 through 15 and 17 of the inter-state agreement.

5.3 Regional Co-operation

With regard to the petroleum based energy, Zimbabwe has an agreement with Mozambique whereby an oil pipeline runs through Mozambique from the port of Beira to Mutare in Zimbabwe. The pipeline was completed towards the end of 1964 but its use stopped with the Unilateral Declaration of Independence (UDI) in 1965. It was resuscitated between 1982 and 1983 when a subsequent "Loss agreement" came into being. In this agreement, Mozambique had realised the loss it was making on its rail system which was affected by that country's civil war. Mozambique argued for compensation from Zimbabwe which was using the pipeline rather than the non-functioning rail and road system. Zimbabwe has resisted payment for these losses and the issue is at a stalemate. Zimbabwe feels this agreement should be terminated as it implies that Zimbabwe must pay for the effects of Mozambique's civil war. Although the operation of the pipeline is an expensive undertaking, it still remains cheaper than the rail and road system. One problem with this co-operation agreement is that Mozambique demands payment on the charges in US dollars.

Article 3 of the Zimbabwe-Zambia Agreement on the utilisation of the Zambezi River (henceforth the Agreement) states that both states recognised that the operation and maintenance of the Zambezi scheme is an economical and effective means of providing water for the generation of electric power and for other purposes and decided to utilise, operate and maintain the said scheme. The pre-existing Higher Authority for Power was retained in the Agreement as the Council of Ministers (as the Council). The Council consists of four members, two of whom must be Ministers of the Government of Zambia and the other two Ministers of the Government of Zimbabwe. The Chairmanship of the Council alternates every year (through election) between the two states and council meets at least once every year. The Council's decision must be unanimous to be of effect, failure to which the matter at issue is referred to the governments of the two countries.

The Council's responsibility is on matters of policy relating to the use of the Zambezi River and any installations thereon and gives directions to the ZRA as will ensure the most efficient use of the River and its installations. The Council also generally supervises the operations of the ZRA and may order any enquiries into its activities. It considers and approves development plans of the ZRA and the schedule of dates for payment relating thereto and advises the two states on any matter relating to the use of the River and its installations. The ZRA is governed by political authority i.e. the Council which may make rules providing for (a) the manner in which the ZRA shall perform any particular function conferred or imposed on it by the Agreement; (b) the manner in which the ZRA shall manage its finances and in which its accounts shall be audited; (c) the terms and conditions of service of Board members; and (d) the manner in which the Authority shall prepare reports for submission to the Council.

Article 8 of the Agreement provides for a Board of Directors which shall be responsible for the policy, control and management of the ZRA. The composition of the Board is six members with each contracting country appointing half of these. One member was to be appointed by the Council and acceptable to the Commonwealth Development Corporation while the loan from the said Corporation lasted. The appointing authorities are to appoint alternates in respect of each member and avoid members of their national Parliaments. Appointees should have recognised competence in industry, engineering, the energy sector, finance or management or with such other technical experience or qualification as are directly relevant to the running of the affairs of the ZRA. The Chairman of the Board is elected every year and alternates between the two countries in the Agreement.

Article 9 of the Agreement lays out the functions of the ZRA as: to operate, monitor and maintain the Kariba Complex; in consultation with the National Electricity Undertakings, to investigate the possibility of constructing new dams on the Zambezi River and make recommendations thereon; to conduct research on the Zambezi River for the better performance of its functions; in consultation with the National Electricity Undertakings, to regulate the water level in the Kariba reservoir and in any other reservoirs owned by the ZRA and, in liaison with the National Electricity Undertakings, in the performance of its functions that may affect the generation and transmission of electricity to the countries in the Agreement. The ZRA is also expected to submit a development plan and programmes to the Council for approval.

The ZRA may make by-laws prescribing anything which, in the Board's opinion, is for the better exercise of the functions of the Authority (see Article 10). The by-laws so made have legal force only if approved by the Council and published in the Government Gazette of each of the states in the Agreement.

Article 11 of the Agreement provides for the appointment of a Chief Executive who shall, subject to the approval of the Council, be appointed by the Board and shall be a national or resident of the contracting state other than that in which the ZRA's head office is situated. The terms and conditions of service of the Chief Executive shall be determined by the Board and approved by the Council. The Board may dismiss, suspend or reprimand the Chief Executive with the approval of the Council for any reason considered sufficient. The Chief Executive is responsible for the day-to-day management of the operations and property of the ZRA, subject to the control of the Board, which may, with Council's approval, delegate any of its functions, as appropriate, to the Chief Executive.

Article 12 makes provision for the appointment of a Secretary to the ZRA by the Board upon terms and conditions set by the Board. In appointing any of its employees including the Secretary and the Chief Executive, the ZRA is required not to appoint, unless the Council approves, any person who is not a national or resident of either of the two countries in the Agreement, and in order to ensure the highest standard of performance in its operations, to only appoint persons of high integrity, sufficient qualifications and experience, having regard to the desirability of maintaining an equitable distribution of appointments from among nationals of the two countries in the Agreement.

The ZRA's funds consist of moneys paid in equal shares to the annual budget of the ZRA by the two countries involved after taking account of the levels of the other revenues to the Authority; tariffs, fees, or other charges which the ZRA may, with the

Council's approval, charge for services or facilities rendered, grants, donations, loans, etc. from any source whatsoever approved by Council, and interests for investments and loans to its employees.

The Board is required to submit to the Council and to the Minister responsible for energy in each state, an annual report consisting of an income and expenditure account, a balance sheet, a report of the Auditors to the ZRA and other details which may have been directed as required by the Council and a Statement of capital expenditure certified as correct by the Auditors to the ZRA. The ZRA is, except as provided in the Agreement, exempt from the provision of any legislation of the two countries involved regarding the audit and control of public accounts and in particular, from such legislation regarding: the payment of surplus moneys to the Consolidated Revenue Funds or other equivalent funds of the contracting states; the submission of capital budgets; the submission of revenue and expenditure budgets; the submission of annual reports and accounts; and the powers of the Comptroller and Auditor-General or the official carrying out similar duties in each country in the Agreement.

The Agreement restricts rights of private individuals from use of the Zambezi River. Article 24 reads:

> To the extent that those rights will not be inconsistent with the constitutional rights of private individuals in each State, the rights of the Contracting States in the use of the Zambezi River shall take precedence over all private rights and each Contracting State shall, within its territory, take such steps as are necessary to ensure the observance of such rights.

The provisions of this Agreement clearly establish political authority as the controlling one in the regional agreement and running of the Zambezi River utilisation scheme. It definitely establishes a highly bureaucratised and politically controlled system whose efficiency might be negatively affected. Yet the fact of the Agreement is a milestone in necessary regional co-operation.

The ZRA agreement provided for an initial possible way of co-operation between the two contracting country's National Electricity Undertakings. Thus, the countries continue to co-operate.

The Kariba Dam and power station on the River (Zambezi) were constructed during the period of the Federation (of the Rhodesias and Nyasaland) to provide hydro-electricity to today's Zambia and Zimbabwe. This project provided the two countries with abundant cheap electricity for many years. Through the UDI years, with strained political and economic relations with Zambia, the then Rhodesia continued to import power from the northern bank of the Kariba Dam complex while using the entire output of the south bank station as well. This continued up to 1987 with Zimbabwe importing up to a third of its electricity from the north bank. Zimbabwe installed two more 150 MW generators at Kariba South and embarked on preliminary work for the construction of a new dam and power station at Batoka Gorge on the same River. Domestic generating capacity was boosted by the construction of large thermal power stations at Hwange. Stage One of this project coming on stream in 1983. Stage Two came on stream in June 1987, and with its raising of capacity to 920 MW, imports from Zambia ceased then.

However, imports from Zambia continued to meet shortfalls in electricity supply. With the devastating drought in Southern Africa during 1991, electricity generation became affected both for Zambia and Zimbabwe. The rivers Zambezi and Kafue were too low for sufficient generation. In early May 1992, Zambia advised Zimbabwe of a seven days' notice to disconnect hydro-electricity supplies. The power squeeze became exarcebated in Zimbabwe due to the low capacity of the Hwange Thermal Station which had one of its units out of function for a year while awaiting necessary forex to import spare parts for major repairs. Zimbabwe was forced into load-shedding, urging users to cut consumption by 10-20%.

In October 1990, the Governments of Zambia and Zimbabwe signed an agreement to proceed with a pre-feasibility study on the Batoka Gorge hydro-electric project. A change of government took place in Zambia and the new government seamed intent on cancelling the project with the feeling that only Zimbabwe would be the main beneficiary. However, following the signing of an accord in December 1991, and with support of Zambian experts, the feasibility study is under way although the commissioning of the dam and power station is not to be until the next century.

In May 1993, an agreement was being finalised between ZESA of Zimbabwe and ZESCO of Zambia for the Zimbabwe undertaking to import up to 100 megawatts of power from July 1 1993 to June 30 1995. In addition to this, it was agreed that ZESCO would supply on a daily basis additional firm power upon request from ZESA with no limits being set. According to press reports, the two sources of imports would provide ZESA with 200 to 400 MW of firm capacity up to mid 1995.[13]

Mozambique and Zimbabwe signed an agreement on the supply of 500 MW electricity from the Cabora Bassa power station to Harare on April 15,1992. This source's capacity depended on (a) the water levels at Cabora Bassa, (b) cessation of hostilities in Mozambique to allow high-tension lines and sub-stations to be constructed. Electricity could be flowing onto Zimbabwe's national grid from Cabora Bassa by late 1995 or early 1996. Currently, with enough water, Cabora Bassa can only be able to pick up Zimbabwe's 5MW Mutare load. Zimbabwe became a member of the permanent joint committee which supervises the Cabora Bassa hydro-electric project. The committee includes Portugal, Mozambique and South Africa. The output of Cabora Bassa bought by Zimbabwe was previously reserved for Eskom of South Africa. South Africa agreed to let Zimbabwe use this capacity at least until the year 2003.

A tripartite agreement was also signed in Lusaka on May 6,1992, for Zimbabwe to import 120 MW of power from Zaire through the Zambian grid. ZESA of Zimbabwe had already been buying power from Zaire since March 20, 1992. Zimbabwe and Zaire had signed an agreement in September 1991 for Zaire to supply electricity to Zimbabwe.

Zimbabwe, through ZESA, has.been buying a maximum of 3MW from South Africa mainly to supply Beitbridge on the Southern border, but now also supplying the lowveld sugar production and ranching areas. In 1992 Zimbabwe signed an agreement with Eskom of South Africa for some 40MW to be supplied from South Africa through the Beitbridge/Messina link. However, technical problems are said to be still hampering the full realisation of this agreement. While South Africa has an available capacity of 40MW, the demand is for some 30MW permanently connected

13 The Herald, May 8, 1993, p.3.

to the South African system but which could be connected on to the ZESA national grid. The ZESA-ESKOM agreement is believed to promise sales in either direction for future years.

Zimbabwe's ZESA and the Botswana Power Corporation of Botswana also reached an agreement towards the close of the 1980s for power sourced in Zambia to come on to the Zimbabwean national grid into Botswana. Zimbabwe gets "willing charges" for this service. However, when Zambia failed to export its electricity, Zimbabwe also lost revenue.

These arrangements within the region are an obvious milestone in regional co-operation. However, some noted big problems with this co-operation are: the demand by countries for payment to be in hard currency. Once one or two countries demand this, every other country is forced to do so. Then there is the fact that the concept of generation of electrical energy in co-operation with countries of the region is not built into national plans. A regional planning framework is not in existence; more also, there is no 'regional' framework for arriving at the tariffs charged, some countries end up taking advantage of the situation. With these kinds of problems, it is believed that more regional co-operation would be of benefit with the problems here mentioned being attended to. Much of the regional co-operation agreements Zimbabwe is involved in are with countries in the SADC grouping and, this co-operation is done through the SADC Technical and Administrative Unit (TAU) (Energy) which is based in Luanda, Angola. It is felt that this co-operation could be extended beyond SADC to include countries like Zaire - which already has agreements with Zambia and Zimbabwe - and South Africa - which too has agreements with Botswana, Mozambique and Zimbabwe. Such regional co-operation could facilitate minimisation of the huge capital investments one country would require to undertake projects that would yield output nearly sufficient for its requirements for development. It could help in either reducing or at least checking the increase in tariffs.

A study referred to as the SADC Energy Project AAA. 3.8 is currently under way to assess the scope of co-ordinated utilisation and development of regional generation and transmission facilities and to evaluate the potential benefits and costs of increased regional co-operation related to transfers of electrical power and energy. The study aims to take into account the requirements of individual SADC Member States in terms of reliability, quality of service and planning criteria, security of supply and self-reliance as well as considerations of institutional, contractual and pricing matters. The study aims to include an assessment of the opportunities and potential benefits of power exchanges with neighbouring non-SADC countries including Zaire and South Africa.

SECTION VI CONSTRUCTION

6.1 Place in Economic Environment

In its SFYNDP, the government re-emphasized the importance of the construction industry as part and parcel of the country's fixed capital formation. The sector's sub-sectors of the building and civil engineering are responsible for putting up the country's socio-economic infrastructure in the form of schools, factories, hospitals, houses, offices, shops, roads, dams, canals etc. Adequate support for the sector is therefore seen as crucial so as not to constrain current and future growth and development.

The construction sector has been depressed since the boom years of the early 1970s. In 1975, the sector accounted for almost 5% of GDP but this fell to 2.2% in 1990 and this was despite that the turnover of the industry was more than Z$930 million (Z$380 million) in 1990.[14] However, it should be pointed out that there is a lot of under-reporting in the construction industry from the growth points and the municipalities.

Value added in the sector rose in 1981 and consistently declined thereafter up to 1985. It increased in 1986 but declined in 1990. The average annual rate of growth between 1980 and 1985 was a 6,8% with the growth rate averaging 2,6% between 1985 and 1990 and 4,7% in the 1980-1990 decade.

The value of construction work done rose by 10% from between 1980 and 1981 before falling in 1985. By 1987 the value had fallen from the peak of Z$292,9 million (at constant 1980 prices) to Z$ 157,6 million. On average, the annual growth rate of value of construction work done between 1980 and 1985 was 5,2%.

