Draft 2 for discussion only

ZIMBABWE EMERGENCY RECOVERY PROGRAM

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Prepared under the Multi-Donor Trust Fund (MDTF) administered by the World Bank on behalf of Development Partners working in seven MDTF Technical Review Groups (Economic Analysis, Private Sector Development, Agrarian Issues, Infrastructure, Social Protection, Basic Services, and Governance & Anti-Corruption)

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1. INTRODUCTION

1.1 Approach and objectives

This paper outlines a possible Zimbabwe Emergency Recovery Program (ZERP) which Government could implement with support from Development Partners following the articulation of an internationally-backed recovery program. The draft ZERP is based on information gathered from a number of stakeholders in the course of implementing the Multi-Donor Trust Fund (MDTF) led by the World Bank and supported by a number of development partners to assist with improving stakeholder knowledge on Zimbabwe. An emergency program would give Government the breathing space needed to re-formulate and finalize a medium-term development strategy.

It started off as a list of ten priorities based on information from stakeholders, and each topic was allocated to a Technical Review Groups (TRG) under the MDTF to document by way of a page summarizing the situation analysis using available knowledge (and clearly identifying gaps in knowledge which should be filled from further studies); and a second page on policy options using available study findings and stakeholders' views (and clearly indicating areas where more dialogue is needed to refine policy options). It is a living document to be updated with the availability of new information from analyses and consultations with stakeholders – it now contains a list of twelve issues following inputs from a number of stakeholders.

The draft ZERP provides a platform for dialogue among various actors likely to play a role in the financing, implementation, and monitoring of an emergency program not exceeding12 months. The draft outline of priorities has been shared with the Ministry of Economic Development (which is leading the Zimbabwe Economic Development Strategy – ZEDS – process), the Ministry of Finance, the National Association of NGOs (NANGO), the Confederation of Zimbabwe Industries (CZI), the main Donors likely to finance an emergency program, and opposition parties' economic policy-making teams; but not with the Reserve Bank (RBZ) of Zimbabwe and the Zimbabwe Congress of Trade Unions (ZCTU), among others. Inputs from these key stakeholders are being used to improve on this draft.

The goal is to produce a short document outlining the kind of options that a government seeking to implement a credible stabilization program will face, with an indication of resources likely to be needed. The draft will also give a rough estimate of resource requirements for a 12 months period, in order to later mobilize resources for the emergency program.

Once an internationally-backed stabilization program has been articulated by Government, a multi-donor Rapid Needs Assessment Team will make a short visit to Zimbabwe to discuss and agree on the elements of the program. After that, Government and potential Financing Agencies, along with a mapping of donors' resources in the existing Multi-Donor Trust Fund (which currently finances analytical work), will be modified to finance the program in part or in totality. Donors will then be expected to put resources in accordance with the emergency program and the mapping of their resources.

The implementation of ZERP will be supported by a team of stakeholders (donors, civil society, selected Government agencies, representative bodies of industry and commerce, etc.) who will monitor progress and use the results to inform the development of a medium-term development strategy under the leadership of Government.

This draft ZERP is meant to promote consensus among stakeholders around what challenges face Zimbabwe and how they could be tackled when agreement is reached with the international community on a framework for re-engagement. It recognizes that Zimbabwe is faced by a social, political, and economic crisis that is being debated at many levels of society; and a viable ZERP will depend on the emergence of a national consensus – which the international community can support.

1.2 Governance Challenge

The continuing and deepening political crisis has combined with poor economic management to precipitate a decline in all indicators of Governance and socio-economic development. At the root of the country's current crisis is the contestation of political and economic decisions, which in turn leads to weaknesses and structural deficiencies in the governance system. Population's lack of trust in institutions, the impact of repressive legislation, and selective application of the laws reduce democratic space for many sections of society. Problems with governance have been observed in the land reform program, growing politicization of institutions, central government interference in local government, excessive use of the security forces, growing lack of political accountability, widespread deterioration in the rule of law, greater polarization in politics, and waves of election-related violence among others.

The rapid economic decline has combined with poor governance to bring about a political impasse requiring national dialogue as a prelude to macro-economic stabilization and recovery. Since the beginning of 2007, the overall political, social, and economic situation has considerably deteriorated in Zimbabwe; followed by a rapid decline in the indicators for good governance. As a result, coherence of overall government policy-making has declined, with domestic policy initiatives being hampered by a lack of resources and uncertainty created by frequent changes in policy initiatives.

Local government is not enshrined in the Constitution and remains weak, and operations of Local Authorities (LAs) are dependent on decisions and directives from central government. These LAs are starved of resources due to the general economic decline, inefficient structures, difficulties in raising local revenue, and central government policy to control prices charged for goods and services provided by the LAs. In this environment, LAs are unable to finance and provide services; and those who depend on such services, especially the poor, are finding it difficult to access such basic services as water, sewerage, health, education, power, and others.

The overall governance framework which is likely to hinder the effective implementation of a recovery program shows the following constraints:-

- Poor government effectiveness including quality of public and civil services, the degree of independence from political pressures, the quality of policy formulation and implementation, and credibility of the government's commitment to such policies;
- Inadequate accountability and transparency, especially obstacles faced by civil society and citizens participation in most decision making processes;
- Lack of effective respect for the principles of constitutional democracy and legal reform to ensure a separation of power; as well as limited efficacy of Parliamentary Legal and Public Accounts Committees, and Parliament oversight of the security forces and intelligence agencies.
- Deficiencies in the rule of law, including the application of the law in an even-handed manner particularly in cases which have a political dimension, and limitations on the independence of the judiciary,
- Inadequate control of corruption, including the effectiveness of such institutional as the Anti-Corruption Commission (ACC), and Office of the Comptroller and Auditor-General.

Issues not covered in ZERP draft

There are important gaps in terms of Governance that cannot be addressed within the MDTF framework. A different donor grouping, the Human Rights and Governance Group, is addressing the broader Governance agenda to include issues of:-

- Institutional checks and balances (independence and effectiveness of the judiciary, legislative oversight, and accountability of the executive);
- Constitutional and legal reforms;
- Political accountability (credibility of political parties, transparency in party financing, etc.);

- Civil society voice and participation (freedom of media and freedom of expression, role of portfolio committees and public hearings, Community empowerment, etc.);
- Capacity of Civil Service;
- Security Sector Reform.

This brief outline of the Governance challenges is supposed to provide a backdrop for recovery in Zimbabwe – recognizing that Governance is a cross-cutting theme underpinning all aspects of political, social, and economic recovery.

1.3 Structure of the document

The current draft ZERP contains twelve priority issues organized in five chapters. After this introduction, Chapter 2 outlines a **stabilization framework** divided into four sections. The section on Economic Stabilization summarizes insights from work carried out by the IMF in late 2007 and deals with (a) exchange rates unification, (b) deregulation of prices, and (c) improved management of public expenditures. It will also outline a safety nets program to support the poor in the stabilization period. There follows three inter-related issues of public financial management, fiscal adjustment and parastatals, and private sector regeneration. These four sections together constitute what has so far been identified as pillars for monetary and fiscal stabilization needed to underpin programs needed to kick-start economic recovery and rehabilitate service delivery in response to high poverty levels in Zimbabwe.

