



**Global
Partnership**
for Effective Development
Co-operation

Country brief

Zimbabwe

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Zimbabwe progress on development cooperation

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A. Introduction and Purpose of the Brief

Zimbabwe experienced a deteriorating economic and social environment since year 2000 due to a combination of many factors. This resulted in deep economic and social crisis characterised by hyperinflationary environment and low industry capacity utilisation, leading to overall decline in gross domestic product by 50% in 2008 and also imposition of sanctions by the western world.

Zimbabwe is classified as a fragile state by the World Bank because the GDP is very low of approximately US\$10billion and poverty levels remain high.

Power struggle dominate the Zimbabwean politics among the political parties both the ruling and opposition parties. This is having a negative bearing on the Zimbabwean economy.

Unemployment is still high. The country has witnessed low business confidence with a high risk premium resulting in lack of investment and financial inflows. The economy is in a deep state of deflation.

The aim is to give the status quo of a brief summary of what is taking place in Zimbabwe in relationship to development cooperation and outline the challenges and opportunities thereof.

B. Country Context

General information, including some about cooperation development (ODA...).

- The country received ODA of US\$259.1 between January to September both from bilateral and multilateral institutions
- Due to aid misallocation, non-repayments, the countries deteriorating political climate, the IMF withdrew its technical assistance to the country in 2012.
- The signing of the Global political Agreement in 2008 between the political parties into a power sharing arrangement also did not attract the much needed ODA.
- The look east policy also failed to attract substantial ODA inflows.
- In 2009 the country produced the aid coordination policy.

In 2009 the country was ruled by an inclusive government which had its own development policies. These include the short term emergence recovery programme launch under the theme getting Zimbabwe working again. STERP was followed by the focus on reconstruction with equitable growth and stability under the three year macro-Economic policy and budget framework 2010-2012.

In 2011 the Mid Term plan was launched with the objective of promoting sustainable inclusive growth, human centred development, transformation and poverty. The policy initiatives were implemented through programmes supported under the annual budget.

As a result of the policy measures 2009-2011 saw serious economic rebound on the back of a strong economic growth averaging 9.5%, single digit inflation below 5% and doubling fiscal revenue collection from 16% of GDP to an estimated 32% of GDP in 2012.

The performance was remarkable since it was achieved with minimum external support and investment and also during a period of subdued global growth and international financial turmoil. This was anchored by mining and agriculture between 2009-2011. Impressive progress was also made in the following areas:

- Attainment of single digit inflation
- Increased in industry capacity utilisation, from below 10% to average around 50%

- Modest growth in overall investment from 2% of GDP in 2008 to 9% of GDP
- Increased aggregate demand , 18.6,domestic absorption 32,2% and external absorption 48.5%
- Increased agriculture growth rates from -5,8% in 2008 to 37.6%durig 2006
- The restoration of social services in particular health and education.

In 2012 development partners alone pledges US\$618.3million but by September 2011 only US\$370.7 have been disbursed outside the budget framework mainly humanitarian targeting health education, social protection programmes as well as agriculture, energy, water and sanitation and governance.

Government continues to engage cooperating partners to increase and broaden their support to Zimbabwe preferably shifting from humanitarian to development assistance and also graduating from off budget support to budget support. Budget support enhances country ownership, alignment, harmonisation, results and mutual accountability.

The national development framework for the country up to 2019 is known as the “Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset). It was crafted with a view of achieving sustainable development and social equity. The program is anchored on indigenization empowerment, and employment creation that will be largely propelled by exploitation of human and natural resources.

C. Development cooperation and partnership framework

The AID coordination policy was grafted in 2009 which outlined how government and development partners should engage. This policy was twined using the inclusive government structures. In 2011 donors and government managed to establish the following funds managed by UNICEF.

- Child protection fund
- National action plan phase II (2011-2015)
- Education transition fund II
- Health transition fund

In addition there is the Zim fund (programmatic multi-donor trust fund) established under the administration of the ADB for energy, water and sanitation and the Analytical multi-donor trust fund and results based trust fund managed by the World Bank.

However in 2013 there was a new government which had new structures and ministries created after the elections. This called for revision of the aid policy to align with the new constitutional provisions.

In 2014 the Zimbabwe reconstruction fund was launched in 2014 ZIMREF (2014-2019) is the successor to the analytical multi donor trust fund which is aligned to the zim asset and the Zimbabwe strategy note III, any engagement framework between Zimbabwe and the World Bank.

Inflows of ODA have been erratic and remain outside the budget. Total development assistance pledges in 2012 from both Bi-lateral and multilateral development partners were US\$588.2 million. The major bilateral contributors included UK, USA, China, Australia, and Sweden. The major multilateral contributors were mainly from the global fund, World Bank and UN agencies.

D. Progress in Effective Development Cooperation

Review of the Development Assistance Framework through Setting up of Structures to Support Cabinet Committee Aid Coordination (CCAC) and Working Party of Officials (WPO)

Following the realignment of the CCAC, chaired by the Minister of Finance and Economic Development, through Cabinet Circular No. 16 of 2014, which will be supported by the WPO, there is a need to firm up on aid coordination technical structures.