The SFYNDP indicates that of the total work done between 1980 and 1987, more than half was civil engineering, reflecting government's emphasis on infrastructural programmes. Table 6.1 below shows the value of building and civil engineering works done between 1980 and 1987.

Fixed capital formation rose in real terms from Z$12 million in 1980 to Z$24 million in 1982 but started declining to reach the 1980 level in 1986. The sector's contribution to total gross fixed capital formation was 2,3% in 1980, rising by a slight margin to 2,6% in 1985.

14 See Economic Intelligence Unit (EIU), Zimbabwe; Malawi Country Report No. 3, 1991 p. 21; and EIU Country Profile 1991-92, Zimbabwe, Malawi p. 26. See also SFYNDP Vol.1 p. 51-54.

Table 6.1

Building And Civil Engineering ($m, current prices)

	Building	Civil Engineering	Total
1980	104.7	152.6	257.3
1981	157.1	210.5	367.6
1982	171.1	239.7	410.8
1983	197.3	242.1	439.4
1984	173.1	286.2	459.3
1985	165.4	255.0	420.4
1986	190.6	270.5	461.1
1987	193.5	267.3	460.8

Source: SFYNDP, 1993

The employment trend has been see-sawing from 64 000 in 1974 to 42 200 in 1980, peaking at 51 100 in 1982 and declining to 44 800 in 1985. It remained less than 50 000 between 1985 and 1987. The construction sector's share of non-agricultural employment was 6,2% in 1980. It fell to 5,8% in 1985 and rose to 5,9% in 1986. With employment in the sector reaching 74 400 in 1990, due to the boom in the late 1980s the share rose to 7,7%.

Prices of building materials and shortages of essential parts have bedevilled the performance of the sector. In the SFYNDP, it is noted that the building material price index grew at an average of 18.9% p.a. between 1980 and 1985. Brick prices were the largest contributors to this, followed by sanitary ware which grew by 21% and 19,5% p.a. respectively.

The housing sub-sector has performed very much below requirements. The mammoth waiting lists in major urban centres, particularly Harare and Bulawayo, and the growing incidence of squatting are testimony to this crisis. In 1990, the housing waiting list in Harare was for 55 000 units and was growing at the rate of 900 units per month. Despite the fact that the demand was mainly for low income houses - because the majority of the people were in the low income bracket - conditions were not conducive to facilitating these same people to acquire housing. The costs and standards required by law militated against this. For example, the high standards required meant that the minimum cost of a core house, consisting of one room and ablutions, in Harare was some Z$12 000. This put such housing beyond the reach of most applicants. Estimates, according to the EIU Country Report are that 60% of the 60 000 people on the Harare waiting list in 1991 did not qualify for a loan from a building society because they earned less than Z$480 per month.

The Ministry of Construction and Public Housing revised standards and allowed building 'of shells' without windows or door frames for only Z$2,600 excluding site costs (nearly double this). As already mentioned, not only inappropriately high standards were the problem but also shortages, e.g. of glass, cement, bricks, gypsum products, window and door frames etc. However, the situation has improved due to the trade liberalisation programme. Apart from relaxing standards, the Government, during its First Five Year Plan period, introduced some incentives to enhance private sector participation in low income housing development. Tax laws were reviewed for building societies while employers were allowed tax rebates for putting up low income houses for employees up to a maximum value of Z$18 000. But problems have been faced due to shortage of funds in building societies which offer uncompetitive interest rates to depositors.

Between 1986 and 1990, 49 000 housing units were constructed by both public and private sectors in both rural and urban areas. Government also upgraded housing, constructed schools, hospitals, rural health centres, office blocks, barracks etc.

Table 6.2

Public Sector Investment: Z$'000, Current Prices

	1986/87	1987/88	1988/89	1989/90	1990/91	Total 1986/87 -1990/91
1.	105379	134075	289579	305491	340246	1174791
2.	1620	4094	3288	2179	6041	17222
3.	88941	100142	250647	263474	289176	992380
4.	11368	14787	19417	19106	17400	82078
J.						
6.	3450	15052	7707	5732	12650	44591
7.	36727	46882	43265	54554	51918	233346
8.	32604	41882	35265	42100	42718	194569
9.	4123	5000	8000	12454	9200	38777
10.	142106	180957	332844	360045	392185	1408137

1.	Construction	6.	Housing
2.	Various Works	7.	National Housing
3.	Government Buildings	8.	Urban
4.	Office Accommodation	9.	Rural
5.	Civil Service	10	Total

Source: SFYNDP, 1993.

The construction sector suffered a severe shortage of new plant and machinery due to the foreign exchange constraint. Shortage of surveyed land due to shortage of land surveyors and surveying equipment was another problem. A survey undertaken in May 1988 estimated that 43,7% of all plant and equipment held by construction companies predated 1975 whilst only 9,1% of their plant, equipment and vehicles post-dated 1983.

Apart from shortages already mentioned, skilled personnel in the areas of architecture, engineering, quantity surveying, valuation and physical planning were in short supply. Also unavailable to meet demand were middle management and supervisory personnel with 'on site' experience. The expansion which occurred in this sector in the late 1980s also shot up the demand which far exceeded supply. The shortage of equipment plus insufficient government support strangled the growth of the small contractor. In fact there are now loud cries against monopoly in the construction sector and the strangulation of the small, mainly indigenous, contractor.

6.2 Level of Competition

Established companies dominate contracts to the detriment of small contractors. A World Bank Report in 1991 warned of an impending collapse of the construction industry and accused it of discrimination against the Black contractors. The report argued that a major constraint was this marginalisation of small contractors: the Construction Industry Federation of Zimbabwe (CIFOZ) was acknowledged to represent less than 25% of the registered contractors, but only 10-15 of these monopolised 90% of the construction work. This situation has led to the formation of a rival, mainly Black, association called the Zimbabwe Building Construction Association. The World Bank report detailed unfair trading practices against Black contractors and obstruction of access to materials and machinery. It concluded with recommendations for affirmative action including that 15% of major public sector contracts should be sub-contracted by large contractors to indigenous small contractors and that there should be preference in tendering of projects. (see EIU Country Report No. 3, p. 21,1991, Zimbabwe, Malawi).

Thus, there are problems relating to shortages of essential inputs, inappropriately high standards, shortages of essential skills, monopoly and diminished state support for the up-coming small contractor.

The established firms in CIFOZ complain of unfair advantage afforded to foreign big companies that are allowed to come in and undertake projects which could be done by local firms. The foreign concerns are allowed to bring in their technologies (free) as long as they will take them away upon completion of projects. However, upon completion of initial projects, they remain in the country and do local projects utilising their advantage in terms of "connections" and technological supremacy. The local firms face not only foreign currency constraints in obtaining technology but have to pay duty for what they import. Apart from this unfair advantage afforded foreign capital, the local big companies do not feel frustrated by the public sector or constrained by its undertaking of certain projects. In fact, a look at projects undertaken betweer 1980 and 1990 shows that the public sector takes much of the civil construction while the private sector dominates building. Table 6.3 below shows percentages of construction work undertaken by the public and private sectors. Column 1 shows the percentage of total work undertaken by the Ministry of Public Construction and National Housing; column 2 the percentage of total work funded by government but undertaken by the private sector, and column 3 shows the proportion undertaken by the private sector. The total of columns (1) and (2) shows the percentage of construction work funded by government, while the totals of columns (2) and (3) shows the percentage of work undertaken by the private sector firms.

Table 63

Percentages of Work Undertaken by the Public and Private Sectors

Building	**Public Sector**		**Private Sector**
Year	By Public	By Private	
1980	13.7	35.7	50.6
1985	22.4	42.4	35.2
1990	19.9	28.1	52.0
Civil			
1980	60.2	12.4	27.3
1985	65.1	24.1	10.3
1990	75.6	14.2	10.2
Columns	(1)	(2)	(3)

Source: CSO and compiled by CIFOZ, 1993.

6.3 Regulatory Framework

Firms in the construction sector are established in accordance with the Companies Act and adhere to the provisions of the Income Tax Act. The principal Act governing the conduct of industrial relations is the Labour Relations Act No. 16 of 1985. Every year the industry enters negotiations with the representative organisation of labour. A Collective Bargaining Agreement is reached and registered in terms of Section 84 of the principal Act. Currently, Statutory Instrument 199 of 1988 provides for the collective agreement of the National Employment Council for the Industry. The parties to the Agreement are the CIFOZ and the Zimbabwe Construction and Allied Trades Workers' Union. This instrument, which includes a code of conduct replaces all other previous instruments and codes.

Due to the already mentioned inappropriately high standards and regulations governing the undertaking of construction work, the government, in keeping with its liberalisation programme, has set up a Deregulation Committee chaired by the Ministry of Local Government, which has already identified the Housing and Building Act and the Housing Standards Control Act as pieces of legislation requiring deregulation.

With respect to building reform regulations, The Urban Councils Model (Use and Occupation and Building) by-laws at present cover areas like construction details. Local Government Circular No. 120 of 1993 introduced minimum planning standards which reduce minimum stand sizes, infrastructure and superstructure for residential properties in the low and middle income range. The circular forms the basis upon which more affordable standards for industrial development can be formulated. The reforms are said to be aimed at reducing unnecessary regulation of the private sector and thus stimulate private sector activity.[15]

There are other bureaucratic regulations which are viewed as frustrating local companies, particularly their ability to successfully compete for projects outside the country, in the sub-region. The central bank bureaucratic procedures for approving certain aspects leave companies uncompetitive, for example, against their South African counterparts. The bureaucracy is felt to be cumbersome while some requirements such as that equipment taken out should be brought back may be unreasonable or may make no economic sense.

6.4 Regional Co-operation

There is not much of this. There should be, given that countries such as Mozambique and Angola, devastated by civil wars, would require much construction work and the Zimbabwean firms are in a good position to take advantage of this. However, with the bureaucratic hurdles already mentioned, these firms may be out-competed.

A protocol was signed with Angola for Zimbabwean firms to undertake construction work. This fell through when war broke out again after the recent elections.

15 ESAP Highlights: Monitoring and Evaluation Unit; See also Business Heralf, March 13, 1993 p.4.

SECTION VII TOURISM

7.1 Introduction

Tourism can be broadly defined as travel from one location to another for recreational, business or other purposes. Where the locations refer to countries this is termed "international tourism". Travel is a prerequisite for the consumption of tourism services.

Tourism services comprise a heterogenous mix of services which include those that are specific to the tourism industry, e.g. accommodation facilities, food, etc., and other services that are not specific to the tourism industry, e.g. travel. This presents a number of problems when it comes to data collection, studying the industry, and even when it comes to policy decisions. For instance supposing that the transport sector experienced an annual increase of 50% and all of this was due to an increase in the tourist traffic, then this would be reflected under the transport sector. The relative importance of the tourism industry would therefore be difficult to capture and policy is likely to favour the transport sector rather than the tourism sector. The World Tourism Organisation defines tourism services as those that are the object of payment made by international visitors for their own consumption, but excludes international transport as this is covered under the transport sector. For the purposes of this study tourism services would include:

- Hotels and Restaurants;
- Tour Operators and Car Hire;
- Travel Agents;
- Hunting;
- Game Viewing; and
- Sight Seeing.

Following the "Transnational Corporations, Services and the Uruguay Round, United Nations, New York, 1990" study, firms providing tourism services are subdivided into two, viz. purveyors and those that act as intermediaries. Purveyors are those that provide services that are specific to the tourism industry, e.g. hotels and restaurants, while intermediaries are those that are not specific to the tourism sector, e.g. travel agents. This subdivision is likely to cater for most of the tourist dollar expenditure in the host country. This is based on the fact that it is estimated that between 20% and 30% of the total expenditure by international tourists is on air transport, whilst food and lodging account for approximately 50% of the total expenditure.[16]

16 Transnational Corporations, Services and the Uruguay Round, U.N. New York, 1990.

7.2 Development Potential of Tourism

Developments in the world tourism is summarized in Tables 7.1 and 3.2. The tables show that with the exception of the years 1982 and 1983, world tourism experienced a remarkable average real annual growth rate of 7.4% between 1983 and 1988. Of the total world tourist arrivals in 1988, Europe recorded the highest arrival rate, accounting for about 64% of the world total arrivals. North and South America was second with 18.6%, followed by East Asia and the Pacific with 10.7%, Africa with 3%, Middle East with 2.3%, and South Asia with 0.7%. Despite its low contribution to world tourist arrivals, Africa recorded an increase in the average arrival rate of 9.4% between 1983 and 1988 compared with 7.4% for the whole world, 6% for Europe, 8.4% for North and South America, 18.2% for East Asia and the Pacific, 3.2% for the Middle East, and 1.3% for South Asia. Given that the tourism industry in Africa is still in its infancy this indicates that Africa still has a potential to develop its tourism.

As pointed out earlier, the classification of the tourism industry provides a unique opportunity for gross overlaps with other sectors when it comes to data collection. This overlap almost always leads to an understatement of the contribution of the tourism industry, it is in actual fact this very reason that leads most African governments to underplay the importance of the tourism industry. It would therefore make no sense to talk about the contribution of the tourism industry to GDP, employment, foreign currency earnings etc. In view of the above comments one seeks to have an insight of what was happening in the tourism industry by looking at the tourist arrivals and receipts, the average hotel occupancy, the hotel occupancy rate, and the average night spent.

Table 7.3 gives the figures for visitor arrivals, tourist receipts, the average night spent in hotels, and the average hotel occupancy for the years 1980-1991. The table shows that the visitor arrival rate grew at an annual average of 14.4% between 1983 and 1991. That for tourist receipts was 100.1%. The average nights spent declined at an average annual rate of 5.6% while the average hotel occupancy grew at an average annual rate of 5.7% during the same period.

Table 7.4 gives the figures for available bed nights, the bed nights sold and the occupancy rate for the years 1980-1991. The figures show that between 1983 and 1991 the available bed nights grew at an average annual rate of 3.2%, while the bed nights sold grew by an annual average rate of 10.7% and the occupancy rate by 5.7%.