Chapter 3 on **Social Protection** outlines issues of Safety Nets and Employment/livelihoods in two sections aimed at mobilizing the population to participate in the economic recovery expected to follow this emergency program. The section on safety nets outlines a package of measures needed in the early period of stabilization to protect the poor unable to benefit from the resulting economic growth. Targeted subsidies, especially for urban low income earners, will be particularly important safety nets measures for consideration. The section on employment/livelihoods seeks to address short-term employment concerns (public works programs, short vocational skills training, etc.) and the transfer of cash/inputs for work, as well as cash/vouchers for the very vulnerable unable to work. The Social Protection strategy is to make safety nets supportive of growth rather than using them as handouts that create dependency in the population.

Once there is evidence that the economy is stabilizing, the private sector will kick-start production from its current levels of around 10%, and this will lead to increased demands for power and water, and put pressure on existing sewerage infrastructure (these three systems have suffered from a lack of investments resulting in breakdowns, shortages, and general infrastructure decay). Chapter 4 on **Infrastructure** has sections on power rehabilitation and water supply and sanitation rehabilitation, which are particularly important for quick recovery. The rehabilitation of power generation, transmission, and distribution infrastructure will be a critical for the successful gearing up of local industrial production. T the purchase of chemicals and the repair of pumps and burst pipes given the age of current water supply and sanitation infrastructure will be particularly important in the rehabilitation of water and sanitation.

Chapter 5 deals with **Foundations for Agricultural Recovery** presented in two sections. The section on Food Security Recovery deals with measures that will complement employment and livelihoods support provided to the population. In the current environment of high global food prices and low production in Zimbabwe, this will deal with the key elements of a national food security (macro-economic concerns, commercial food production, imports, etc.) and household food security (incomes and household-level production). The section on Small-scale Agricultural Production support outlines the key actions needed to stimulate household food security, and these actions will complement those in chapter 4 so that small-holder farmers can receive inputs (seeds and fertilizer) and other critical extension support needed to kick-start agricultural production.

Chapter 6 on **Basic Services** outlines key actions needed to rebuild human capacity both as a benefit of economic recovery and as a key drive of the same recovery. The section on Health Sector outlines key actions needed for health sector recovery, especially issues the supply of essential drugs, support to primary health services, staff retention strategies, and overall rehabilitation of the health infrastructure. The section on Education Recovery outlines ways to finance the recovery of education facilities as children go back to school. The supply of teaching materials, better incomes for teachers, greater involvement of communities and the private sector are all important issues addressed in this section.

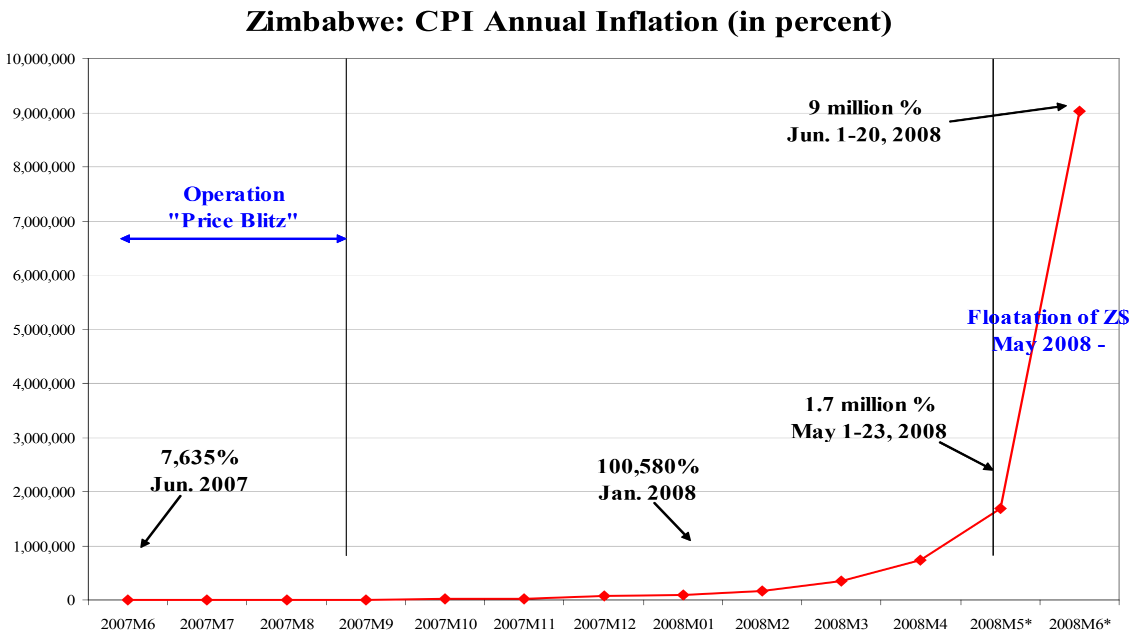
2. STABILIZATION FRAMEWORK

2.1 Economic stabilization[1]

Situation analysis

The economic downturn has intensified as characterized by the following features:-

- Economic activity continues to contract and to move to the informal sector. Real GDP is projected to have fallen by over 6 percent in 2007, driven by output declines in all sectors. Frequent electricity shortages, deteriorating infrastructure, fuel and foreign exchange shortages, the rising impact of the substantial emigration of skilled workers, and uncertainties over property rights have contributed to the decline.
- Inflation has spiraled to very high levels (see figure below). The official consumer price significantly understates price pressures. This is due to the fact that many of the goods with controlled prices are not regularly available anymore in the formal sector, but are recorded with no price increase or only a negligible increase in the official basket. This leads to a severe downward bias in the official inflation estimate. Very rapid annual reserve and broad money growth and a spiraling parallel market exchange rate have driven inflation. Official figures put inflation at 11 million percent for end-May. Private estimates are much higher.



* Covering the first 3 weeks of June.

- The external debt situation is difficult. At the end of October 2007, official reserve assets, reported by the authorities using the template agreed with Fund staff, stood at about one month of imports. This is greatly inadequate in view of Zimbabwe's substantial official external arrears of over US$1 billion and the pressing import needs.
- Private sector financial intermediation has dried up and banking sector assets and profitability has been eviscerated in real terms. While the RBZ's standard stress tests point to limited systemic credit and exchange rate risk, the role of the banking sector is continuously declining.
- Shortages of food, fuel, and electricity have further undermined social conditions. Very high inflation has rapidly eroded the purchasing power of wages and salaries, and intensifying price distortions have worsened shortages of basic goods. Price controls and freezes since June 2007, though some of them have been relaxed, have made food

[1] Based on the IMF "Concluding Statement of the Mission", Harare, December 18, 2007

shortages more severe, encouraged informal activity, and seriously damaged business confidence.
- The economic situation is doing long-term damage to the Zimbabwean economy. Private sector investment is virtually nil, Zimbabwe's infrastructure is deteriorating, and people with needed skills, such as teachers, doctors, nurses, and technicians, are leaving the country. The deterioration of the skills base has likely reached a level that will be difficult to redress. Illegal emigration to neighboring countries, particularly South Africa, is reported to have surged. Unless the authorities change direction, real GDP continue to contract, by about 6.6 percent in 2008. Various stakeholders suggest that agricultural production will likely continue to decline, despite recent rains.

Knowledge gaps
- Need for updated trends on issues covered above.
- Minimum package of safety nets interventions needed to cushion the poor and vulnerable against the negative impacts of stabilization.