The envisaged additional structures are sector working groups (Zim Asset clusters) and an aid coordination unit in the Ministry of Finance and Economic Development.

Review of the Aid Coordination Policy

Pursuant to the setting of structures and in line with the 2014 National Budget Statement, there will be need to review the Aid Coordination Policy. Furthermore, the new development plan, Zim Asset, also notes the need to 'continue to collaborate with all the Development Partners' in order improve access and utilisation of external resources. This calls for Government to develop a clear and well-coordinated development cooperation framework.

Manual on Aid Coordination and Management Procedures

Once the Aid Coordination Policy has been reviewed and approved, there is also need to develop a procedures manual that will guide the implementation of the proposed revised Aid Coordination Policy, with the overall aim to improve aid effectiveness in Zimbabwe. The Manual will provide detailed guidelines on the processes of negotiating, contracting, managing and accounting of aid, actors involved at each stage, as well as, project implementation, among others.

Unlocking investments and normalizing relations

Government has begun making arrangements towards unlocking resources to fund zim-asset. They have started servicing of arrears to the IMF and amounting to US\$ 150 000 monthly with a cumulative total of US\$900 000 having been paid during the first six month of 2014. Zimbabwe as also began main regular monthly payments towards servicing of arrears to the IMF poverty reduction and growth trust as well as quarterly payments to the world bank and the ADB. Again in the first quarter of 2014 Zimbabwe has paid US\$1.8million to the World Bank and US\$ 1 million to the ADB

Zimbabwe has begun to broaden cooperation to other partners including the European Investment Bank and normalising relations with Kuwait Fund and BADEA by restructuring of loans and making respective payments. Zimbabwe will also make token payments to the European Investment banks. Normalising relations with the IMF has resulted in the IMF reopening a representative office in Harare.

E. Development Effectiveness Agenda

TASK	FORMAT	RESPONSIBLE	PROPOSED DATES	EXPECTED OUTPUT
. Initial Meeting with UNDP to map way forward	Meeting	Drafting Committee	13 June 2014	Agreed Minutes on Way Forward - Done
i. Evaluation of the existing development assistance coordination mechanisms, as well as, identifying strengths and weaknesses, including measures to align it to international best practices.	Literature review	Drafting Committee	16-27 June 2014	Draft working papers
ii. Drafting of a new Development Assistance Policy	Working Retreat	Drafting Committee	6-12 July 2014	Draft Development Assistance Policy
v. Consultative Workshop with the sector working groups	Workshop	Drafting Committee/ sector working groups	23 July 2014	Draft Development Assistance Policy
v. Consultation with WPO.	Workshop	Drafting Committee/ sector working groups/WPO	31 July 2014	
vi. Consultative Workshop Development Partners and Civil Society	Workshop	Drafting Committee/sector working groups/ WPO/Development Partners/Civil Society	12 August 2014	Recommendations on measures, steps and dynamics for establishment of the mechanism
vii. Submission of Draft Development Assistance Policy to CACC		WPO	15 August 2014	
viii. Approval of the Development Assistance Policy		Cabinet	To be determined	Approved Development Assistance Policy
x. Development of the Procedures Manual	Working Retreat	Drafting Committee	To be determined	Draft Procedures Manual

Some of the targets have not been met and the work is still ongoing. The guidelines may not be met.

Main factors of success

Abundant human and natural resources have enabled the country to re-bounce after a decade of economic demise.

Political will which resulted in the formation of the GNU that resuscitated the rebuilding of the economy.

An improved agriculture sector due to a good harvest with tobacco output surpassing the initial targets in 2014. Mining sector also grew. Tourism has led to the growth of the economy

Challenge

The bulk of development cooperation remains outside the national budget framework and is disbursed through nongovernmental organisation.

Production is stalled by lack of power to drive industry, obsolete and antiquated equipment and inadequate funding for recapitalisation.

Influx of imports has affected production especially from the East, high costs of borrowing and weak demand due to liquidity.

F. The Global Partnership and its contribution to the development effectiveness agenda at country level

Contribution of Global Partnership (GP) to the national efforts and to the monitoring of progresses:

The Global partnership has resulted in the country being classified under the fragile state facility.

This has resulted in the country catching up with the rest of the world in putting structures for development effectiveness.

Expects from the GP:

ODA to be disbursed through Budget support.

Assist government in strengthen national systems such as formulation of aid policy

Contribute of GP to the post-2015 agenda:

GP to assist Zimbabwe to ensure that it has the necessary expertise, capacity and system to mobilize and manage resources either through domestic resource mobilization or external sources.

G. Conclusions and recommendations

The *Global Partnership* provides Zimbabwe with an opportunity to re-engage the international community. It has the opportunity to domesticate the international agreements into its national policies. The development landscape has become more complex with diverse sources of finance, Zimbabwe has the opportunity to ensure inclusivity by the creation of dialogue structures and put mechanisms for managing them. The country therefore should structure its policies in line with the global partnerships.

The development partners should carefully consider the viability of sanctions which have severely restricted Zimbabwe's access to aid especially direct budget support.

Zimbabwean government also needs to finalize on its aid policy.

H. References

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