Table 7.1

International Tourism Arrival and Receipts World-Wide and by Region, 1983 and 1988

Region	**Arrival** 1983	**Million** 1988	**Receipt** 1983	**SBil** 1988
World	284.4	390	98.4	195
Percentage of World Total	100	100	100100	
Index (1983-100)	100	137	100	198
Annual Growth Rate 1983-88		7.4		19.6
Africa	8.2	12	2.6	4.5
Percentage of World Total	2.8	3	2.6	2.3
Index (1983 – 100)	100	147	100	14.2
Annual Growth Rate 1983-88		9.4		
North and South America	50.9	72.6	24.3	39
Percentage of World Total	17.9	18.6	24.7	20
Index (1983 100)	100	142	100	160
Annual Growth Rate 1983-88		8.4		12
East Asia and the Pacific	21.9	42	10.1	24.5
Percentage of World Total	7.7	10.7	10.2	12.5
Index (1983 100)	100	191	100	142
Annual Growth Rate1983-88		18.2		28.4
Europe	192.8	251.5	55.3	118
Percentage of World Total	67.7	64.4	56.2	60.7
Index (1983 – 100)	100	130	100	213
Annual Growth Rate 1983-88		6		22.6
Middle East	7.7	9	4.3	7
Percentage of World Total	2.7	2.3	4.3	3.5
Index (1983 – 100)	100	116	100	162
Annual Growth Rate 1983-88		3.2		12.4
South Asia	2.7	2.9	1.6	2
Percentage of World Total	0.9	0.5	1.6	1
index (983 – 100)	100	109	100	121
Annual Growth Rate 1983-88		1.8		4.2

Source: Zimbabwe Tourist Development Corporation, 1993.

Table 7.2

World Tourism Arrivals and Receipts, 1950-1988

	Arrivals		Receipts	
Years	**(Millions)**	**Annual % Change**	**(Billions $)**	**Annual % Change**
1950-1960	25.3-69.3	10.6	2.1-6.9	12.6
1960-1970	69.3-159.7	8.7	6.9-17.9	10.1
1970-1980	159.7-284.8	5.6	17.9-102.4	18.1
1981	288.8	1.4	104.3	1.9
1982	286.8	-0.7	98.6	-5.5
1983	284.4	-0.8	98.5	-0.1
1984	311.2	9.4	102.5	4.1
1985	325.7	4.7	108.1	5.4
1986	332.9	2.2	130.1	20.4
1987	358.7	7.7	158.7	22
1988	390.0	8.7	195.0	22.9

Source: *World Tourism Organisation, Compendium of Tourism Statistics, 1983-1987.*

Note: *1988figures are provisional*

Table 7.3

Visitor Arrivals and Hotel Statistics

Year	**Visitor Arrivals**	**Tourist Receipts**	**Av. Nights Spent**	**Av. Hotel Occupancy**
1980	268418	24196	11	43
1981	272436	32645	12	40
1982	331740	32810	12	37
1983	276864	27580	12	33
1984	314383	39103	12	34
1985	361646	39247	9	38
1986	395091	49157	7	37
1987	454779	54786	7	36
1988	451844	47659	6	41
1989	466161	91959	6	45
1990	582682	158884	6	47
1991	636767	276867	6	50

Source: *The Zimbabwe Tourist Development Corporation, 1993.*

Table 7.4

Hotel Occupancies

Year Available	Bed Nights Available	Bed Nights Rate %	Occupancy
1980	1829479	776880	43
1981	2043450	813522	40
1982	2030548	749811	37
1983	2053854	675978	33
1984	2041963	678979	34
1985	2121110	797765	38
1986	2123467	784248	37
1987	2371154	838756	36
1988	2391773	976073	41
1989	2570044	1144427	45
1990	2580918	1220620	47
1991	2645552	1324910	50

Source: The Zimbabwe Development Corporation, 1993.

Average Annual Growth Rate 1983-1991	%
Visitor Arrivals	14.4
Tourist Receipts	100.1
Aver. Night Spent	-5.6
Aver. Hotel Occupancy	5.7

Average Annual Growth Rates 1983-1991	%
Bednights Available	3.2
Bednight Sold	10.7
Occupancy Rate (%)	5.7

The figures are interesting in that:

- While the visitor arrivals increased at an annual average of 14.4% between 1983 and 1991, the bed nights sold increased at an annual average of only 10.7%. This tends to imply that some of the arrivals recorded were either cross border shoppers or people visiting friends or relatives since neither would require hotel accommodation.
- While the visitor arrivals was increasing at the rate of 14.4% per annum between 1983 and 1991 the average nights spent was decreasing at the rate of 5.6%, and the tourist receipts was increasing at the rate of 100.1% per annum. This tends to point at two possible factors, viz:

  the increase in visitor arrivals reflects an increase in cross boarder shopping;

  the increase in tourist receipts is a reflection of increased prices and this reflects that hoteliers maintained profitability mainly by increasing prices.

Table 7.5 gives annual visitor arrivals in Zimbabwe by region of origin for the years 1980, 1985-1991. The table shows that in 1991 a total of 636 676 tourists arrived in Zimbabwe. South Africa, Botswana, and Swaziland were the major sources of tourists, accounting for 42% of the total tourist arrivals in that year. This was followed by Zambia with 32%, and the rest of Africa with 11%. All in all Africa accounted for 84% of the total tourist arrivals in 1991, while Europe accounted for 10%, and the rest of the world 5%.

Between 1985 and 1991 total tourist arrivals in the country increased by 76% compared with 87% for tourists originating from Africa, 37% for those originating from Europe, and 31% for those originating from the rest of the world.

The above breakdown shows that:

- the tourism industry is a fast growing industry;
- there is still room to increase the tourism industry in Zimbabwe;
- more needs to be done to attract tourists to Zimbabwe, particularly from North America and Europe.

Table 7.5

Annual Visitor Arrivals by Region of Origin

Region of Origin	1980		1985		1986		1987	
	Arrivals	Ratio of Total	Arrivals	Ratio of Total	Arrivals	Ratio of Total	Arrivals	Ratio of Total
RSA, Botswana & Swaziland	120 909	0.45	150 190	0.42	141 559	0.36	126 853	0.28
Zambia	90 861	0.34	104 700	0.29	126 913	0.32	201 438	0.44
Rest of Africa	14 438	0.05	32 810	0.09	45 702	0.12	39 687	0.09
Sub-Total Africa	226 208	0.84	297 700	0.80	314 174	0.80	367 978	0.81
Britain & Ireland	18 241	0.07	23 996	0.07	26 163	0.07	29 780	0.07
Germany	4 154	0.02	7 244	0.02	8 466	0.02	9 318	0.02
Rest of Europe	31 362	0.04	48 672	0.13	54 221	0.14	58 352	0.13
Sub-Total Europe	31 362	0.04	48 672	0.13	54 221	0.14	58 352	0.13
USA & Canada	5 916	0.02	15 464	0.04	14 634	0.04	15 453	0.03
South America	609	0.00	1 027	0.00	1 382	0.00	910	0.00
Asia	2 471	0.01	2 934	0.01	4 194	0.01	3 547	0.01
Australia & New Zealand	2 052	0.01	5 849	0.02	6 486	0.02	8 539	0.02
Sub-Total	11 048	0.04	25 274	0.07	26 696	0.07	28 449	0.06
Grand-Total	268 618	1.00	361 646	1.00	395 091	1.00	454 779	1.00

Table 7.5 (continued)

Region of Origin	1988		1989		1990		1991	
	Arrivals	Ratio of Total	Arrivals	Ratio of Total	Arrivals	Ratio of Total	Arrivals	Ratio of Total
RSA, Botswana & Swaziland	155 388	0.34	181 338	0.39	222 259	0.38	267 687	0.42
Zambia	150 850	0.33	126 545	0.27	167 658	0.29	200 818	0.32
Rest of Africa	59 112	0.13	51 708	0.11	69 180	0.12	68 519	0.11
Sub-Total Africa	365 350	0.13	51 708	0.11	69 180	0.12	68 516	0.11
Britain & Ireland	28 031	0.06	32 540	0.07	42 742	0.07	34 347	0.05
Germany	9 148	0.02	10 546	0.02	11 706	0.02	10 380	0.02
Rest of Europe	21 334	0.05	29 383	0.06	30 963	0.05	21 711	0.03
Sub-Total Europe	58 513	0.13	72 469	0.16	85 411	0.15	66 438	0.10
USA & Canada	14 516	0.03	16 961	0.04	18 680	0.03	14 501	0.02
South America	862	0.00	1 198	0.00	785	0.00	1 034	0.00
Asia	2 873	0.01	3 250	0.01	3 458	0.01	4 217	0.01
Australia & New Zealand	9 730	0.02	12 692	0.03	15 171	0.03	13 465	0.02
Sub-Total	27 981	0.06	34 101	0.07	38 094	0.07	33 217	0.05
Grand-Total	451 844	1.00	466 161	1.00	582 602	1.00	636 676	1.00

7.3 Major Tourist Centres in Zimbabwe

Zimbabwe has a number of tourist attractions some of which are unique to Zimbabwe. These include:

- The Victoria Falls;
- Game Parks;
- lunting Safaris;
- Dams good for fishing and angling;
- National Monuments;
- Casinos; and
- Beautiful scenery.

Below is a table showing some of the major tourist centres and their major activities.

Tourist Centre	Major Activities
Victoria Falls	Viewing The Victoria Falls (One of the Seven Wonders of the World)
	Casino
Kariba	Fishing and Angling
	Casino
	Water sports
Nyanga	Game Viewing
	Scenery
	Casino
	Trout Fishing
Matopo lills	National Monument
	Scenery
lwange	Game Viewing
	lunting
Great Zimbabwe	National Monument
Gonarezhou	Game Viewing

There are also a number of hunting safari camps which will be discussed in the relevant sections.

7.4 Regulatory Environment and Regional Cooperation in Tourism

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7.4.1 Fishing

There is not much in terms of regulatory environment when it comes to fishing. No distinction is made between locals and foreigners. The few existing regulations include the following:

- An individual is allowed a maximum of two rods, each with a maximum of two hooks.
- The bag limit, i.e. the quantity of fish that an individual is allowed to take home at the end of the day, is fifteen.
- The charge is Z$2 per day per person. For angling, that is fishing as a sport, the charge is Z$200 per day per group irrespective of the group size.

There is no regional cooperation in fishing.

7.4.2 Hunting

Hunting is a major tourist attraction in Zimbabwe. There are several hunting camps in Zimbabwe. These include Nyakasanga, Chipatani, Chemakunguwo, Rosslyn, Charara, Makuti and Dandawa. The demand for hunting safaris is so big that hunters have to be screened. There are four types of hunts, viz: tenders, draws, auctions, and leasing. The first two are for locals while the last two are specifically for international hunters.

Tenders: With tenders people are given a list of the available hunts together with the bags (i.e. the list of game in each hunt) and tenders are invited). The most lucrative tender for a given hunt wins it.

Draws: With draws people buy tickets at $20 each so as to participate in the draw. A draw is then conducted and the owners of the tickets drawn win the hunts. Since there are a number of bags per hunt on tendering people also indicate the bags they are interested in. On winning the tender the winner is supposed to pay an amount equal to the value of the bag. The value of the bag is the value attached to the animals in the bag by the Department of National Parts and Wild Life Management. In the last hunting seasons a total of 7 378 tickets were sold and an amount of Z$147 560 was raised. Special treatment is accorded to The Zimbabwe Hunters Association who are given a quarter which they then split among their members.

Auctions: Auctions are specifically for international hunters. A prospectus is sent out to all known hunters all over the world and other interested parties between September and October each year. The auction is then held in February or March of the following year. Bidders are required to attend in person or to appoint an agent who would act on their behalf. The agent has to be resident in Zimbabwe. Money in foreign currency has to be deposited in the agent's bank account before the auction.

On winning a bid, a hunter is given a hunting permit which also enables the hunter to obtain an export license should he or she wish to export the trophies (i.e. horns, hooves, hides etc.) and/or the meat. However, if a hunter wishes to export the meat then permission has to be sought from the Veterinary Department. In the case of the endangered species, such as the elephant, the leopard, and the lion, which are prohibited in some countries, production of a valid import license from the hunter's country of origin is required before an export license is granted. Hunters are also allowed to sell the meat of the animals they kill provided this is not done in the hunting area.

In the last auction a total of Z$4.1 million was raised in foreign currency in a matter of four hours. The highest bid for an elephant was Z$125 000 (approximately US$20 000).

Leasing: Leasing is yet another way hunts are allocated. In this method hunting areas are leased out to locally registered safari operators through auction. The Safari Operators then travel the world over trying to sell their franchise to international hunters. The locals do not participate in this type of hunt. To be entitled to a lease the concession holders have to pay an amount equal to 30% of the fixed charges as lease fees for the year. The fixed charge is the valuation of the game in the bag.

Any hunter who is not resident in Zimbabwe is required to obtain permission to hunt from the Director of The Department of National Parks and Wild Life Management. Any hunter entering Zimbabwe should use the same port for both entry and exist unless prior arrangements have been made.

The Parks and Wild Life Act of 1975 stipulates a number of regulations which are pertinent to hunting. The following are some of the relevant regulations in the act:

- The custodianship of wild life on land is entrusted to the appropriate authority (generally the owner) of the land.
- State license fees for hunting is not applicable on privately owned land.
- No person other than the appropriate authority for the land may hunt any animal (which includes birds) or remove any animal or part of an animal, except in terms of a permit issued by the appropriate authority.
- Only the Minister of Natural Resources and Tourism may issue a permit for specially protected game.
- If a buffalo, an elephant, hippopotamus, leopard or lion is shot at and is only wounded, this fact must be reported to the appropriate authority for the land on which it was last sighted within 24 hours.
- If specially protected game is killed or injured, except in terms of a permit, a report must be made to either the police or the Department of National Parks and Wild Life Management.
- The third schedule (Section 53) of the Act gives specifications of the types of weapons to be used for the various types of game.

Other pertinent regulations include the following:-

- 8nly two hunters are allowed per hunt
- No persons may purchase or participate in more than one hunt.
- No persons may act as an agent for any bidder who is normally resident in Zimbabwe.
- A person who wishes to act as an agent for a non-resident bidder shall apply to

the Director of National Parks and Wild Life Management in writing at least one calendar month prior to the date of the commencement of the auction.

- Payment in full is made at the time of purchase (i.e. at the auction floor).