Policy Options
The main options are structured around two themes:-

1. Bring down inflation rapidly.
The stabilization of the economy to improve living conditions for all Zimbabweans could be done by the rapid implementation of the following policies:-
- Unify and float the exchange rate, at least at an initial step, and remove any restrictions on making payments and transfers for current international transactions.
- Remove the price controls and directives.
- Phase out the various exchange rate and interest subsidy programs RBZ operates as rapidly as feasible and progressively transfer its quasi-fiscal activities to the Ministry of Finance and the government budget.
- Undertake a substantial fiscal tightening as quickly as feasible. This would need to include introducing a hard budget constraint on the financial operations of the parastatals as soon as feasible (projected revenue estimated at US$1.3-1.4 billion per year to finance a recovery program).
- Give RBZ autonomy to operate
- Adjust tax rates and thresholds during the first few months of adjustment as inflation is brought down

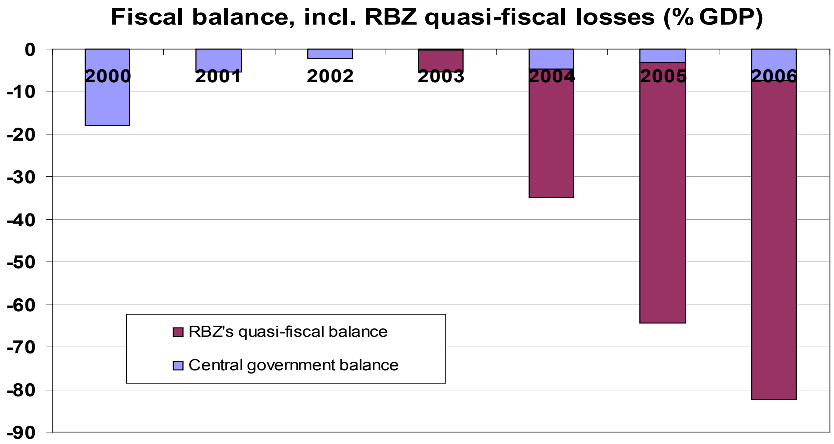
2. Give early and clear signals
Economic actors, especially investors, require early signals about the intent and persistence of the intended economic change. While there may be a temptation to try to "fix it all "at the same time, careful sequencing is probably more appropriate, as long as it instills and maintains confidence in the economic change. Public, open and transparent discourse on the development approach and adaptation of reform strategies coupled with immediate measures that remove erratic, arbitrary and interventionist activities by government actors would contribute substantially to changing perceptions.

Such signals would have to be related to public enterprise reform, the civil service, public expenditure management, taxation, the agricultural sector, and property rights will be critical to decrease uncertainty and increase output.

2.2 Fiscal Adjustment and Parastatals

Situation analysis

Zimbabwe's hyperinflation has originated from the public sector living beyond its means. The consolidated fiscal deficit had reached over 100% of GDP in 2007. Real revenue has shrunk in recent years and the increasing deficit has been financed through monetization in the absence of external financing. A large fraction of the consolidated deficit has been generated through quasi-fiscal activities (QFAs) introduced by the RBZ in order to support strategic sectors of the economy in the midst of a highly distorted economic environment. The parastatal and agriculture sectors are the main recipients of the RBZ's QFAs.



The best estimates are that about 60% of QFAs are attributable to subsidies such as Agricultures Support and Productivity Enhancement Facility (ASPEF), Public and Local Authorities Recovery Plan (PLARP) and the Basic Commodities Supply Support Initiative (BACOSSI); and about 40% to foreign exchange losses (a further major source of QFAs are the interest costs of open market operations in the current distorted environment).

Over the last few years, the RBZ has effectively operated a parallel budget system – ministries and parastatals have gone direct to RBZ for their local and foreign financing needs. Parastatals play an important role in the Zimbabwean economy, contributing 40% of the country's value added – some of the largest ones responsible for major losses and fiscal costs include ZESA, ZINWA, ZISCO, IDC, and Road Fund. The parastatal and agricultural sectors have been the main recipients of subsidies and foreign exchange from RBZ. Parastatals face a vicious circle of distortions without a way out, created by multiple layers of public interventions in various segments of the economy. They all face common problems including controlled non-economic prices, acute shortages of foreign exchange, and staff losses that have resulted in poor financial and technical performance

In the agriculture sector, controlled buying and selling prices for maize and wheat lie behind massive QFAs. These have included ASPEF and direct subsidies including direct price subsidies, maize delivery bonus, tobacco top-up and import parity pricing system; as well as compensation for the overvalued Zimbabwean dollar. GMB is highly loss-making for this reason.

Knowledge and gaps

Significant analysis of the fiscal situation and parastatals has been undertaken by the IMF, World Bank, and UNDP:-

- IMF April 2007 (WP 07/98) Central Bank Quasi-fiscal losses and high inflation, summarizes the modalities and scale of QFAs, showing the link with money supply and hence inflation
- World Bank conducted a preliminary review of parastatals which disaggregates the main sources of fiscal losses further; and looks at the financing and performance of four major

strategic parastatals (ZESA, ZINWA, NOCZIM and GMB). It highlights some of the key issues to address to reduce fiscal dependence and to improve performance.
- UNDP in September 2008 (forthcoming) analyses historical experience with parastatal reform programmes, specifically the success in introducing PPP; and draws preliminary lessons on how to progress parastatal reform in Zimbabwe.

These studies provide a good base of knowledge especially when the severe technical difficulties of interpreting financial data at the macroeconomic and parastatal level in Zimbabwe dollars are taken into account. Further information is needed on the following:-
- Best estimates of the real value of revenues, essential expenditures and external finance.
- Critical expenditures that should be financed from the budget.
- Share of expenditure that can realistically be allocated to key parastatals within a sustainable budget framework
- Ways to reduce the main price distortions (e.g. different pricing methodologies) and identify the impact of removing/modifying price controls (provider/producer viability, implications for budget dependence, impact on consumers, PSIA)
- Opportunities to introduce competition e.g. in grain market, fuel sector and electricity generation.

Policy options
For stabilization, the following options have been suggested:-
- Consolidate government expenditure and limit it to revenues plus grants.
- Establish professional regulators to set tariffs.
- Correct the role of the RBZ vis-a-vis the Ministry of Finance
- Bring legitimate off-budget expenditures back on budget and included within the budget process.
- Balance parastatals budgets, with transparency in any financing of critical functions e.g. power, agriculture, water, fuel.
- Introduce methodologies for pricing that are based on sound economic principles.
- Introduce opportunities for Public-Private-Partnerships (PPPs) in both the the immediate and near-term (e.g. transfer of utility management to local authorities that are sufficiently strong).
- Explore opportunities in parastatals for cost saving, rationalizing staff numbers, and pay structures in the short term in order to retain and motivate required staff within budget limits.
- Formulate severance packages for all the parastatals.

2.3 Public Financial Management

Situation analysis

The last diagnostic studies of Zimbabwe's public financial management (PFM) system were undertaken in the 1990s. Since then, economic deterioration, hyperinflation, loss of skills and corruption have all seriously damaged the quality of budget management. Budgets presented by the Minister of Finance are secondary to Monetary Policy Statements which now contain major spending programmes. Ministries and parastatals approach sector departments within the RBZ to request subsidies and foreign exchange. Even with supplementary budgets, final budget estimates bare no relation to final spending by ministries in aggregate or decomposed into main departmental or economic classifications due to hyperinflation. The same goes for revenue forecasts and collection. The budget is therefore no longer a credible instrument for implementing government policy and the effectiveness of external oversight of the budget has been compromised.

The effectiveness of critical functions such as the payroll, procurement, cash and debt management will have been substantially eroded by inflation. Controls and checks will also have been weakened – the value of reconciliations and budget reports and financial statements has been diluted. Similarly with external scrutiny and audit, annual reports which are now presented with increasing delays mean little due to hyperinflation which makes information financial meaningless. At the same time, it is hoped that the underlying laws, institutions, systems and capacity either remain or can reasonably easily be re-established.