7.4.3 Tour Operators

To qualify as a tour operator one needs to have a tour operators license which can be obtained by applying through the Ministry of Environment and Tourism. The license allows the holder to conduct game-viewing drives with clients. Open vehicles may be used only if in the company of a licensed professional hunter or guide, otherwise vehicles have to be solidly built up to shoulder level. The vehicle should have public service vehicle licenses.

Tour operators using a vehicle of over three tonnes in weight are required to pay an annual levy for each park. Those using more than 20 vehicles per park are also required to pay an annual levy. All tour operators operating commercially, are required to pay the prescribed tour operators entry fee for each park. This can be for the whole year for a given park for any number of clients, or payment would be on entering the park, in which case payment would be per client. In the case of foreign based tour operators payment has to be in foreign currency.

Guides are required to have a couriers license which is obtainable from the Ministry of Environment and Tourism on application. A special canoe guide license has to be sought from the Department of National Parks and Wild Life Management for those who wish to conduct canoe, kayak, or rafting safaris.

Each park has its own park rules and regulations which all tour operators operating in that area are required to be acquainted with. Parks facilities like camping sites and accommodation have to be booked in advance in competition with the general public.

Most of the regulations governing tourism are contained in the Development of Tourism Act, No. 36 of 1975 and the ancillary Statutory Instruments, 767 of 1979 [Development of Tourism (Tour Operators and Couriers) Regulations, 1979]; 78 of 1980 [Development of Tourism (Designated Tourist Amenities) (General) Regulations, 1980]; 424 of 1980 [Development of Tourism (Hotels) (Groups and Grades) Notice, 1980]; and 4223 of 1980 [Development of Tourism (Hotels) (General) Regulations, 1980]. The relevant sections in these instruments are given below.

The Development of Tourism Act, No. 36 of 1975

Among other things the Act sets up the Zimbabwe Tourist Development Corporation, ZTDC, whose duties include:-

- the promotion, fostering and development of tourism;
- encourage the provision and improvement of tourist facilities in Zimbabwe and ensure that tourist development takes place within the ecological and physical capacity of the tourist attractions themselves.

The Act also sets the broad guidelines on the powers of the ZTDC, the registration, grading, regrading, and exit of hotels, restaurants, tour operators and couriers, and other tourist amenities. The specific details are contained in Statutory Instruments

78 of 1980, 79 of 1980, 423 of 1980, 424 of 1980 and 767 of 1979. A brief of the regulations set out in each one of these is given below.

Development of Tourism (Designated Tourist Amenities General) Regulations, 1980: These regulations stipulate the steps to be followed when applying for the registration of a designated tourist amenity. The following are some of the regulations in the instrument relevant to this study:

- On application for registration an application fee of Z$10 and a registration fee of Z$10 (which is refunded in the case of the application not being approved) is paid;
- Amenities need to be insured before being registered;
- Registration is valid for a period of twelve months;
- On renewal of registration after the twelve months period a fee of Z$10 is charged;
- Every tourist amenity is required to meet the minimum standards for a tourist amenity as stipulated in Statutory Instrument 79 of 1980 and this is dealt with below;
- The minimum standards are subject to regular checks by a designated officer who may visit the amenity at any reasonable time;
- Where accommodation is offered a levy is charged on guests who are over the age of twelve years. The levy ranges from five cents per guest per night where the charge for accommodation is two dollars or less per night to fifteen cents per guest per night where the charge for accommodation is over thirteen dollars per night.

Development of Tourism (Designated Tourist Amenities') (Declaration and Requirements for Registration') Notice, 1980: The first schedule of this Statutory Instrument declares the following amenities as designated tourist amenities:

- All animal parks;
- All caravan and camping parks;
- All holiday resorts;
- All places where the business of supplying tourists with lodging for a reward is conducted;
- All other places where the primary purpose of the business conducted is that of providing a service to tourists.

The second schedule gives a whole range of measures that have to be fulfilled at tourist amenities. These include:

- The conditions of equipment and facilities;
- Safety precautions;
- Medical facilities;
- The general maintenance of a tourist amenity;
- Specifications and the general conditions of bedrooms, bathrooms, toilets, bars, public rooms, water supply, lighting, ventilation, refuse disposal, recreation facilities, kitchens, dinning-rooms, fire precautions, cooking facilities etc.

Development of Tourism (Hotels) (Groups and Grades) Notice. 1980

This Statutory Instrument classifies hotels in terms of licensing and grading. In terms of licensing a hotel can be classified as:

- licensed;
- partially licensed; or
- unlicensed.

With regard to grading,a hotel can be graded on a scale one to five with one being the lowest grade. However, there are also some ungraded hotels. This is not to say the hotel cannot qualify to be on any one of the scale had it applied for grading.

The first schedule of this statutory instrument, among other things, sets the minimum standards for hotels. These include, sizes and conditions of bedrooms, bathrooms, dinm'ng rooms, electricity etc. The second schedule give the various grading requirements for hotels. The third schedule gives details as to how hotels are graded. Development of Tourism (Hotels) (General) Regulations, 1990. This Statutory Instrument sets our procedures for registration, grading, cancellation of registration, change of ownership, registration of guests at hotels, and the levy payable by guests. Some of the pertinent regulations include the following:

- An application for registration should be accompanied by information on:
  - the full extent of the land on which the hotel is situated.
  - all the buildings on the land; and
  - any servitude over or building-line restriction on the land.
- A copy of every brochure, pamphlet or booklet relating to accommodation and catering of a registered hotel which is issued by the hotel should be furnished to the Registrar within fourteen days of being made available to the public.

  A person shall be disqualified from being registered as a hotelier if:

  - he/she has, within the five years preceding his/her application, been convicted of an offence within or outside Zimbabwe and sentenced to imprisonment without the option of a fine, and the sentence has not been wholly suspended or set aside on appeal or review or been the subject of a free pardon; or
  - he/she is an unrehabilitated insolvent.

  A fee of $20 is charged for an appeal against the decision of the Registrar.
- The Registrar may give notice of cancellation of registration if he/she feels that some of the conditions for registration are not met.
- The rates of levy payable by guests at a hotel range from twenty cents per guest per night for a one-star hotel to sixty cents per guest per night in the case of a five-star hotel. The levy is payable if a person stays for a period in excess of ten days in any one calendar month. The levy should not exceed $2.00 in a month for one-star hotel and $3.00 for a three-star hotel. Where the charge for accommodation is less that $2.00, no levy is payable. Levy is only payable for the guests who are over twelve years old.

Tour Operators: The application fee for a tour operator is Z$20. The license fee is Z$100. The tour operator's license is valid for twelve months. On renewal of the license a fee of Z$100 is charged. In the case of the application not going through the fees are refundable.

Courier's License: The application fee is Z$15, and the license fee is Z$5. The license is also valid for a period of twelve months. On renewal a renewal fee of Z$5 is charged.

The Statutory Instrument stipulates special conditions for tour operators' license. These include that:

- no hunting safari for a tourist who is a visitor to Zimbabwe shall be permitted by the tour operator unless it will be under the direct control of a professional hunter or learner professional hunter; and

  prior to the commencement of any hunting safari arranged by the tour operator for a tourist who is a visitor to Zimbabwe the tour operator shall:

  - conclude an agreement with the tourist;
  - submit two copies of the agreement to the Registrar, and
  - the tour operator shall, as soon as possible, advise the Registrar of any cancellation or amendment of the agreement;

- three copies of any brochure, booklet or pamphlet published or issued by the tour operator should be lodged by the tour operator with the Registrar within 28 days after publication, advertisement or issue; and

- tour operators are required to provide and keep in force a policy of insurance approved by the Registrar which insures every tourist who undertakes a tour arranged by the tour operator against injury, or loss of life or loss or damage to property which may be caused by the wrongful act or omission of the tour operator or any of his employees in respect of such amount as may be approved by the Registrar in respect of each individual.

Travel Agents

There are virtually no controls on travel agents. The only requirement is that all tickets sold should have a bank guarantee. Originally there was a minimum capital requirement but this was abolished with the advent of the Economic Structural Adjustment Programme (ESAP). One thing needs to be pointed out, and that is that the competitiveness of the tourism industry depends very much on the competitiveness of travel agents. In light of this fact it is important that travel agents be interlinked with the major international airlines through the computers.

Hotels

The biggest hotel chain in the country is owned by the South African Southern Sun Group. It has a hotel in every major city and tourist resort in the country. Objectively, it could be the only hotel chain with a centralised reservation system.

This system is very much dependent on leased lines from the Posts and Telecommunications Corporation (PTC). Consequently, all technical problems that are noted under the PTC are bound to affect this reservation system.

Elsewhere i.e in other hotels, the process of computerisation has found application in accounting and billing of guests.

Hotels with international affiliations or fame are the Harare Sheraton and the Meikles Hotel, both of which are five star hotels.

7.5 Regional Co-operation

There is no clear-cut co-operation in the area of hunting and fishing. The only thing that comes close to regional cooperation is the fact that the Department of National Parks and Wild Life Management is a member of the Convention on International Trade in Endangered Species (CITES). CITES has regional representation, and to the extent that only one or two representatives have to come

from the Southern African region, it follows that the region has to have a common stand at this international forum. Zimbabwe is a member of the Tourism Co-ordinating Unit of SADC. It is also a member of the World Tourism Organisation.

7.6 Problems Faced by the Tourism Industry in Zimbabwe

There are several problems faced by the tourism industry in Zimbabwe. The first one is that of failure of recognition as a major foreign currency earner and a major contributor to GDP and employment (both formal and informal). This emanates from the problems of definition which have been alluded to. The second problem is that of lack of publicity. The Zimbabwe Tourist Development Corporation was formed to sell Zimbabwe as a tourist destination, and to be an investment arm of government in industry. The first task was difficult to accomplish for two reasons. The first of these is lack of adequate funding to do the job. Thus it is reported that at times the international offices in Frankfurt, New York, London and Johannesburg sometimes go without brochures that show what Zimbabwe has to offer. Probably related to this is the fact that these international offices are manned by civil servants who are not directly answerable to the ZTDC. The problems associated with this set-up are too obvious to warrant further comment.

The other problems which the ZTDC was facing was that of having to carry out two contradictory functions; i.e. that of promoting its own interests as a corporation competing in the tourism industry and that of promoting Zimbabwe as a tourist destination. This is however going to be resolved when the new bill which seeks to split the two functions is passed. ZTDC will be split into Zimbabwe Tourism Development Authority (ZTDA) and the Zimbabwe Tourism Investment Corporation (ZTIC). The ZTIC would be responsible for investment aspects of the current ZTDC. The ZTDC would be responsible for the promotion of tourism and the training of those in tourism-related business. In this regard, it needs to be pointed out that the private sector is also running parallel training courses which it claims has international recognition. It might pay dividends for the two to put their heads together and work jointly.

Yet another problem relates to delays at customs check points. For instance, it was reported that it used to take up to seven hours to cross the border at the Beitbridge border post. However, this has improved due to computerisation. This tended to frustrate tourists and discourage would-be tourists. It is claimed that the problems arose partly out of lack of organisation on the part of the customs officers rather than the customs procedures themselves. For instance the absence of clearly marked signs showing which queue people should join caused a lot of confusion. There is also a problem of manpower shortage during holidays and these are periods when the demand for tourism services are high. Perhaps an unjustified complaint is the one where tourists feel they are being treated as crooks when they are required to declare their hard currency.

Finally there is a problem of co-ordination of the various aspects of tourism. Thus we find that casinos are regulated by the Ministry of Home Affairs, the operation of hotels is the responsibility of the Ministry of Tourism, liquor licenses are a responsibility of the Ministry of Justice. To show how this causes problems: Suppose the Ministry of Tourism wants to close a hotel because of poor standards it cannot do so unless the Ministry of Justice confiscates the liquor license. It is suggested that a committee be established that coordinates all these various activities.

SECTION VIII DISTRIBUTION

8.1 Definition and Significance

A discussion of distribution services is slightly complicated compared to other services. This is because, while the main concern of the study is with producer services as distinguished from consumer services, part of distribution entails consumer services. In fact in both the national accounts, it is largely treated as meaning both. Consequently, retail services are included.

Distribution is the link between production and consumption of both final and intermediate products. It is organised through a network of retail and wholesale outlets, and the state marketing boards i.e. the Cold Storage Commission (CSC) that buys and markets beef, the Dairy Marketing Board (DMB) - milk, the Cotton Marketing Board (CMB) - cotton, and the Grain Marketing Board (GMB) - grains. These four fall under the Agricultural Marketing Authority (AMA). The Zimbabwe State Trading Corporation (ZSTC) also engages in both domestic and international trade in specified and unspecified goods on behalf of the state.

Apart from the just mentioned organisations the distribution sector is largely privately owned.

One feature of companies in Zimbabwe is both their vertical and horizontal integration. This monopolistic characteristic is very much a product of past autarchic policies engendered by U.N sanctions during U.D.I.

The upshot of this structure is that companies are engaged not just in the extractive/primary activities, but see to the processing and marketing of final goods. As a result a substantial element of trading is subsumed under this structuring. Typical examples are Lonrho (Pvt) Ltd and its subsidiaries and Anglo-American Corporation which is the biggest economic entity in the region.

There are firms specifically engaged in retailing and wholesaling, chief among which are Delta Corporation, T.A. Holdings and the Thomas Meikles Group. Added to this are wholesalers. The latter are organised into the Wholesalers' Association with an official membership of 43 although there are more wholesalers.

8.2 Broad Macro Framework and Policy Objectives

8.2.1 Macro-Framework:

As has long been observed with respect to the political economy of the country, there has been a maldistribution of virtually all services that is rooted in its history. Thus in the case of distribution there was at independence concentration of these in the than 5% in the communal areas. [17]

In the immediate post independence period, the economy experienced a boom which came as a result of a combination of factors, the main ones being the lifting of sanctions and a good agricultural season. The ensuing wage and salary increases, free health and primary education, the lifting of sales tax on some basic food items and the reductions in sales tax enabled the retail sector to register real growth rates of 33% and 17% for 1980 and 1981 respectively.[18]

However, the economic decline of the 1982 to 1984 period led to negative real growth rates of the sector of 14% and 5,1% respectively.[19] Despite the recovery in subsequent years, the retail aspect of the distribution sector has suffered in the 1980s due to the prevailing tight monetary situation and the worst drought in living memory. In short this aspect of the sector is very income elastic.

The income elasticity of this sector was confirmed by the chairman of the Wholesalers' Association. He said that during an economic crunch manufacturers try to go to the consumers or retailers directly thereby by-passing wholesalers. However, manufacturers tended to insist on cash whereas wholesalers offered 30-90 days credit. This credit line was becoming increasingly difficult to sustain because of the monetary squeeze. Consequently, fewer customers (retailers) were having easy access to it as in the past.

8.2.2 Policy Objectives

Two distinct phases can be observed in government policy on the distribution sector. The first one is the egalitarian and dirigiste approach of 1980 to 1990. The second one is the approach that is in keeping with the economic structural adjustment programme (ESAP).

One of the stated policy objectives of the government at independence was "the balanced development and equitable distribution of income and productive resources". " Thus during the first phase of government policy its aim was to expand and decentralise trading outlets into the rural areas. This would enable people in the rural areas to obtain goods at comparable prices to those in urban areas and in adequate quantities.

This policy objective was partly effected through the setting up of the Small Enterprises Development Corporation (SEDCO) in 1984, whose loans were mainly taken up by sole-proprietorships; through the marketing boards referred to earlier on and the Zimbabwe State Trading Corporation. Furthermore, through their price control mechanism it was hoped that some measure of equity would be introduced into the sector.

17 CSO, Census of Distribution Report, 1980/81.

18 Social Economic Review, 1980 - 1985, Ministry of Finance, Economic Planning and Development, 1986.

19 Ibid.

20 Growth with Equity op. cit.

With respect to the establishment of infrastructure, apart from the improvement of the road network which is treated elsewhere in this report, the improvement in the marketing of agricultural produce was one of the mechanisms of attaining the stated policy objectives. As can be seen from Table 8.1, there was a deliberate effort to increase the storage capacity of the Grain Marketing Board in order to accommodate deliveries from the peasant communal sector. Between 1981-1982 and 1990-1991 the silo capacity increased from 295 750 tonnes to 528 500 tonnes i.e. by 79%, while platform capacity during the same period increased from 240 790 tonnes to 4 260 000 tonnes.

Notwithstanding these broad policy objectives and efforts, it is generally acknowledged that trade services in these areas are still not adequate. The communal farmers have to pay rather high charges for the marketing of their produce and their supplies of inputs and goods 'for personal consumption are obtained at high cost'. [21]

While the stated policy objective may not have changed much, recently the approach has. The economic reform programme is said to be aimed at improving primarily the living conditions of the poor.

21 Second Five Year National Development Plan (SFYNDP), p. 64; December 1991, Government of Zimbabwe (G.O.Z.).

Table 8.1

Stopage Capacity (tonnes)

	Silos owned Hoards Agents	Sheds owned/leased by Boards & Agents	Platform owned by Hoard	Totals
1982-1988	295 750 28 100	158 795 5 270	240 790	728 705
1983-1984	295 750 29 100	153 040 5 260	240 790	723 950
1984-1985	295 940	139 590 •	254 340	90 870
1985-1986	363 949	131 000	292 140	795 670
1986-1987	427 000 30 000	131000	292 000	880 000
1987-1988	427 000 30 000		397 000	985 500
1988-1989	427 000 30 000		637 500	1 094 500
1989-1990	427 000 30 000	183 000	4 155 000	4 795 000
1990-1991	528 500	136 000	4 175 000	4 839 000
1991-1992	528 500	136 000	4 260 000	4 924 500

Source: AMA Annual Report, 30/06/91.

The chief mechanism for achieving this objective, among others, is the market through deregulation. Consequently, the subsidies to, and tight regulation of, the marketing boards are being removed. It is envisaged that between 1990/91 and 1993/94 direct subsidies and transfers will be reduced from $166.7 million to $33.3

Table 8.1

Stopage Capacity (tonnes)

	Silos owned Boards Agents	Sheds owned/leased by Boards & Agents	Platform owned by Board	Totals
1982-1988	295 750 28 100	158 795 5 270	240 790	728 705
1983-1984	295 750 29 100	153 040 5 260	240 790	723 950
1984-1985	295 940	139 590 •	254 340	90 870
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Source: AMA Annual Report, 30/06191.

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[17]
million. Alongside this measure the price control system in place since 1980 has virtually been lifted. The import control programme through the allocation of foreign exchange is being relaxed through the placing of some items on the Open General Import License. The rules and regulations with respect to the establishment of businesses are being examined with a view to relaxing them. To this end the government has set up a Deregulation Committee that is chaired by the Ministry of Local Government, Rural and Urban Development.

The upshot of these measures, it is anticipated, will be the creation of more enterprises resulting in competition and a better delivery of services to both the urban and rural poor.

It is against this background that an examination of the distribution services is set.

8.3 Role of Distribution in the Macro-Economy

8.3.1 Contribution to G.D.P.

At constant 1980 prices this sector, including hotels and restaurants, along with agriculture, were the second largest contributor to G.D.P at 14,0% each. They only came second to manufacturing which was 24,9%. However, the share of distribution fell over the following years to a low of 10,1% in 1985, before a slight recovery to 10,8% in 1986 and 11,4% in 1991. [23] As already stated, this sector depends very much on consumer spending power and consequently its share in G.D.P. was bound to fall during harsh economic times.

8.3.2 Contribution to Employment

In 1970 the combined distribution, hotel and restaurants sector had a share of 7,7% of total employment. This share had declined to 7,0% by 1980. However, from 1985 to 1990 its share continued to rise from 7,4% to 8,1%. Desegregated data for the period between 1989 and 1983 reveal that hotels and restaurants only contributed 10 574 employees out of a total of 70 266 while wholesalers had 22 296 and retail shops had 37 396. By 1983 the total employment figures for the sector stood at 80 614 and broke down as follows: wholesale 27 583, retail 41 769, hotels and restaurants 11 261.[25] Clearly the biggest growth has occurred in the retail sub-sector. This growth can partly be attributed to post-war reconstruction.

22 Zimbabwe: A Framework for Economic Reform (1991 - 1995), January, 18, 1991, G.O.Z.

23 Second Five Year National Development Plan (SFYNDP), p. 64; December 1991, Government of Zimbabwe (G.O.Z.)

24 C.S.O. op. cit.

25 Ibid. Socio - Economic Review.

8.4 The Regulatory Environment of Distribution

The regulations that govern distribution are undergoing some formidable change. The shift from dirigisme to market forces and deregulation has already been touched on. Nevertheless it is still important to examine the specific rules and regulations.

Distribution, it has been noted, is largely in private hands. Consequently, the bulk of the regulations in place pertain to the private sector. But still there is a substantial part of it that is done through the state marketing boards.

There are three interrelated mechanisms that have hitherto been used by the state to regulate domestic distribution. These are the economic, the institutional and the legal. For analytical purposes each one shall be examined in turn.

8.4.1 Economic Regulations

The chief economic means of regulating distribution has been pricing policy. Two types of these operated i.e. price control which affected the whole economy and agricultural pricing policy applied through the marketing boards.

Price Controls: This form of economic regulation has its roots in the immediate post-independence efforts of government to control the inflationary pressures that were building up then. Price control regulations were introduced in 1982 and were administered by the then Ministry of Trade and Commerce. Through these regulations, which had December 1981 as the base date, the method of price adjustment, mark-ups and costings could be determined.

The general complaint from both traders and manufacturers with regard to this system were the bureaucratic delays in the processing of applications for price increases. Furthermore, rural traders felt disadvantaged in that they could not pass on transportation costs to the consumer. The latter was subsequently amended to enable a price differential to compensate for such costs without unduly disadvantaging the rural consumer.

However, as part of the economic reform programme the price freeze first instituted in 1981 has, for all intents and purposes, been lifted.

Agricultural Pricing: Historically, marketing boards performed the function of strengthening and protecting White settler agriculture from the competition it faced from peasant agriculture. There were able to do this through their marketing mechanisms. In tandem with the land tenure system, they were able to ensure the growth of a viable White commercial agriculture.

Independence extended this "privilege" to Blacks even though this was not necessarily matched by infrastructural development previously the preserve of white commercial agriculture. This is a fact acknowledged by the government itself thus:

> "Despite a certain amount of rationalisation, therefore, the effects of previous discriminatory policies still continue to influence the overall availability of facilities to communal farmers, and therefore levels of production".[26]

26 Socio-Economic Review op. cit.

In the first decade of independence the government continued to set the prices for controlled commodities. In the same vein producer prices were guaranteed through the payment of subsidies to the marketing boards.

The ESAP in the 1990s ushered in a new era of decontrol of pricing policies for agricultural commodities. For instance in the period between 1990-1995 it is envisaged that the Grain Marketing Board will only set a ceiling on consumer prices and a flow on production prices for small grains and oil seeds. Similarly regional price differentials will be allowed to occur.

8.4.2 Institutional Regulation

Economic regulation continued to be implemented through the various institutions set up by the government. Mention has already been made of these. These organisations are set up by an Act of Parliament and it is this Act that governs their operations. Each one of these Acts is assigned to a minister who oversees the functioning of the organisation in question and in this case, to the Minister of Lands, Agriculture and Rural Resettlement for the marketing boards and Trade and Industry for the Zimbabwe State Trading Corporation.

The reports of the Committee of Inquiry into the Administration of Parastatals point out several instances of the negative influence of government intervention in the functioning of these organisations. For instance, in the Agricultural Marketing Authority Report it is stated that the Cotton Marketing Board was not permitted a price increase of cotton lint sold on the local market and of cotton seed between 1984 and 1988 because the ministries of Lands, Agriculture and Rural Resettlement and Trade and Commerce could not agree on the levels to be allowed.

In line with ESAP there is a move to give greater autonomy to the boards and management of these organisations and pressure to make them more commercially viable. This thinking is revealed in the ZSTC's proposed Second Three Year Plan thus:

> "The envisaged parastatal reforms under ESAP will give the corporation autonomy of making speedy business decisions without unnecessarily seeking prior clearance from the Government" (p. 10).

It was established during an interview that the current controls exercised by the government over ZSTC were a handicap to it if it was to become a fully commercial enterprise under the competitive conditions of ESAP.

Apart from the implementation of economic regulation through these organisations the latter also play a pivotal role through their infrastructure that is spread throughout the country. Table 8.1 indicated that growth in the storage capacity of the GMB. Similar expansions in the distribution points of other organisations has occurred over the past 13 years. The ZSTC currently has warehouses in Harare and

27 SFYNDP, op. cit

Bulawayo and is in the process of opening another one in Mutare. In addition to these it also has a number of appointed agents who market goods for a commission. Among its proposed plans is a bonded warehouse in Harare.

8.4.3 *Legal Instruments*

There is a whole gamut of legal and other instruments that the government has introduced to control distribution e.g. committees, regulations, emergency powers and Acts of Parliament.

As already been observed some appertain to the chief institutions of distribution while some affect the whole economy. Each group shall be taken in turn.

Instruments Affecting The Whole Economy

One of the most pervasive policies with respect to distribution has been the foreign exchange allocation system based on applications to government by individual users and the allocation by government. Together with the import duties in place they constituted the import control programme.

It was not always easy for new applicants to get an allocation of foreign exchange especially where it entailed the importation of competing final consumption goods. However, with the move towards trade liberalisation, traders only need to abide by Ministry regulations if they are applying for a Direct Local Market Allocation. They can now approach their banks directly for foreign exchange if they are prepared to pay the plus 30% premium on the Export Retention Scheme. This has the effect of making the imported goods expensive and therefore uncompetitive.

This aim of the trade liberalisation programme is to eventually place all goods on the Open General Import License system.

With the lifting of price control the Emergency Powers Regulations used by government since independence to control the distribution of goods fell away.

Instruments Specific to Distribution

There is a monopoly that has traditionally been enjoyed by the respective marketing authorities that should fall away due to the current reforms. For example, although the Tobacco Marketing Board is not a parastatal but a statutory body, it controls and regulates the marketing of tobacco through the supervision of the auction floor, licensing buyers, grades and allocating growers quotas. For the time being, at least, this arrangement seems set to stay.

All grain producers intending to sell controlled products to the Grain Marketing Board must register with it before the start of the marketing season. Furthermore, they must also identify a depot to which they intend to deliver their produce. Table 8.2 shows the growth in the number of producer registrations between 1980-1991. There was a drop in the number of large scale commercial farmers from 3 370 to 3 151. The number of communal peasant farmers grew from 28 119 to 516 454.

Like in all other aspects of the economy there is a move toward relaxing the monopoly enjoyed by these boards. The slaughtering of registered private abattoirs m 1990 increased by 34.3% over 1989. whereas that of the CSC only went up by 5,6% the Leather Institute of Zimbabwe puts the figure of slaughtering in 1990 at 600 000 giving the CSC a market share of 51% (309 118 herd) compared to 87% in 1980.[28]

Agricultural Marketing Authority Annual Report, 30th June, 1991.

Table 8.2.

Producer Registrations - 1980 to 1991

March 31	LSCF	SSCF	SSCF Co-ops	Resettlement	Resettlement Co-ops	Communal	Communal Co-ops	Approved Buyers	Total
1991	3 151	9.010	115	49 831	580	516 454	534	362	580 037
1990	3 145	8 924	116	46 036	70	482 036	529	345	541 201
1989	3 176	8 726	112	41 886	66	439 645	526	254	494 391
1988	3 212	8 379	111	37 756	51	392 074	513	222	442 318
1987	3 263	8 306	101	34 092	39	360 990	501	226	407 518
1986	3 402	7 871	144	28 128	-	295 981	471	217	336 214
1985	3 185	7 027	114	21 983	-	217 189	430	242	250 170
1984	3 107	7 027	90	-	-	175 738	403	246	186 611
1983	2 074	8 563	67	-	-	155 917	358	270	168 249
1982	3 417	5 515	56	-	-	121 508	281	270	131 047
1981	3 452	*	*	-	-	65 399	328	268	69 447
1980	3 370	*	*	-	-	28 119	328	268	32 085

Source AMA Annual Report, 30/06/91.

The marketing regulations of grains have been relaxed. Mhunga, rapoko, and red sorghum are now classified as "regulated products" which can be sold directly to users. The Grain Marketing Board only acts as a residual buyer. Farmer to farmer transactions for yellow maize are now also allowed. The effect of the relaxation of past regulations is that movement of grain is now possible for surplus to deficit areas without either having to go through the GMB itself or millers and then re-transported back to the rural market.