Knowledge and gaps

Existing knowledge is very limited, but can be quickly improved on with a short diagnostic study that focuses on identifying the chief risks to public financial systems in Zimbabwe. Under the MDTF, such an assessment is planned to be undertaken between October and December 2008.

Policy options

The Ministry of Finance's role in budget preparation and execution needs to be re-established, and some of the strategies put forward for this are:-

- Make the budget comprehensive by capturing all sources of revenue and finance and all government expenditure.
- Support proper budget management systems; with an interim approach to managing the budget being the need to establish and recognize the macroeconomic crisis and recent disuse of proper government systems.
- Consider adopting a cash budgeting approach.
- Organize the MOF to manage and integrate donor resources into the budget as they may be quantitatively significant for an extended period. Besides utilizing existing NGO and UN channels, donor resources will increasingly come in the form of budget support, traditional project aid and through pool funded mechanisms (multi-donor trust funds, basket funds, etc.).
- Give priority to re-establishing sound controls in the MOF relating to payroll and procurement.
- Give early priority to the establishment of internal and external controls.
- Consider the provision of Donor technical assistance to advise, directly support, and re-establish parts of the budget process.

2.4 Private sector regeneration

Situation analysis

The business environment is poor[1] and characterized by contradictory and often arbitrary government policies and actions, monetary instability, high inflation, and interests rates; a decline in respect for the rule of law and the undermining of security of tenure; price controls often leading to the criminalization of business people; skills shortages; and, intermittent power, fuel and water supplies. Furthermore, there is fear that the Indigenization and Economic Empowerment Bill will provide corruption opportunities for the ruling elite and its clientele, who will have the opportunity to sit on the boards of some big companies. This stipulates that all existing companies should allocate a 51% shareholding to indigenous Zimbabwean, a provision likely to prevent the desperately needed new investment into Zimbabwe.

Due to hyperinflation and Government policies of price controls, many formal businesses are closing operations and laying off staff. Harare's large industrial zone shows severe decline, and the informal trading economy has surfaced to take advantage of the arbitrage opportunities that arise from the vast net of distortions generated by government policies. This informal sector fills some of the void left by the decline of the formal sector. Some of the main indicators quoted on how industry has been negatively affected are:-

- 60% decline in GDP
- 90% decline in industry capacity utilization
- 75% decline in gold production
- high US$4 billion foreign debt
- monetary supply of 51,769%
- quasi fiscal losses of US$2.5 billion
- 70% of money out of official circulation

Knowledge gaps

- Sufficient understanding of the informal sector.
- Priority investments.

Policy options

Industry has identified the mains constraints to recovery, and put forward the following options:-

- Improve coal supplies to increase power generation and industrial capacity utilization as coal is the main source of energy.
- Improve supplies of fertilisers, seed and agricultural chemicals.
- Increase funding for contract farming in order to boost small scale agriculture (priority being given to agro processors with established contract farming programs)..
- Consider introducing the following funding mechanisms for industry:-
  - Fund for manufacturers of basic foods who have had their working capital bases destroyed by hyperinflation and price controls.
  - Funding for generalized working capital support for industry.
  - Foreign Currency Loans for manufacturers.
  - Donor Counterparty Funds for purchase by industry.

[1] For a recent survey of the difficulties of going business in Zimbabwe see the World Bank's: http://www.doingbusiness.org/ExploreEconomies/?economyid=208. This report confirms that the business environment has continued to deteriorate

3. SOCIAL PROTECTION

Policy context

In a Government survey carried out in 2003 by a Vulnerability Assessment Committee (VAC), 9 out of 10 respondents reported that the main shocks faced by all income groups were high inflation and the resultant high cost of goods and services. These shocks affected individuals and whole communities, with nearly 50% of respondents in the urban areas reporting that they had altered their eating habits, altered their health seeking behaviours due to high health bills, and even taken children out of school. It was significant that less than 1% of respondents in the urban areas cited drought as a shock, suggesting that targeted pro-poor expenditures could have had a marked impact in providing population with coping strategies, and eventually equipped them with means to mitigate and prevent these shock. Close to 40% of the respondents also cited unemployment and high taxes as having a major impact on their well-being. Deaths and long illnesses affect 1 in 5 households, and contributed to the overall impoverishing impacts of poor health.

When the 2005 Social Protection-related expenditures were analyzed, only around 12% of overall expenditure was focused on prevention and mitigation, the largest proportion, 88%, being spent on coping. Hyperinflation and the difficulties of managing a budget in such circumstances have reduced the value of Government contributions. In 2006, donor support to the relief effort in Zimbabwe was scheduled to increase considerably (US$250 million as opposed to US$73 million in 2005 according to the UN Financial Tracking Service).

The Social Protection framework provides tools to understand how societies try to protect two aspects of human capital (health and education) when faced with risks – with the poor resorting to capital-reducing behaviours like taking children out of school and failing to seek health care on account of costs depending on the severity of a given shock. Risks are associated with shocks that befall individuals, households, and communities; but the poor have fewer mechanisms (i.e. they are more vulnerable to shocks) than the rich to deal with the two types of risks: idiosyncratic (which affect individuals) and covariate (which are community-wide).

Social Protection Programmes in Zimbabwe in 2005

	Idiosyncratic-type responses	**Covariant-type responses**
Prevention or mitigation	National Health Insurance (GoZ) Food Price Controls (GoZ) Savings and Loans (SIDA/NGO) Migration	BEAM (GoZ) Education Block grants (DFID/NGOs) Agricultural support interventions (DFID/NGOs)
Coping	Zunde raMambo/Insimu yeNkosi, Remittances	Drought Relief Public Works Programme (GoZ) Medical Treatment Orders (GoZ) Feeding Programmes • School • Vulnerable Groups • Urban Supplementary • Nutrition support (WFP/DFID/NGOs) Home Based Care for AIDS (WFP/NGOs) Emergency Relief (DFID/NGOs) Food Vouchers (DFID/NGOs) Cash Transfers (UNICEF – under discussion)

Notes: The funding and implementing agencies for each of the programmes is shown in parentheses. Donor programmes often have several components that might include elements that sit in two or more categories of the above framework (e.g. Education Block Grants with Food Vouchers).

3.1 Safety Nets

Situation analysis
State and private sector social safety nets have collapsed and informal and community social protection mechanisms such as burial societies, Zunde Ra Mambo (Chief's grain stores) have broken down. Traditional family support networks are increasingly strained as poverty is pervasive. Anyone without access to foreign currency is highly vulnerable to destitution. The June 4th ban on NGO activities has effectively limited external humanitarian support for the Zimbabwean people to less than 20% of planned assistance. Statelessness is a growing problem affecting perhaps 10% of the population, typically ex-farm workers of Malawian, Zambian and Mozambican extraction, who are denied Zimbabwean citizenship and with it access to basic services. Birth registration is declining and the picture is further complicated by the numbers of internally displaced people from firstly the land reform programme, then Operation Murambatsvina and most recently from political violence. The total number of IDPs is unknown as the Government's refusal to accept their existence prevents assessment but 250,000 IDPs is a conservative estimate.

The result is that at least 80% of the population is below the poverty datum line and half the population will require food aid by January 2009. The massive brain drain coupled with the dire economic situation is driving health and education services to the point of collapse. Vulnerable groups (OVCs, elderly, disabled and chronically ill people) are in a state of acute vulnerability. Reliance on remittances for basic survival is widespread. Opportunities nevertheless exist for rapid turnaround. Zimbabweans are highly educated and skilled compared to the regional and continental average. Institutional and regulatory frameworks are in place. Despite sustained persecution, the trade union movement remains active and there is a national employment council. Furthermore, there is a basic state and private sector social protection framework.