As part of the reform programme the Deregulation Committee has identified pieces of legislation, inter alia, with a direct bearing on distribution:

Deeds Registry Act: One of the sore points with rural businessmen is the lack of title deeds on the land on which they put up their business. This point was emphasized by the President of the Indigenous Business Development Council. He said that the complaint from his members was that the land on which they operate had zero value and could not be turned into assets and used as collateral.

Shop Licenses Act: This was being examined with a view to decentralising the issuing of shop licenses away from the head offices of the Ministry of Local Government and Rural and Urban Development to the Local Authorities.

Urban Councils Act: The zoning regulations for economic activities were being reviewed. Of specific mention here is the informal sector.

Land Surveyors Act: This act has a direct bearing on the issue of title deeds to rural businessmen. The availability of qualified surveyors has been raised in the past as part of the problem in issuing title deeds to rural businessmen.

But as the Act stands at the moment it imposes a handicap on the filling of this gap. The Act states that anyone wishing to practice as a land surveyor must have been trained in Namibia, South Africa or Zimbabwe. Without this one has to go through 270 days of internship and at the end write a qualification examination. Quite obviously this has driven away a lot of would be surveyors.

Income Tax Act: The effort to promote small and medium enterprises necessitates the need to review this Act with a view to changing the manner in which the tax system affects them.

Companies Act: This Act require that, inter alia, there should be two or more people to form a company and that books of accounts should be produced and that there be directors' meetings. The small rural operator may not always be able to meet the requirements.

A Private Business Corporation Act is proposed. This would be for the small man and wormian would enable one person to form a company. There shall not be any need to specify objectives in this proposal. This would enable flexibility.

It can be safely said that by and large the picture painted above covers the nature of domestic distribution in the country.

8.5 Regional Arrangements

There are three mechanisms through which Zimbabwe has participated in regional trade and, therefore, distribution. These are the then Southern African Development Coordination Conference now the Southern African Development Community; the Preferential Trade Area for Eastern and Southern Africa States; and the bilateral arrangements signed with individual countries in the region.

Generally all these regional arrangements are subject to the same regulations that have been examined above i.e. import control and trade liberalisation. For instance, trade with PTA countries through the Clearing House is still dependent on a basic allocation of foreign exchange put at $80 million for the 1992/93 year.

The trade agreements signed with individual countries, including South Africa, have to be undertaken within the usual balance of payments considerations.

SECTION IX HEALTH

9.1 Historical Background

The inherited structure of health delivery service in 1980 was a very inequitable one. Figures of infant mortality rates show the stark fact of the presence of two societies in one country. The formerly colonized population was disadvantaged while the White settler community had lifestyles and health standards of developed societies. The infant mortality rate for the colonizers was 14/1000 and for the indigenous population was 120/1000. Mortality rates varied greatly by geographical areas, race and social class, reflecting social and economic status of the population involved.

In the late 1970s, the doctor-patient ratio for the 230 000 whites was 1:830, which put the level of medical care for this population at the level of developed Western countries. There was one hospital bed for every 219 Whites, and the hospitals had arguably the same sophisticated equipment commonly found in Western hospitals. About $144 per annum was spent on health care for each White. This contrasts sharply with health care service for the indigenous population that vast majority of whom lived in rural areas. For example, estimations were that there was one doctor for 50 000 to 100 000 people in rural areas, with one hospital bed for 525 people. The facilities were of poor quality and overcrowded.

Only some $31 was spent on health care for each urban Black person and only $4 on each Black in the rural areas compared to the $144 mentioned above for Whites. This disparity in the health services, itself compounded by and reflecting the general inequality in the colony's socio-economic system conditioned the kind of diseases the two population sectors suffered from and their life expectancy. The disease pattern of the White settlers was almost identical to that seen in Western industrial societies with degenerative and stress diseases and cancer accounting for the bulk. The indigenous population's health profile on the other hand was typical of the situation in a Third World country. "It was estimated in the late 1970s, for instance, that the infant mortality rate for rural Blacks was between 120 and 220 per 1000 live births. Africans suffered mainly from malnutrition, airborne diseases such as measles and tuberculosis, water-borne ailments such as trachoma and vector-borne diseases including malaria and bilharzia". [29]

The rural areas were to a limited extent served by mission hospitals and smaller clinics but their services fell far short of fulfilling the needs there. The inherited health care system had services concentrated in the larger urban centres.

29 Zimbabwe: Country Study and Norwegian Aid Review, Hifab and Zimconsult, Harare, 1989, - Chapter 3.

9.2 Policy Objectives in Health

At independence, therefore, an equitable distribution of health care facilities became a key issue of development. The principles of Primary Health Care (PHC) as outlined by WHO, were adopted as official policy. The urgent priority was to meet the health needs of the masses. The higher levels of services were to be developed according to what was required for them to function as referral and support services for the basic health facilities." Significant in the programme of providing increased medical care facilities was the preventive element. An integral aspect in such a programme then was the rural health centre or clinic (RHC) because it was the first point of contact between the people and the formal health sector.

The aim was to provide the whole population with a health care facility within 8km of their residence. Shortly after independence, a target was set to construct and upgrade 400 rural health centres. By the end of 1988, 220 new centres had been completed or were under development. One of the first programmes to address the construction and upgrading of needs was the Family Health Project supported with resources from Norway.

With the recognised fact that the causes of ill-health lay in the socio-economic condition of the people and in the context of an urban, racially and curatively-biased health-care system, the government in 1980 guaranteed to transform health care so that all its citizens would have access to a comprehensive and integrated National Health Service.

In line with the popular-oriented and popular-participatory PHC approach, new resources had to be directed towards previously deprived areas in the improvement of nutrition and control of preventable diseases. The fact of multiple and unco-ordinated providers of health care and a maldistribution of manpower between urban and rural areas and between socio-economic categories was recognised to be a hindrance to the establishment of a national health service. The government repeal of proposed racially discriminatory laws; a restriction on the expansion of private facilities; post training bonding of health workers to the public service; barring of immigrants from private practice; incorporation of the traditional health sector; rationalising of therapeutic procedure through the establishment of an essential drugs list; and the establishment of a universally applied national health insurance scheme.

30 Zimbabwe: A Framework for Economic Refort (1991 -95) January 1991

31 Ibid.

9.3 Structure of the Health Sector

The health structure is hierarchical with four central hospitals in Harare and Bulawayo at the top. The next level has eight provincial hospitals with district hospitals under them. Within Zimbabwe's 55 districts are 28 government district hospitals, and in all except for only two of the remaining districts, there are designated mission hospitals. The policy was to eventually upgrade these to district status.

The RHCs or former clinics are considered extensions of the district hospitals. Mobile outreach teams from the RHCs and the district hospitals serve commercial farming areas and other remote rural areas which have as yet no permanent health facilities. The country has a system of Village Health Workers (VHWs) who were chosen by the community, were given short-term training in first aid, hygiene and sanitation, remained community-based and provided the link between the local population and health care professionals. They were in 1988 transformed into a multi-purpose cadre known as the Village Community Workers (VCWs).

The Primary Health Care (PHC) services are linked with the referral services through the District Medical Officer (DMO) under whom falls the responsibility for both district hospitals and PHC services. However, the lacuna in this arrangement is that districts without a hospital are disadvantaged as they have to rely on the neighbouring DMO. Mission hospital doctors may be entrusted with these duties. NGOs, mining hospitals and private doctors also provide health care supplementary to government services.

Traditional medicine is also an important option in the health care system in Zimbabwe. The traditional healers, the "n'angas" are deeply rooted in a culture shared by their patients and represent the first choice of treatment for many, as well as a parallel system used with modern medicine by others. The healers are often very influential people in their local community as they are held to have remedial powers over a wider range of social problems. Traditional midwives have experience in helping members of their community with deliveries and post and pre-natal care. They may also be knowledgeable about remedies for other conditions such as fertility.

Another health care option is self-treatment or home medications where women would constitute the primary health care agents. Acute illnesses and some chronic conditions are treated this way. Women are however not the sole decision-makers in major health problems and consultations with n'angas are only made as joint family endeavours. This may create problems where emergency situations may not be tackled in the absence of male family members who may be away e.g. as migrant workers.

It therefore was the need to deal with the glaring inequalities and imbalances, which led the government to significantly increase expenditure on health. State and mission provided health care became free for those earning less that $150 per month. Those earning more paid standard fees. The figure was reviewed and with the adjustment programme currently in place, the cut-off wage is now $400 per month.

The health structure would be linked (as already mentioned) at all levels with socio-political local government structures. These popular-oriented and participatory social-reformist policies would conflict with opposing policies of the IMF/World Bank which started coming to the scene in the first half of the 1980s. The implementation of the progressive government policy (as outlined in Planning for Equity in Health) was bound to meet with resistance from these two institutions.

A department of National Nutrition was set up in the Ministry of Health, responsible for nutrition and health education, particularly regarding breast-feeding and weaning practices, growth-monitoring and nutrition surveillance using health cards, and supervision of the Children's Supplementary Feeding Scheme (CSFS) and food-production plots. At its peak the CSFS had over a quarter of a million children in over 8 000 communal feeding points receiving food. This scheme shot beyond this number in the 1991-92 devastating drought. The child spacing programme came under the parastatal, the Child Spacing and Family Planning Council (CSFPC) which later changed to the Zimbabwe National Family Planning Council, reflecting a shift from concern solely with child spacing to population growth. Zimbabwe came to have the highest rate of contraceptive use in Sub-Saharan Africa.

The new health care system has its own budgetary implications. In the SFYNDP, the government noted that the capital development programme for the sector amounted to $67 million for the period 1986 to 1990. The programmes required an expansion in government expenditure. In real terms, there was a 27,5% increase in expenditure and the Ministry of Health's (MOH) share of the budget rose to 5.1%. Thus the MOH's actual expenditure has almost doubled in real terms in the fiscal year 1981/82.

However, in mid-1982 the government faced problems and from 1993 onwards, IMF-type of stabilisation policies were put in place. The real growth of 47% in the 1981/82 budget turned into a real decrease of 9.1% in the 1982/83 fiscal year (and this was the time the IMF standby credit was in operation). The expenditure restraint continued to the 1984/85 year. The MOH's share of the budget was cut in 1982/83 and remained at the reduced level in 1985/86. These changes in expenditure levels implied changes in the pattern of expenditure. Table 9.1 below shows a rise in the share of preventive services and a fall in that of medical-care services.

Ministry of Health: Internal Allocation of Expenditure 1979/80 to 1985/86 (%)

	Allocation by Service							
Fiscal Year	Admin & General	Medical Care Services	Preventive	Research	Salaries & Allowances	Grants	Supplies & Services	Other

Source: 1978/79 - 1982/83: Zimbabwe, Annual Report of the Comptoller and Auditor-Genral, Harare.

1983/84 - 1985/86, Estimates of Expenditure, Harare.

Over I tie first decade of independence the health budget increased in real terms at an annual rate of 4.7 per cent, roughly 50% faster than the rate of economic growth. It was projected to grow annually at about the same rate over the 1994/95 period, with the share of GDP remaining constant and the proportion of central government expenditure rising slightly. See table 9.2 on sectoral budget projections, 1990/91 - 1994/95.

Table 9.2

Sectoral Budget Projections: Health 1990/91-1994/95

	1990/91	1991/92	1992/93	1993/94	1994/95
Health Budget					
1.	460	552	651	756	872
2	460	484	510	538	565
3.	2.77	2.77	2.77	2.77	2.77
4.	5.6	5.9	6.2	6.4	6.5
Memo: Terms					
1.2	4.3	4.4	4.6	4.8	5.0
1.3	0.16	0.14	0.12	0.10	0.10

key:
1 Nominal terms (Z$m)
2 Real terms (Z$m)
3 Proportion, of GDP (%)
4 Proportion of Govt. Expenditure (%)
1.2 GDP Growth rate (%)
1.3 GDP Deflator

Source: Zimbabwe : A Framework for Economic Reform 1991-95 Government of Zimbabwe.

In its economic reform programme, the government noted that the current revenue from cost recovery was about Z$ 15 million, i.e. equivalent to about 3% of expenditures. Z$60 million (or about 10% of health expenditures or 0.2% of GDP) is the chosen target to be achieved by 1994/95. The MOH's strategy to achieve this is two-pronged: (i) by strengthening efforts to collect fee revenue currently due, and (ii) by reviewing and raising upwards the hospital fee at least in line with inflation.

Despite these reforms, the Health sector continues to be a high riding beneficiary in recurrent expenditure. Together with Education, Home Affairs and Defence, Health still accounted for 69% of total recurrent expenditure (excluding Constitutional and Statutory provision and subsidies) in the 1991/92 budget. The MOH's allocation for that fiscal year was a 4% increase on the previous out turn. Table 9.3 below shows the Health sector's share of GDP at current and at constant prices, its percentage contribution and the nominal and real growth rate.

Table 93

Health Contribution to GDP (ZS Million)

	1980	1983	1985	1987	1989	1990	1991
At Current Prices	71	108	143	187	256	356	481
Percentage	2.3	2.0	2.2	2.3	2.2	2.5	2.5
Total	3224	5432	6503	8019	11903	14494	19003
Percentage	100	100	100	100	100	100	100
At Constant (1980) Prices	71	89	97	103	110	116	128
Percentage	2.2	2.6	2.6	2.7	2.5	2.6	2.8
Total	3224	3461	3803	3861	4332	4426	4587
Percentage	100	100	100	100	100	100	100
Nominal Giowth Rate		1.02	1.23	1.12	1.16	1.39	1.35
GDP Growth Rate		1.17	1.15	1.08	1.17	1.22	1.31
Real Growth Rate		1.01	104	1.03	1.03	1.05	1.10
GDP Growth Rate		0.96	1.07	0.99	1.05	1.02	1.0364
Implied Deflators		1.01	1.18	1.09	1.13	1.32	1.22

Source: CSO, 1993.

The Health sector has suffered significant losses of qualified personnel to the region due to poor conditions of work and pay. The economic reform programme has also led to freezing of hundreds of nursing posts and the dismissal of several lower level health personnel.

9.4 Regulatory Environment

The major pieces of legislation governing the health delivery service are (a) the Medical, Dental and Allied Professions Act Chapter 224. (b) the Psychological Practices Act Chapter 225 which were amended by the Medical, Dental and Allied Professions Amendment Act, 1984; and the Public Health Act Chapter 328 as amended by the Public Health Amendment Act, 1985.

9.4.1 Direct Government Regulation of Private Medical Practice

At independence the new government sought to control the activities of government doctors regarding private practice, to limit the further expansion of private medical facilities at the institutional level and to remove the use by private practitioners of state facilities for free. In 1987, regulations were introduced requiring doctors to practice at a designated government institution for five years prior to being allowed to set up private practice.

9.4.2 Medical Aid Societies

The private sector continues to provide health care to the higher income groups and this care is sustained mainly through the expansion of the private and public medical aid societies. Contributing members can claim tax rebates under the Income Tax Act. The societies, which are organised under the National Association of Medical Aid Societies (NAMAS) operate under no legal framework as such except the Income Tax Act. Thus, apart from the direct subsidy, the private medical care sector gets indirect subsidy through tax abatements on medical aid contributions and on payment for private medical care.

The NAMAS negotiates tariffs only with the Zimbabwe Medical Association (ZMA), an association of practising doctors and only advises other associations who may approve or reject NAMAS's advice. Private hospitals normally advice NAMAS on their tariffs which NAMAS will approve or reject on the basis on whether members can pay or not. NAMAS always approves tariffs set by government hospitals because "they are reasonable".

9.4.3 Regulation Through the Health Professions Council

The significance of the Medical, Dental and Allied Professions Amendment Act, 1984, is that it transformed the pre-existing Medical, Dental and Allied Professions Council into the Health Professions Council. This Council is a regulatory body. All persons wanting to engage in medical practice must be registered with the Council. Obviously the rationale for such a body is to protect the public and also the professions under the Council, i.e. to maintain the standards of the professions. The Council ensures that those who practise are in possession of current practice certificates and are practising in what they are trained to do.

The Council also looks at the education and training of various personnel. Some training is under its regulations and sees to their implementation. The Council does not have its own training institutions but uses state hospitals. It approves the University's medical degrees, the nursing degree and the psychology degree.

The Council is empowered by law to form a Disciplinary Committee which can take disciplinary action on acts of omission or improper conduct. The Council, which though autonomous, is a statutory body which is responsible to the Minister of Health who may give it his directions as appropriate and expedient. It has 27 members who include the Secretary of the Ministry of Health 10 members appointed by the Minister and 16 others who are elected by the professions under the Council.

The law provides for the provisional registration of anybody even those of foreign qualification for an initial period of three years. The practitioner can then apply to be on the main register. If it is considered necessary, the provisional registration can be extended to a total six years but on a yearly basis after the initial three years. The Council may at any time cancel the provisional registration of any practising person.

9.4.4 Other Controls

There are other authorities which regulate public health and equipment, and zoning, e.g. local authorities.

There are no barriers to the introduction of technical equipment as long as the user has the capability to use the equipment and the resources to bring it in. The foreign currency needed for acquiring the technologically advanced equipment is the handicap.

The controls that the State sought to impose on the private sector - whether local, foreign or transnational - were seen in the amendment to the Public Health Act of 1985. In this Amendment Act, the Ministry of Health introduced a national code on the marketing of breast milk substitutes effectively promoting breast feeding in accordance with the campaign of the WHO.

9.5 Regional Co-operation in Health

There are no official co-operation agreements in this sector. Individual members of the NAMAS like the Commercial and Industrial Medical Aid Society (CIMAS) may be advising or helping with the setting up of private medical aid societies in some countries of the region (e.g. Zambia) which had such schemes run by the State. It is understood that it is not possible for a medical aid society to operate its scheme across borders if the country to benefit is "not open", i.e. not liberalised. In countries e.g. Botswana, it is Ministries of Health rather than autonomous bodies that are the registering and controlling bodies while others may have equal numbers such as in South Africa. The other co-operation would be with colleagues of an applicant practitioner in the country in which he or she is practising.

Organisations like NAMAS maintain international contact through their membership of the International Federation of Health Funds with its headquarters in Reading. This body holds conferences every two years around the World and disseminates its information to members through a two-month magazine.

In the Southern African region, Malawi, South Africa and Zimbabwe belong to a regional network which also holds periodical meetings for cross-fertilization of ideas.

SECTION X EDUCATION

10.1 An Overview

Since 1980, the Zimbabwe government's policy thrust was aimed at creating an education system better able to address the socio-economic needs of the country. Specifically, its major policy thrust was to advance the indigenous population's participation in the country's socio-economic development through a relevant education programme. The centre-piece of the programme was free tuition for primary school education. This increased enrolment in secondary schools, with most students proceeding to write "Ordinary Level" examinations. The secondary school system itself was reviewed to suit the Zimbabwean conditions and requirements.

The expansion of the education system at both formal and informal levels had the object of correcting imbalances created during the colonial era. This correction has been one single most significant achievement since independence. "From a system of racially segregated schools when ten times as much was spent on the education of a White child as compared to a black child; and where total primary enrolment was 800 000 and secondary only 66 000, Zimbabwe has achieved an integrated school system, a three-fold increase in primary enrolment and nearly ten fold increase in secondary enrolment".

The very high enrolment figures in primary and secondary schools some of which had to adopt the double-shift system so as to cope with demand bear witness to this (see Table 10.1 below).

Table 10.1

School Enrolment

Year	Primary	Secondary	Total
1980	1235994	74321	1310315
1985	2216878	482000	2698878
1986	2265053	537427	2802480
1987	2251319	604652	2855971
1988	2212103	641005	2853108
1989	2220856	670552	2944730
1990	2119865	676884	2796749

Source: Second Five-Year National Development Plan (SFYNDP), 1991-1995

32 Hifab and Zimconsult, op. cit.

And to cater for the expansion in enrolment, new schools were built in addition to the expansion of existing ones. Primary schools increased by an annual average of 3.8% and secondary schools by 34.1% between 1980 and 1990.

Teacher, vocational and technical education and training facilities as well as university education were expanded to meet the expanding manpower requirements of the economy. Vocational and technical education were particularly meant to address the historically induced technical skills gap.

With the expansion in the school system, employment in the sector increased from 41 900 in 1980 to 107 900 in 1990, and most of these were teachers. Thus, an average annual increase of 9.9% in employment was seen during the ten-year period. Much of this increase however, was during the fast expansionary period, 1980 to 1985 when the average annual increase was 16.5% and this tailed-off to 3.7% during 1985 to 1990.

The State's commitment to the education system under the Public Sector Investment Programme amounted to $305.6 million (in current prices) over the period 1986/87 to 1990/91. This includes infrastructure for human resource development in other sectors such as Public Administration, Health, Agriculture, Forestry and Natural Resource Management. Even with the new cost recovery policy in the context of the economic reform and adjustment programme, budgetary allocations to education continue to take the largest share. Table 10.2 provides government expenditure on the human resources capital programme.

Table 10.2

Human Resources Capital Programme 1986/87-1990/91

Sector	1986/87	1987/88	1988/89	1989/90	1990/91	Cumulative
Education & Culture	15 393	17 263	25 486	9 830	15 181	8 315
Teachers' Colleges	38 332	5 270	29142	7 017	10 909	90 670
Technical Colleges	13 985	9 364	14 385	14 534	24 930	77 198
Vocational Training	232	650	5 694	1772	500	8 798
University	5 797	13 130	11 276	7 897	7 708	45 808
Total	73 739	45 677	85 983	41 000	59 228	305 627

Source: Second Five-Year National Development Plan.

Apart from expansion of formal education, the Zimbabwe Foundation for Education with Production (ZIMFEP) was established in 1980 with the concept of education with production. ZIMFEP is a non-governmental organisation (NGO) established by the Minister of Education in 1980. Its brief was to rehabilitate displaced Zimbabwean children returning from exile, to establish schools where pupils are involved in both education and productive activities, to experiment and propagate curricula involving education with production and finally to ensure that ex-refugee school-leavers are placed in jobs.'

While the ZIMFEP concept has been a success and achievements have been impressive in the students' academic and productive activities, the programme remains marginalised and not integrated in the mainstream education programme. Thus, it remains, as it were, a counter-culture.

The expansion of educational opportunities necessitated an expansion of teacher training facilities. Initially it was unavoidable to employ a large force of unqualified teachers to meet primary school teacher shortages and foreign teachers for secondary school ones. The acute staff shortages in rural areas was tackled by the Zimbabwe Integrated National Teacher Education Course (ZINTEC) which became fully operational in 1981 when ZINTEC teacher education centres were established at five centres around the country. The course was a four-year academic and practical one. Overall, the number of Teachers' Education Colleges were increased from eight to 14 over the ten year period (1980-1990). Enrolment at these colleges also increased from 2824 in 1980 to 17 665 in 1990. In addition, the Zimbabwean and Cuban Governments had a Teacher Education Agreement whereby Cuba trained Zimbabwean student teachers beginning in 1986 and the first group qualifying in 1991. Between 1980 and 1990, the total number of primary school teachers rose from 28 455 to 59 468 (of whom 30% were untrained) and of secondary school teachers from 3 730 to 27 967. The output from the Teacher Training Colleges increased tremendously. The University of Zimbabwe also introduced a Bachelor of Education (Science and Technology) degree programme in 1987 which would boost the number of graduate teachers in technical subjects at secondary schools.

An increase has also been seen in enrolment in vocational education which cover study and training in technical and other applied fields providing basic and specialised vocational skills. A vocational training centre at Belvedere in Harare was upgraded to an Institute of Technology while Msama (in Harare) and Westgate (in Bulawayo) remain vocational training centres under government.

Enrolment at these centres increased at an average of 30% between 1980 and 1990. Trade testing was introduced in fields such as auto-electronics, motor mechanics, fitting and turning. Gaps in offered disciplines are observed in chemical engineering, bio-engineering, electronic and diesel mechanics etc. Total enrolment at the technical college rose from 3 469 in 1980 to 9 445 in 1990, an increase of 172%. This was due to a deliberate effort by Government to tackle the shortage of technicians (See Table 10.3 for enrolment between 1986-1990).

33 Fay Chubg, "Education: Revolution or Reform?', in Stoneman, C. (ed), Ch. 8, (Macmillan, London,)

Table 103

Technical Colleges Enrolment by Discipline (1986-1990)

Type of Trade	1986	1987	1988	1989	1990
Automotive	636	590	660	443	720
Civil Engineering	471	951	587	521	474
Electrical "	698	998	801	574	718
Mechanical "	822	322	1422	1207	886
Wood Technology	5	96	50	72	76
Printing & Graphic Arts	154	127	159	169	270
Science Technology	673	458	729	825	794
Business Education	2747	2783	6191	6901	4333
Computer Studies	16	10	109	190	234
Library & Information Science	64	27	113	102	109
Hotel Catering	102	110	180	203	147
Cooperatives				66	
Mass Communications	32	79	159	100	109
Others					575
Total	**6416**	**6551**	**11160**	**11373**	**9445**

Source: SFYNDP

The Bulawayo Training School undertakes manpower training for the hotel and catering sub-sector (See Tourism sub-sector).

Apprenticeship training averaged about 1 100 p.a. during the 1986-1990 period. Three hundred and forty three enterprises or organisations were involved in apprenticeship training (See Table 10.4).

Table 10.4

Intake of apprentices (1986-1990)

Industry/Year	1986	1987	1988	1989	1990
Aircraft	40	186	44	19	62
Automotive	216	206	136	309	339
Construction	73	56	118	122	113
Electrical	302	216	225	235	365
Mechanical	456	372	351	489	555
Hairdressing	17	27	37	50	40
Printing	41	34	22	50	67
Total	**1145**	**1097**	**933**	**1274**	**1541**

The Post and Telecommunications Corporation set up training centres at Belvedere (Harare) and Gweru (See Communications sub-sector).

Other training had been in forestry with foresters trained at diploma level and forest rangers at certificate level at the Zimbabwe College of Forestry.

Zimbabwe has six agricultural training institutions, two colleges (Chibero and Gwebi) which provide training leading to a Diploma in Agriculture and four other institute whose training leads to a Certificate in Agriculture.

Private colleges have contributed to the training of professional and technical staff mainly for the business world. On average, some 12 000 students per annum went through these colleges, taking courses such as managerial, secretarial, business, computers etc. In 1990, the number of such registered colleges was 108.

University education also expanded with the need for high level manpower for both public and private sector. Both local and foreign training has been utilised although much of the degree level training requirement is met locally. New faculties were introduced at the University of Zimbabwe while a new National University of Science and Technology (NUST) has been set up in Bulawayo.

A private university (The Africa University) open for students from all over Africa, has also been set up by the United Methodist Church in Mutare.

Education is a significant employer among other sectors of the economy. Its share of total formal sector employment rose from about 3.6% in 1970, to 4.15% in 1980, to 8.52% in 1985 and to 9.16% in 1990. Thus, this sector's share of employment has trebled since 1970 and doubled between 1980 and 1990. The sector has also risen from being the 10th and 11th largest employer in 1970 and 1980 respectively to being the fifth largest employer in 1985 and the third largest employer by 1990.

Table 10.5 below shows the contribution of education to GDP. It is not a leading contributor to GDP. In 1980, Education was the eighth contributor. However, by 1990, Education has risen to fourth place (at current prices) and fifth place (at constant 1980 prices), thus showing the growing significance of the sector.

Table 10.5

Percentage Contribution of Education to GDP

	1980	1985	1986	1989	1990	1991
At Current						
Prices	5.2	8.0	8.4	8.1	[illegible]	[illegible]
Constant prices	5.2	9.4	10.0	9.2	9.1	8.8
GDP	100.0	100.0	100.0	100.0	100.0	100.0

Source: *CSO.*

Following the already mentioned expansion of primary, secondary and higher education opportunities, the education budget, as a proportion of recurrent expenditure rose from 14.8% in 1980/81 to an estimated 23.1% in 1989/90. The critical issue is that while investment in education is necessary, since it is long-term investment in human resources development, this investment was not balanced with investment in immediately productive sectors. The resultant costs could not be sustained as social sectors like education were growing at the expense of the productive sectors. See Table 10.6 for this trend from 1980 to 1985 as example.