Policy Options

(1) Increased income and earnings for vulnerable groups
Self-targeting public works for the able-bodied poor to earn incomes and access safety nets support through food for work in food-lean periods, inputs for work during the pre-agricultural period, cash and food for work where food markets are weak, and cash for work or in combination with coupons for agricultural inputs.

(2) Targeted direct transfers through BEAM, disability allowances, medical treatment orders, food vouchers, etc., for the vulnerable who cannot work.

3.2 Employment and Livelihoods

Situation Analysis
The situation for employment and livelihoods is dire and deteriorating. Only approximately 6% of the population of working age is in formal employment and wages are unable to keep pace with hyperinflation. Labour rights are severely restricted and labour standards are declining. The informal sector has been heavily squeezed by Operation Murambatsvina and subsequent crackdowns on informal vending. The decline in agricultural production has also severely limited opportunities for seasonal work. Ten years of economic decline has seen a massive depletion of household assets, forcing many to resort to negative coping strategies such as illegal trading, transactional sex and increasing irregular migration.

Knowledge gaps
An employment sector study is needed. There is still insufficient understanding of current coping mechanisms, both positive and negative. IOM is conducting a study on remittances and the Social Protection Technical Reference Group has commissioned a baseline study on social protection. Poverty and Social Impact Analysis (PSIAs) on aspects of economic stabilization such as public sector and parastatal reform and access to basic goods and services are required.

Policy Options
Formalize remittance flows: Remittances account for far more than external donor humanitarian support to the Zimbabwean people. Likely actions would be:-.
- Revitalize *Homelink* with a realistic/attractive exchange rate;
- Negotiate with the private sector (utility suppliers and supermarkets) to establish voucher schemes whereby overseas Zimbabweans can support their relatives back home to pay utility costs and food bills.

Stabilise and support informal sector and promote decent work through:-
- Support program for a significant expansion of market/vending sites;
- Revitalize National Employment Council with a focus on a realistic increase in basic wages for farm and domestic workers;
- Review labour laws.

(2) Establish & revitalize effective safety nets and a social protection framework
Zimbabwe, before the economic decline, had the basic components of a comprehensive sector social protection system. Interventions to build on what is already in place are:-
- Immediate support to revitalize the disability allowance (analysis and costings required, but Social Protection Baseline Studies may provide this);
- Revitalize the Central African Medical Aid Society (CIMAS) and National Social Security Agency (NSSA) (analysis and costings required);
- Design a national non-contributory social pension combining existing state social pension provision for war veterans and widows

(3) Equitable access and utilization of basic services
Support the retention of critical public sector workers through use of:
- Salary supplements for key health and education workers (e.g. financial and / or material, such as food vouchers)

Introduce measures to support access to basic services:-
- Revitalization of the Basic Education Assistance Module (BEAM) which provide school fee support to OVCs. UNICEF has already commissioned work on this.
- Support to the revitalization of medical treatment orders for the poorest (Analysis & costings required).
- Mount national birth registration campaign (resources available already in POS for OVCs).
- Facilitate 2nd & 3rd generation foreign nationals (eg: Zambian, Malawian & Mozambicans) to acquire Zimbabwean citizenship and thus access basic services

(4) Community empowerment and recovery
Strategic revitalization of support to livelihoods and informal social protection through decentralized planning and coordination of all donor, NGO & UN initiatives to support livelihoods and social protection by:-

- Comprehensive ward, district and provincial planning and coordination of all donor, NGO & UN initiatives to support livelihoods and social protection (Watsan, agricultural inputs, micro-finance, gardens, HBC, IGAs, etc.). The WB Seila Program in Cambodia is a potential model.
- Strengthening local participatory processes
- Channeling donor support through local government prior to budgetary support
- Financing of social funds as part of the community-driven development approach.

(5) Other initiatives

- Change legislation to allow for dual citizenship in order to encourage return of the diaspora
- Donor-supported demobilization and reintegration program.

4. INFRASTRUCUTRE

Situation analysis

Infrastructure includes energy, railways, roads, telecommunication and water. During an emergency recovery period of 3-12 month focus will be on energy and water, including strategic regional aspects.

Ten years of economic decline has had a serious negative impact on Zimbabwe's infrastructure. No new investments have taken place, except for a few re-investments accomplished through barter trade with friendly countries. Maintenance has been limited to what has been necessary to try to keep essential parts of the old systems floating. Neither the Government, nor the local authorities have had capacity or resources to fulfil their obligations to the residents and the commercial sector. The decline in the infrastructure has had severe economic and social impact.

There are **regional implications** in all infrastructure sectors in Zimbabwe. Focusing on the need for emergency recovery it is in particular the energy sector and the railways which are crucial, but also in some areas roads and to a certain extent telecommunications.

In the energy sector…………Hwange (status of contract with Namibia?) … more import of energy from XX… transmission lines (?) … pipeline Beira….etc

Coal and fuel transport transport from XX……

Specific obstacles in the road network (?)

To what extent can regional solutions solve the telecomm problem for Zimbabwe – if at all?

4.1 Power rehabilitation

Situation analysis

Before the economic decline the country had a total consumption of 2,400 Megawatts (MW) of electrical power;

Kariba Hydro Power	720 MW
Hwange	850 MW
Thermal Stations Bulawayo, Harare, Munyati	130 MW
Total locally produced	*1 700 MW*
Import Mozambique, South Africa, DRA	700 MW (29 %)
Grand Total	*2 400 MW*

Estimate of the current demand of <u>electric power</u> is 1 500 MW (63 %) but since only one of **xxx** generators at Hwange is working and all the 3 thermal units are closed down due to lack of coal only around **xxx** MW is produced, i.e. a deficit of **xx** %. The fertilizer manufacturer, Sable Chemicals, alone needed 300 MW before it closed down mid-2008.

Total demand for <u>coal</u> is about 2.5 million tons per annum, excluding Hwange power generation. Tobacco industry need about 600 000 tons annually. The thermal power stations are also large consumers, but the main problem is that the railways- said to be operating at 10% of capacity- are unable to move the volume needed.

Before the economic decline started the country needed 5 million litres per day of <u>liquid fuels</u>, of which 70 % is diesel. Estimated current demand is 3 million litres a day. This could be handled by the Beira pipeline, but there are capacity constraints at Beira which is limited to 15 000 tonne vessels because of the draft in Beira harbour. The pipeline contract has problems which will require technical support to be renegotiated and then introduce private sector management.

Policy Options
In general for infrastructure it is important to have a speedy opening up in the sectors for private and civil sectors initiative. To get rid of the most serious administrative hindrances to allow for the private and the civil sectors to contribute to a better service provision.
Priority is not only to produce more but also to produce more efficient, i.e. to minimize the losses.

Policy Options in energy
- Rehabilitate the 3 thermal power stations. Organize the delivery of coal to these stations. Negotiate a takeover of ownership (?) and management by the local authorities.
- Local councils should be able to purchase electrical power in bulk from ZESA and set their own tariffs based on local cost/revenue calculations. Appropriate safety net measures to be introduced for the poor. Local councils mandated to procure electrical power on their own initiative from neighbouring countries.
- Large electrical power consumers could negotiate their prices with ZESA and regional suppliers, i.e. buy where they get the best price.
- Explore the idea of refunding Namibia for investments in Hwange.
- Rehabilitate the Bulawayo Railway workshop to facilitate the reconditioning of locomotives. Out 100 available only 10 is on the rail (supplied by General Motors).
- Review the Beira Pipeline management contract and its impact on the price of fuels. If need be- renegotiate.
- Seek Technical Assistance to (a) make a priority needs assessment and (b) to support the rehabilitation in the entire energy sector.