Table 10.6

Government Investment in Education and Training, Compared to Investment in Production and Production Services, 1980-85

	Investmentin education and training		Investment in productive sectors		Investment in production services	
	Amount ($ mn)	%of GNP	Amount (Smn)	%of GNP	Amount ($ mn)	%3 Of GNP
1980/81	217.3	6.4	123.9	3.7	102.7	3.0
1981/82	324.4	7.5	194.3	4.5	127.6	3.0
1982/83	413.2	8.3	305.1	6.2	124.7	2.5
1983/84	487.3	8.5	359.9	6.3	194.1	3.4
1984/85	477.3	6.8	308.9	4.4	184.2	2.6

Source: *CSO, Monthly Digest of Statistics and Quarterly Digest of Statistics.*

Apart from the imbalance mentioned above, the proclaimed objective of achieving equity was not necessarily met since free primary education was available to both rich and poor alike. Added to this, although primary education was supposed to be free, parents paid building funds either in kind or in money and also paid levies collected by different schools at different levels. The richest were not necessarily the ones paying the highest levies. In its economic reform programme, the Government sought to introduce cost recovery measures through fees at primary school level beginning 1991 (deferred to 1992 due to the 1991-92 devastating drought). In order to make savings on recurrent expenditure, the Government sought to review its assistance to private schools in order to get maximum contribution from the community and to decentralise the system of administration of education so as to obtain maximum efficiency. Some of these measures have been realised in the current regulatory framework for the sector.

10.2 Regulatory Environment

Education in Zimbabwe is categorised into lower (which is pre-school, primary and secondary) education and Higher Education which is above 'Advanced' Level Secondary education. These two categories are administered by the Ministry of Education and Culture (responsible for the former) and the Ministry of Higher Education (responsible for the latter).

The Ministry of Education and Culture administers the Education Act 1987 and its amendment, the Education Amendment Act 1991, and the attendant Statutory Instruments, while the latter Ministry administers the Manpower Planning and Development Act 1984 and its attendant Statutory Instruments; the University of Zimbabwe Act 1982 and University of Zimbabwe Amendment Act 1990; the National University of Science and Technology (NUST) Act 1990, the National Council for Higher Education Act 1990.

The major piece of legislation governing education is really the Education Act of 1987 and its Amendment Act of 1991. The Principal Act provided for the declaration of fundamental rights to, and objectives of, education in Zimbabwe; the establishment, maintenance and regulation of Government schools, Government teachers' colleges and other Government educational facilities; the establishment and administration of non-Government schools and teachers' colleges, and for their registration and control of correspondence colleges and independent colleges and for the establishment of an advisory council for such colleges; to make financial provision for schools and teachers' colleges and facilitate the transfer of teachers to Public Service. The Education Amendment Act 1991 amended the principal act with respect to the minimum fees for education; classification of schools; the need for registration of nursery schools and their regulation; and the establishment of the National Education Advisory Board and the Regional Education Advisory Board.

The existing legislation provides for the compulsory education of all children of school-going age but does not provide for penalties upon default for the simple reason of lack of funds or resources to enforce this and the fact that it may be an infringement of human rights where parent and child may choose not to attend school.

Apart from regulation of Government schools, the legislation requires that all non-governmental schools be registered with the Ministry's Secretary who will register such schools upon satisfaction that they meet the requirements as set out in Sub-section (4) of Section 15 of the Act. Such conditions relate to appropriate premises and facilities; efficient and suitable instruction; adequate qualifications and experience of proposed staff; adequate financial provision for proper maintenance of the school and appropriate equipment for satisfactory tuition in the subjects to be offered. If the Secretary feels there is adequate provision for schooling in the area, he may recommend establishment in another suitable area. In the Statutory Instrument 59 of 1993, the specifications with regard to classrooms sanitation and water supply and hostels are laid out and have to be met by non-Governmental schools. Government provides Grants-in-Aid to non-governmental schools and the regulations governing this are laid out in the above-mentioned Statutory Instrument. In the same Regulations are specifications with respect to inspection by health authorities, the conduct of schools, instructions and hours of attendance, the school calendar and restrictions on the date of enrolment. The Statutory Instrument No. 87 of 1992 lays out Regulations governing the establishment of School Development Committees for non-government schools which, like the School Development Associations of the Government Schools (governed by the Regulations in Statutory Instrument 70 of 1993) are a way of decentralisation of the administration of the education system in an attempt to achieve maximum efficiency.

There are no impediments to the establishment of correspondence colleges and independent colleges except that the requirements as specified in Section 35 (requiring registration); Section 36 of the Principal Act and Section 3-5 of the Statutory Instrument 23 of 1990 governing correspondence and independent colleges must be met.

All the regulations that are in place governing education are intended to provide the service more as a social service rather than an investment area. There are no prospects for extended liberalisation of this service. Generally, private schools are accepted though their fee structures are controlled. Government chooses to pay limited subsidies to such schools rather than shoulder the full cost of providing the service. Controls are meant to widen the regime of beneficiaries. It is accepted that current controls should be there in order to protect the beneficiary and to ensure standards are maintained although bureaucratic procedures in dealing with applications to establish non-government schools still attract criticisms. Government believes that apart from its own requirements, there are also local authority by-laws which applicants ought to know of, e.g. zoning regulations.

The biggest problem is with acquiring modern equipment necessary for use in schools and colleges. This is directly the problem of access to forex resources and its only solution probably lies in the liberalisation in other economic sectors since preferential treatment for education services - though desirable - seems quite remote.

The legal framework which exists for Higher Education has basically the same objects as the foregoing. The Manpower Planning and Development Act provided for: the establishment and maintenance of manpower training schemes and institutions; the research in and training of manpower resource; the imposition of a levy and establishment of a fund to finance manpower development etc; and the establishment of the National Manpower Advisory Council (NAMACO). The Act provided for the establishment of both government vocational or technical training and research institutions <u>and</u> for the registration of private vocational or technical training institutions. The latter must by law, be registered by the Director in the Ministry of Higher Education. The conditions for registration are specified in Sub-section (1) of Section 5 of the Act and in the Statutory Instrument 208 of 1987. They relate to adequacy and appropriateness of premises for both instruction and/or accommodation; efficient and suitable instruction; qualification and suitability of staff members, sufficient finance and internal residence of the proprietor. The institution will only charge fees as approved by the Director and only run those courses appearing in the Second Schedule of the Regulations in Statutory Instrument 208 of 1987. The examination and certification is also specified in this Schedule. The Principal Act specifically states in Section 12 its restriction of training in designated trades by private vocational or technical training institutions unless the institution is licensed by the Registrar for that purpose.

The Act provided for the establishment of a National Manpower Advisory Council which shall advise the Minister on any matter affecting national manpower development and supply. The full functions of this Council are set out in Sub-section (2) of Section 20 of the Principal Act. In a nutshell, the Council is to develop and advise on skilled manpower requirements and deal with whatever skill shortages there may be in the economy. The Act also governs apprenticeship training and upgrading of skills.

The National Council for Higher Education Act, 1990 established the National Council for Higher Education and provided for the establishment of private universities and university colleges.

Section 4 (1) of the Act spells out the functions and powers of the Council such as: to ensure the maintenance of appropriate standards of teaching, examinations and academic qualifications in institutions of higher learning; to receive and consider applications for the establishment of private universities and university colleges and to advise the Minister generally on all issues relating to higher education. The Council also arranges and conducts visitations and inspections of institutions of higher education and makes recommendations to the Minister on the disbursement of funds to its functions with a view to promoting the balanced development of institutions of higher learning in Zimbabwe so that their resources can be used to the greatest advantage of the country. In the discharge of its duties, the Council is expected to: co-operate with ministries, departments of State and institutions of higher education; co-operate with other persons or authorities within or outside the country; do anything incidental or conducive to the proper discharge of its duties. Thus the Council is given a relatively free hand in the world of higher education. The composition of its members is specified in Section 5 (1) of the Act. There is a provision of a full-time Executive Secretary of the Council whose office is a public office and who is responsible as chief executive and secretary to the Council. It is required to meet at least three times a year.

Before Council may recommend to the Minister who in turn shall recommend to the President of the Republic on any for the establishment of a private university or university college, the application for such establishment must meet the requirements set out in Section 18 (2), chief among which is a draft of the charter of the proposed university or university college and, any other information the Council may require. If finally approved, the President publishes a proclamation in the Gazette declaring the establishment of the institution and setting forth the terms of its charter. If the institution fails to carry out any of its objects or breaches its charter, or does not carry out its functions in a proposed manner, Council may recommend to the Minister who will in turn recommend to the President for the Charter to be revoked. It is an offence to refer to any educational institution as a university or university college or confer degrees or any type to anyone unless such an institution is a public university, a private university or university college.

Thus, the field of education and higher education is tightly controlled in Zimbabwe and this is in the interest of safeguarding standards, quality of education and the protection of would-be beneficiaries from being taken advantage off. The criticism is that it might be taking too long for decisions to be made with respect to applications for the establishment of these private educational institutions (bureaucracy issue). There is no dissatisfaction with the regulatory framework as such.

10.3 Regional Co-operation

There are no regional co-operation agreements which exist in this sector. There is a view that in the long-term, it might be a good idea to have a SADC common standard - not standardisation of education - but a limited common standard of education in order to make possible transferability. Zimbabwe is considered to have a good education system in the region and that explains the significant presence of students from the sub-region in both schools and institutions of higher education. Africa University is basically a regional university for students from all over Africa.

The loss of Zimbabwe's qualified teaching staff to countries in the sub-region is itself testimony to the good quality manpower the country has. However, it also points to the increasing need to review pay and working conditions, tax levels and availability of requisite consumer items in order to retain this qualified manpower.

Independent colleges or Correspondence colleges or Universities have their networks whereby cross-fertilisation of ideas takes place, but there are no regional co-operation agreements to facilitate delivery of the service in the region.

SECTION IX CONCLUSION

This study has shown that services play an important role in the economy by way of contributing to national income and employment. Even more important, services facilitate the development of other sectors of the economy, particularly the productive sectors. The performance of services is crucial in determining the efficiency and competitiveness of the rest of the economy.

While services in Zimbabwe account for a large share of national income, their performance on the balance of payments is limited. Export performance of services is affected by the regulatory environment both within Zimbabwe and in other countries.

Liberalising the framework within which services operate can increase competition and efficiency. But this should be done carefully and selectively, taking into account the specific conditions of the different service sub-sectors. For example, competition in financial services can be increased by relaxing regulations that govern operations/transactions. In other words, if segmentation of services provided by the different financial institutions is removed, this can enhance competition within the sub-sector, even before relaxing regulations that govern the entry of foreign financial institutions. It is also necessary to ensure that local financial institutions and indeed other services sub-sectors, are not exposed to external competition on an unequal basis. In this regard it is necessary to ensure that the services sector of Zimbabwe has access to state-of-the-art technologies, skilled manpower and the necessary financial resources.

Competition and efficiency can also be improved by reducing regulated state monopoly in certain services. A good example is that of telecommunications. It was noted that the PTC of Zimbabwe has monopoly in most aspects of this sector, yet it does not have adequate capacity to meet all the requirements. Private sector participation can be increased by reducing the monopoly status accorded to the PTC through legislation. Similarly, in the transport sector, monopoly accorded to ZUPCO has resulted in poor passenger transport services in the urban areas.

Regional co-operation in the services sector is limited. There are a number of areas where regional co-operation would be of mutual benefit to the countries involved, in terms of enhancing efficiency and increasing export performance of services. It was noted that road haulage transporters involved in cross border haulage face problems due to rules that are different from country to country. This causes delays and increases costs. Regional arrangements would certainly increase efficiency in this regard.

In the case of the construction industry, it was noted that regulations governing the movement of equipment across borders, and the procedures involved in seeking clearance, discourage exports of this type of service. Regional co-operation in this field could increase exports. Finally, regional co-operation and standardisation in the field of education and health, could encourage exports of these services.

APPENDIX 1

Members of the IWG

1.	Mr Chiwanza - Chairman	Miinistry of Industry & Commerce
2	Mr S.D. Mangoma - Chairman -	Ministry of Industry & Commerce
3	Mr A. Mharapara - Secretary	Ministry of Industry & Commerce
4.	Mr A. Nhara	Ministry of Industry & Commerce
5.	Mr F. Masama	Ministry of Industry & Commerce
6.	Mr B. M. Zwizwai	Research Team Leader - UZ - IDS
7.	Mr M. C.Halimana	Researcher - UZ - IDS
8.	Mr A.E. Sibanda	Researcher - UZ - IDS
9.	Mr J. W.G. Kaliyati	Researcher - UZ - IDS
10.	Ms M. Zinyama	IBDC
11.	Ms T. Mahoso	Fidelity Life Assurance
12.	Ms J. Pwiti	Standard Chartered Merchant Bank
13.	Mrs G. Mutyavaviri	Finhold
14.	Mr B. McCurdy	ZIMNAT (L.O.A)
15.	Mr M. T. A. Mutezo	Zimbabwe Development Bank
16.	Mr D. Dumba	NICOZ
17.	Mr S. Machirori	First Merchant Bank
18.	Mr M. Dandat	PTC
19.	Mr C. Nkomo	Ministry of Finance (Commissioner of Insurance)
20.	Mr Chirongoma	Ministry of Transport (Abs).
21.	Mr Dzama	AFC (Abs)
22.	Mrs Zengeni	Ministry of Industry and Commerce
23.	Mr Mujajati	Ministry of Finance
24.	Mr Dzinolizei	Ministry of Finance
25.	Mr Hove	National Planning Commission
26.	Mr J. Mhishi Tapera	Ministry of Foreign Affairs (Department of Regional & International Co-operation)
27.	Mrs R. Mukogo	Ministry of Environment & Tourism
28.	Mr S. A. H. Brown	Institute of Bankers of Zimbabwe
29.	Mr A. S. Maheleka	Hotel & Restaurant Association of Zimbabwe
30.	Mr P. Mukarakat	Air Zimbabwe
31.	Mr S. Tupiri	Zimtrade
32.	Mrs McDonald	Construction Federation of Zimbabwe
33.	Mr Kunjeku	C Z I
34.	Mr W. G. Adams	Insurance Council of Zimbabwe