During a transition phase (medium term)
- Develop the North Bank Power Station (Hydro) in Mozambique –regional.
- Reconsider the Gokwe Thermal station with due considerations taken to the environmental concerns raised over the investment.
- Prepare a comprehensive Energy Policy

4.2 Water and sanitation rehabilitation

Situation Analysis

Residents all over the country is suffering due to major and increasing problems in water and sanitation. ZINWA has been unable to deal with the problems due to the unclear institutional and legal framework for the sector, including the problems between ZINWA and local authorities, and severe budget-constraints resulting in that

(i) wages are unable to keep up pace with inflation, most skilled personnel have left,
(ii) no means to procure much needed equipment and material
(iii) insufficient resources to cater for running costs and maintenance
(iv) aged infrastructure
(v) constant power cuts
(vi) shortage of foreign currency

This in turn causes a lot of problems, among which are; Poor pumping capacity, lack of chemicals, equipment shortages, lack of transport capacity (only 20% of capacity available) , health hazards due to poorly serviced sewage collection networks, etc.

The result of the crises is that there is a very irregular supply of water to industry and homes all over the country resulting in blockages and outbreak of diseases. Burst pipes are left unrepaired and the industrial production is disrupted, Water losses are 35-50 % due to pipe bursts. Revenue losses for service providers results in inadequate operating capital. Consumers have no other choice then to turn to sources of unsafe water with risk for their health. Public accountability is compromised.

Opportunities

- Trained and experienced staff (some of which may have to be attracted to come back)
- Local authorities in place, ZINWA in place
- Tertiary institutions available to train required staff
- Bulk water available for many urban centers except for Bulawayo and Harare

Knowledge Gaps

- The extent of human resource shortages in both private and public sector
- The capacity of private sector to supply and sustain the required materials, spares and accessories
- Level of tariffs that accommodates the poor urban residents in order to achieve MDGs
- Existing governance capacity for managing resources in terms of accounting, procurement, and reporting
- Extent of breakdowns in the infrastructure (urban systems and rural water points).
- The allocation of functions between central and local governments

Policy options

- Revert to old system of ZINWA bulk water supply to local authorities as continued in Masvingo and Bulawayo;
- Set up reaction teams to repair burst pipes in major urban areas for water and sanitation. Could be done on contract basis to attract Zimbabwean diaspora back;
- Rehabilitate rural water points, including in schools, hospitals, etc (boreholes, deep wells, piped schemes);
- N*eed to consider mobile provision of water?*

During a transition phase (medium term)

- Set up water companies;
- Initiate the development of a capacity development strategy addressing HRD, organizational and institutional issues.

The table below is being retained as a good example of summarizing actions; and an encouragement for other sectors to try and do the same.

Immediate Priority Programs requiring external donor assistance

Target Population	***Estimated size***	***Type of assistance***	***Program***
Urban water supplies	7 cities 9 Municipalities 9 Town Councils 4 Local Boards	• Equipped reaction teams • Chemicals • Water treatment works rehabilitation • Rehabilitation booster pumping • Human resource grants • Fuels and consumables • Rehabilitation of reticulation systems – pipes, valves, manholes, etc • Borehole rehabilitation and sinking	
Urban sanitation	7 cities 9 Municipalities 9 Town Councils 4 Local Boards	• Equipped reaction teams • Rehabilitation of sewage treatment works • Reaction team vehicles and workshop equipment	

5. FOUNDATION FOR AGRICULTURAL RECOVERY

5.1 Food security

Situation analysis
National and household food security in Zimbabwe continues to show a worsening trend. Since 2000 availability and stability of food supplies; access to food and utilisation and consumption of safe and nutritious food have declined for the vulnerable, but increasingly for other less endowed households. The estimated national production for maize in 2008 is 475,000 tons, which falls below the domestic maize requirement of 1,1 million tons. The deficit of 1, 4 million tons must be met through food imports and food aid. The maize yields of the communal farmers who used to produce the bulk of the crop in the country have fallen to one-fourth in about 10 years. Wheat production declined from 270,000 tonnes in 1998 to 62000 tons in 2007, falling short of the national requirement of 350,000 tons.

The current production levels of major food crops coupled with the severe economic constraints in Zimbabwe have induced hardship and food insecurity among both rural and urban populations. It is estimated that 10-15% of the rural population are chronically food insecure, especially single-headed, child headed, HIV and AIDS affected and infected and other vulnerable households. It also estimated that the food insecure population will peak at 5,1 million people by January and will last till March 2009. Despite reports of declining incidences of wasting for children under five, attributed to supplementary feeding programmes, the situation is severe for many poorer households and the nation as a whole. The situation poses severe risks for economic recovery and political stability if close to 50% of the population becomes food insecure.

The overall political and economic environment affects food producing farmers, consumers, traders of agricultural products and inputs, agricultural service providers and manufacturers of inputs and post-harvest products alike. This has resulted in reduced investments, efforts and yields, trade volumes and decreased effective demand. The government's control policies designed to increase production and stabilise food prices have proved to be ineffective and detrimental to food security by reducing food availability on the market and hence reducing household access to food.   Most of these households have relied on food aid by government and non-governmental agencies.

Other factors have had an impact on food security as well, such as adverse weather, a deteriorating infrastructure and a setting(GMB) of unprofitable prices. HIV/ AIDS has contributed by reducing household labour and income-earning capacity and resulted in declining food safety standards.

Knowledge gaps
To address immediate needs of the most vulnerable and to prevent half of Zimbabwe's population from becoming partially or severely food insecure, more up-to-date information is needed in the following areas: production, consumption, marketing, storage, farmers and consumers response elasticity to price and income, especially of the most vulnerable, coping mechanisms (remittances, use of small grains, traditional crops), role of farm and non-farm activities, impact of policy interventions on food security and the spatial distribution of the shortages and the ability of the affected population to respond to various interventions in support of reducing food insecurity (food aid, feeding programs, food for work programs etc).

Policy options
To increase national and household food security in a recovering economy the capacity of production as well as the ability to purchase or access food, especially by the vulnerable should be the immediate objectives. Farmers usually do respond to price incentives and can increase their effort and outputs even within a season, but food shortages occurring prior to any potentially increased outputs will have to be addressed with priority actions in the following areas:-

Immediate improvement of access to and availability of food:
- Remove all barriers that negatively affect the importation and distribution of food aid
- Liberalise importation of basic food items
- Remove GMB monopoly and allow internal trade of cereals within the country
- Make transparent the food reserves currently being imported/stored by the Government
- Appeal to the international community for the deficit
- Ensure transparent coordination of government food assistance
- Restore GMB original mandate of managing strategic reserves
- A structured and widely publicized policy dialogue with stakeholders on the rebuilding and reforming of the rural service infrastructure. The dialogue should aim to reach within a year a set of medium-term policies that will show impact in the next season and long-term policies beyond that..
- (Re-) Organize food aid such that it does not become a disincentive to production.

Increase production:
- Government to offer guaranteed import parity prices for producers of grain denominated in internationally exchangeable foreign currency. There is need to let market forces determine prices of grain with GMB protecting farmers from excessively low prices through a floor price equivalent to export parity price
- Increase access and timely availability of inputs: removal of price controls, encouraging the re-emergence of private input distribution channels; in the short term there might be need to provide subsidized inputs (e.g. starter packs) such as the Malawi program, to all smallholders or at least the vulnerable groups
- Stock take of inputs from all sectors and marketing infrastructure to map out way forward
- Government, NGOs and donors to coordinate input support programs and extension services

Equitability of Food Security for the chronically poor
- Revitalise effective safety nets for the most vulnerable households (cash transfers, pensions, food aid etc.).

Recommendations regarding agriculture recovery are made in section 12.

5.2 Small-scale Agricultural Production

Situation analysis

Agricultural producers, small and large scale, are currently not producing to the biophysical potential of the land. Zimbabwe has lost its position in the region as a self sufficient producer of staples, and as a bread basket of the region and exporter of prime coffee, cotton tobacco and beef. Prior to 2000, agriculture was the engine of the economy. Agricultural production has been declining since 1990s but the decline accelerated after 2000. Current agricultural production is between 15 and 35% of levels reached over ten years ago. Factors[1] that have affected agricultural productivity negatively (including up-stream and down-stream subsectors) include among others:

- Absence of price incentives for producers leading to reduced effort
- Uncertainty regarding land ownership reduces willingness to make investments or maintain capital investments such as irrigation infrastructure
- Inadequate agricultural services
- Unavailability of production inputs and credits
- Inadequate agricultural policies (eg pricing and marketing)

The small scale agricultural sector consists of some 1,3 million farmers - 1,100,000 communal, 72,000 old resettlement and 140 thousand A1 farmers – who are engaged in both crop and livestock production. The communal farmers are mostly located in NR III, IV and V, have access to land holdings of an average of 2.1 hectare arable land and share grazing land. Model A1 farmers have access to an average of 5 ha arable land and grazing land ranging from 6ha in NR1 to 20 ha in NR V. The old resettlement schemes have an average farm size of 5 ha arable land and are mostly located in NR IV and V which have limited agricultural potential without irrigation. Out of the 15, 5 million hectares of large scale commercial sector, 3, 67 million ha were acquired for resettlement for A1 farmers, but only about half of the prime land allocated is cultivated. The major crops grown are cereals (maize, wheat, sorghum, millet) and vegetables; major cash crops are cotton, sugar, groundnuts, coffee and horticultural produce (tomatoes, potatoes, pepper and baby corn)

The country is increasingly dependent on informal markets (with minimal regulation resulting in increased transaction costs), making costs in transparent for producers as well as consumers.

The smallholder sector has historically accounted for most food supplied on the national market with maize production constituting 75% of the total food grains production. Although the area under crop has increased, there has been a decline in productivity and average yields are far below its biophysical and management potential of the small farmers. This sector had by 2006 owned 90% of the goats and 80% of the pigs as well as 90% of cattle in Zimbabwe. There are very few smallholder dairy farmers. The challenges to livestock industry include declining national herd, high prevalence of diseases, high costs of veterinary drugs and dipping chemicals, price controls on chicken and beef has led to poor viability of these enterprises, lack of information on livestock prices and auction dates, rising levies, and value added taxes.

With the heterogeneous composition of Zimbabwean small scale farmers in terms of farm sizes, operations and experiences, the government may have a greater role in designing policies than with commercial farmers who can organize themselves easier around marketing, input supplies and advocacy.

Knowledge gaps

- What stakeholders think is the best way to promote dialogue on land issues.

Policy options

[1] Beyond the overall economic and political conditions discussed elsewhere in this document

The primary objective for agricultural policy should be to increase confidence of producers and traders to increase effort, investments and incomes in order to deliver inputs, and supply markets. Crucial challenges such as the land reform and land tenure cannot be resolved in the short-term, hence it will be important to clearly initiate a public and democratic discourse on these matters, instilling confidence that the issues will be addressed in due course. In the case of on small farmers, the policies need to focus on: rural service institutions, markets, and farmers organizations. The following immediate actions are suggested to support small scale agriculture:-

Strengthen rural service institutions

- Government, NGOs and donors to coordinate input support programs and extension services along the lines discussed in section 11.
- Increase access to credit by:
  - initiating dialogue with financial service providers to develop credit approaches that are sustainable (e.g. outgrower schemes, grameen style, credit unions etc)
  - subsidizing the expansion of credit providers to underserved areas
- Assess capacity of extension services and focus available resources on few key locations and key messages including revitalising farmer field schools / promote private sector participation in service provision;
- Start technical (stakeholder) working groups to formulate policies, strategies and action plans to revive: agricultural information and knowledge systems (including IT),

Regulate markets in favour of small holder producers, but without regulating against the commercial farmers

- Open access to markets for agricultural inputs, outputs and services
- Improve access to inputs by.
  - Linking “food for work” type projects to input supplies (input-for-work)
  - Providing tax incentives to private suppliers serving small holders
  - Building on existing channels of food aid to target seeds and fertilizer to small farmers
  - Providing tax incentives to re-start the production and supply of inputs such as seed, fertilizers, chemicals and agricultural equipment by the private sector
  - Removing barriers such as import restrictions, taxes and processes that impede the free flow of agricultural inputs and produce should be as soon as possible
- Offer guaranteed import parity prices for producers of agricultural produce denominated in internationally exchangeable foreign currency (as in section 11),
- Develop medium term strategy for rehabilitation of thee livestock sector with an emphasis on small holder dairy, poultry and small ruminant keeping,
- Improve access to markets (transport and communication).

Strengthen Farmer Organizations

- Initiate a structured and widely publicized policy dialogue with stakeholders on rebuilding and reforming rural service infrastructure; focusing on medium-term policies that can impact on the next season and long term policies beyond that to complement measures in section 11.
- Strengthen existing farmer organisations to provide a forum for advocacy for representing small farmers and internally displaced people as a result of lost farm work and access to land.
- Develop a regulatory framework for management of out-grower contracting arrangements to ensure that contracts are enforceable, have minimum standards and have recourse to justice in terms of conflict resolution mechanisms

6. BASIC SERVICES

6.1 Health Sector

Situation analysis
The Zimbabwe health sector is comprised of just over 1.531 facilities distributed across primary care facilities to district, provincial and referral hospitals. Once a system to which neighbouring countries referred patients for special care, the health service has been significantly degraded in the last 5 years and although it remains surprisingly functional in places, the last 8 to 12 months have resulted in a rapid deterioration in quality, capacity and outcomes. A few of the key areas showing health deterioration are summarized below.

Loss of the health workforce due to massive brain drain has negatively impacted on the capacity for health service delivery. It has also eroded administrative capacity and accountability within the system. Low salaries, low morale, and high staff turn have led to poor quality.

Inadequate financing of local authorities, missions and other entities to support efficient decentralised health care delivery. The network of primary care facilities which supported the delivery of equitable health services with low or no fees for basic services to target populations is no longer functional. Priority funding for basic health have been neglected in favour of central hospital funding, vaccination services going unfunded even though they would save more lives.

Allocative efficiency within the health sector is weak and resource allocation decision making is no longer transparent or based on equity. National capacity to address critical disease management needs has become especially weak. The most pressing (and those with the potential to most quickly improve health outcomes) are Child Health, Maternal Health, Nutrition, and Communicable diseases including HIV, Malaria and Tuberculosis.

Management and supervision have deteriorated as budgets are constrained. Systems are often not functioning due to such constraints as lack of transport, fuel, etc. The health information system has not been kept up to date.

Supply of basic medicines and medical commodities is almost fully funded by donors in the public sector and through US$ co-payments by patients in the private sector. An evaluation of NatPharm concluded that the infrastructure is still sound; but systems are slower than before, brain drain is a major challenge, and institutional arrangements are unsatisfactory (NatPharm is not functioning along commercial principles based on cost recovery as originally planned).

Infrastructure, transport and communications infrastructure have not been assessed, although Crown Agents will carry out a review of district transport infrastructure in order to restore mobility. Infrastructure (maintenance, sanitation, water, electricity) and equipment (sterilisation, furniture, waste disposal, appropriate equipment for function) rehabilitation are all needed.

Outreach services were in the past an important mechanism for providing inclusive and pro-poor health services, but these have almost completely collapsed.

Knowledge gaps
- Need for a Health Matrix study to identify areas requiring improvement or development (UNICEF and WHO are taking this forward but further funding support will be necessary).
- A review of transport arrangements, community service delivery and fee waivers to understand how the poorest can again gain access to basic services;
- Understand local authority fee structures, budgets and financial flows;

- Explore user fee policy issues and how options that restore equity and access (linked to financial flows and budgets, decision making and planning) be supported.

Policy options

- Design staff retention scheme to halt brain drain and attract professional emigrants back into the sector.
- Strengthen expenditure management and budget planning (including allocation within the public service between health priorities and levels of service delivery to ensure the biggest health gains in the fastest time and to local authorities and mission services);
- Estimate funding for critical primary services – outreach services, vaccination, maternal health and HIV and AIDS prevention as vital strategies to reducing the burden of disease;
- Support immediate technical and quality of care strengthening for key health priorities including prevention, mother and child health, outreach and communicable & non-communicable disease management;
- Respond to needs arising from post-traumatic stress-related illness for some 250,000 youth;
- Maintain essential drugs and medical supplies (including ARV) and initiate pharmaceutical sector reform;
- Plan and seek funding for the revitalisation of training capacity;
- Remove barriers to access including fees (substitute with facility grants?), rebuild transport for referral, and communications for supervision;
- Strengthen the health information system and use data for planning medium and longer term support;
- Streamline and harmonize the five commodity procurement and distribution systems which operate in NatPharm;
- Review how NatPharm can be made responsive to the current situation where most of the drugs (95%) are currently procured and donated by donors; against a future where the drug procurement will using Government budgets.
- Prepare a health manpower plan covering staffing levels for various cadres and levels of care, level of service care, remuneration, reporting structures, management systems, treatment guidelines and decision making.;
- Rejuvenate community demand for care, reaching out to communities through mobile services and addressing some of the other barriers to access

6.2 Education Recovery

Situation analysis

A key challenge facing Zimbabwe's economic recovery is the drain of its skilled persons out the country. The survey by SIRDC reports that during the years of 1990-2003, some 535,609 Zimbabweans left the country – about 25% of these emigrants were trained doctors, nurses and pharmacists, about 23% engineers and scientists, 20% teachers and 17% accountants. The Reserve Bank of Zimbabwe has estimated that 1.2 million Zimbabweans live in South Africa alone while other sources put this figure at over 3 million[1]. Yet, the country's secondary, technical/vocational and tertiary education systems do not respond to the labour market needs of the country. The number of students in agricultural colleges is said to be too short to meet the needed labour force in this sector, with the number of agricultural colleges falling from 667 in 1990 to 390 in 2000. This is despite the renewed land resettlement programme that restarted in 2000.

The percentage of education budget from the state budget shrank from about 22% in 1991 to about 13% in the 2006. Over the same period, teacher salaries dropped from consuming 78% of the education budget to 62% - a drop in both nominal and real terms. Currently, monthly teacher salaries average less than 4 USD, forcing them to seek other sources of income to supplement their wages. In 1991, government spent 6 USD per child and now it is in the region of less than US 18 cents. The equity gap has widened. Public schools have closed down, while private schools charging fees to parents have withstood the challenge.[2] This has impacted on the quality of education services, the access of learners to education, teacher flight and attrition. A major challenge that would hinder a recovery is the flow of funds into the education sector. The early recovery of the education system will require taking measures to reduce leakages of resources, failure to follow the rules and purchase of inputs.

Additional factors on the drain of key personnel – bureaucrats and teachers alike – in the education sector include the recent waves of violence linked to political affiliations during the election period resulting in the forced migration of teachers as well as high prevalence of HIV and AIDS among teachers[3]. Lack of teachers has been one of the main reasons for the closure of schools, and the replacement by unqualified teachers has been the main reason for deteriorated quality in educational process.

It is estimated that some 20% of primary aged children are out-of school. There are an estimated 1.6 million orphans and some 30% of children engaged in child labor in the rural areas[4]. Drop-out rates are soaring and the entry into schools delayed as children experience the impact of the recent dislocation of communities and the worsening poverty levels. Hyper-inflation is forcing schools to increase their fees and levies on a monthly basis which impacts directly on learner participation.

Other challenges include supervision, teaching and learning materials, and facilities and equipment. The lack of necessary infrastructure at both head office and provincial and regional offices has severely affected management and supervision at each of the governance levels in the system. Since 2001 there has been a dramatic decline in the provision of teaching and learning materials in schools and an extreme shortage of stationery. Government issues per capita and tuition grants but these funds cannot cover the basic costs of school materials. Some

[1] Associated Press 2004
[2] From 2,119,865 to 2,152,058, calculated as 88% of the total enrolment of 2, 445,520 children.
[3] The prevalence rate in Zimbabwe is estimated to be 25% (Chung, ibid)
[4] Fay Chung

schools report no textbooks available for the entire school. Schools do not have even a single syllabus document available. Classroom shortfalls between the years 2000-2006 averaged 19%, with the highest shortages in high density areas (29% in 2006). Absence of adequate sanitary facilities particularly affects girls' attendance at school. In 2006, on average, every alternative teacher in a school did not have a desk and two students were sharing the same chair or seating place. In schools, there are as many as four teachers to one desk.

Knowledge gaps

- Impact of attrition on personnel at school, district and national levels and its impact on children performance.
- Numbers of children covered by current feeding programs, those assisted with school fees through existing schemes such as BEAM, and available per capita grants.
- Impact of current economic situation on access to education.
- Crisis facing higher and tertiary education to identify areas of intervention.
- Assess current printing and publishing capacity
- Analyze current government expenditure on learning and teaching materials and the distribution of government and non-government funds to districts.
- Assess gaps in post placements in the area of planning, supervision and management, and Education Management Information Systems (EMIS) in the education system.
- Determine the extent of to classroom, equipment and water and sanitation facilities availability. Assess availability of specialist rooms in secondary schools up to GCE (O level) and their need for biology laboratories, chemistry laboratories, core-science laboratories, and physics laboratories.

Policy Options

- Re-build and retain the human resources capacity in identified priority areas of the economic sector by developing strategies and incentive systems to retain and increase the capacity of the remaining human resources in the country.
- Recover previous investment levels in education; and in particular strengthen BEAM.
- Decentralize resources to the school level and strengthen capacity of local education authorities to manage the education system.
- Develop strategies for getting children back into school (girls, children affected by HIV and AIDS, and other vulnerable children).
- Introduce free basic education.
- Prioritize technical, entrepreneurship and vocational skills training to out-of-school youth.
- Disburse and distribute essential equipment and infrastructure (desks and chairs for teachers and pupils in disadvantaged school).
- Halt teacher attrition needs through salary retention packages, training schemes, and performance-related budget support.
- Fast-track the deployment of skilled teachers to rural public schools.

- Consider intensive pre and in-service Teacher Training to nurture new teachers and Upgrade the skills of existing ones.
- Strengthen the capacity of the private sector in learning materials provision.
- Address HIV/AIDS issues at the policy and delivery system levels.