Report No. 29058

Zimbabwe
Country Assistance Evaluation

May 21, 2004

Operations Evaluation Department

Document of the World Bank

Abbreviations and Acronyms

AAA	Analytical and Advisory Activities
BEAM	Basic Education Assistance Module
CAS	Country Assistance Strategy
CAE	Country Assistance Evaluation
CEM	Country Economic Memorandum
ESAP	Economic and Structural Adjustment Program
ESW	Economic and Sector Work
GDP	Gross Domestic Product
GNP	Gross National Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IDA	International Development Association
IMF	International Monetary Fund
LSCS	Large Scale Commercial Sector
MPSLSW	Ministry of Public Service, Labor and Social Welfare
OED	Operations Evaluation Department
PER	Public Expenditure Review
PPP	Purchasing Power Parity
SAC	Structural Adjustment Credit
SDF	Social Development Fund
STI	Sexually Transmitted Infections

Director General, Operations Evaluation	:	Mr. Gregory K. Ingram
Director, Operations Evaluation Department	:	Mr. Ajay Chhibber
Senior Manager, OEDCR	:	Mr. R. Kyle Peters
Task Manager	:	Ms. Poonam Gupta

Contents

Contents (cont'd.)

Figure

Attachments

Preface

This Country Assistance Evaluation (CAE) provides an independent assessment of the role of World Bank assistance to the Republic of Zimbabwe during 1990–2000 with reference where relevant to the 1980s.

The CAE is a countrywide evaluation that concentrates on the relevance, efficacy, efficiency, sustainability, and institutional development impact of the Bank's program of assistance. Section 1 describes Zimbabwe's economic and social developments as well as the major challenges to development. Section 2 evaluates Bank assistance from the bottom up by assessing the Bank's products and services: strategy, lending, analytical and advisory activities, resource mobilization, and aid coordination. Section 3 evaluates the development impact of country assistance. Section 4 discusses the contributors' performance, the Bank, the country and other partners, as well as exogenous influences. Section 5 presents the lessons and recommendations.

The CAE is based on Bank strategy and lending documents, economic and sector reports (both formal and informal), Operations Evaluation Department (OED) project assessments, International Monetary Fund (IMF) reports, and interviews with staff of the Bank, government officials and other donors and experts. Non-Bank literature on Zimbabwe was also reviewed. An OED mission visited Zimbabwe from March 24, 2001, to April 10, 2001.

A draft of the report was sent to the Zimbabwean Government in January 2003, however comments have not been received.

This evaluation was prepared by Ms. Poonam Gupta (Task Manager), with inputs from Mr. J. W. Van Holst Pellekaan (consultant, OEDCR). Mr. Gene Tidrick (OEDCR) and Mr. Roger Robinson (external) were peer reviewers for the report. Ms. Laurie Effron (OEDCR) also provided comments. Ms. Betty Casely-Hayford and Agnes Santos provided administrative assistance and Ms. Anar Omarova provided research assistance.

Summary

In the first decade after Independence in April 1980, Zimbabwe sought to promote development and reduce inequities through intensified economic controls and increased social expenditures. This resulted in social progress but at the expense of unsustainable fiscal deficits and low growth. Land distribution remained highly unequal. In 1991 the Government launched an Economic and Structural Adjustment Program (ESAP) to accelerate growth through better fiscal management and market liberalization. This largely failed because of external shocks and unsound policies. Social progress slowed, per capita incomes declined, and the number of people living in extreme poverty increased. AIDS now affects one-third of the adult population and life expectancy has fallen from 56 in 1990 to 40 in 2000.

The Bank's strategy in the 1980s responded appropriately to poor economic management but did not provide clear direction to land reform. Lending was concentrated on investment loans for infrastructure. While analytical work appropriately focused on improving economic management, all five major Bank reports made no recommendations on land reform.

The Bank provided two structural adjustment credits (SACs) during 1991-96. While a number of important reforms were accomplished through these credits, Zimbabwe was never able to establish macroeconomic stability. Fiscal deficits averaged 8.5 percent per annum in 1991-99. One reason was the unwillingness of the highest political leadership to make critical adjustments. A second important reason was that financial liberalization and tax reduction were sequenced to come before rather than after reductions in expenditures. Financial liberalization and tax reductions turned out to be fiscally costly and led to a domestic debt trap. Rising interest payments squeezed public spending on social services; high real interest rates stifled private sector growth and employment generation, counteracting the positive effects of the SACs on economic liberalization and deregulation of investment.

While many analytical and advisory activities (AAAs) were completed in the 1990s, substantive analytical work on some key issues either was not undertaken or was not timely. The public expenditure review (PER) in end-1995 came too late to highlight sequencing issues in the Government's fiscal program or to inform the design of the SACs. Also no substantive analytical work on poverty has been completed. Furthermore, land reform was addressed only sporadically and not treated as a priority area until late in 1998. While the Bank's inability to finance land acquisition was a constraint to an effective dialogue and experimentation on approaches, the Bank could have undertaken AAA on alternative approaches, disseminated findings from elsewhere that only in exceptional cases are large farms more efficient than small farms, and pushed for the relaxation of rules for subdivision of land.

There were shortcomings in investment lending also. The Bank was unable to launch a lending program for agriculture, and gave insufficient attention to social safety nets. During 1998–2000, when there were clear warning signs that the Bank's strategy

was not working because of a lack of ownership from the political leadership, it continued to appraise projects and approve new projects, as well as negotiate a SAC III.

The outcomes of Bank assistance during 1980–2001 evaluated against country assistance strategies (CASs) and other relevant objectives are rated unsatisfactory, and institutional development impact as negligible. While the Bank's program did help liberalize trade, reform agricultural marketing arrangements, deregulate domestic investment, and establish a fund to mitigate the social impact of adjustment, the assistance did not support macroeconomic stability, expenditure reform, and a reduction in poverty and inequality. Also, civil service reform did not improve efficiency nor contribute to fiscal sustainability, parastatal reform was disappointing, and structural reforms were poorly sequenced. In December 1997, the Bank disbursed the second tranche of SAC II based on assurances which were not met.

Bank actions, which largely determine Bank performance, are one contributor to the outcome and institutional development impact of the Bank's assistance strategy. Outcomes are also determined by the Borrower's performance and other factors. The Borrower showed little commitment to macroeconomic stability and poverty alleviation. It did not take steps on land policy that its own Land Reform Commission recommended. Instead the Government abandoned the rule of law and respect for property rights by forcibly acquiring land. Controversial and unexpected policy decisions by the Government in 1998-2000 (e.g., on civil service wage increases and land redistribution) make sustainability of outcomes unlikely.

The Zimbabwe experience provides four lessons. First, given the necessity of macroeconomic stability, especially achieving fiscal sustainability, the Bank should have undertaken a PER prior to 1995, should have been more forceful in ensuring that credible steps to achieve fiscal sustainability were incorporated in adjustment lending, and should have formed a judgment not only about the macroeconomic/fiscal targets, but also about the likelihood of their implementation. Second, the Bank should have given greater attention to reducing glaring inequalities and poverty by undertaking in-depth analytical work on poverty and more proactively addressing land reform before 1998. Third, the Bank should not have relied on commitments with technocrats in the absence of political consensus for reforms. Fourth, in the absence of ownership from the political leadership, the Bank should have insisted that conditions be fulfilled and not proceed to lend on the basis of promises. The Bank's willingness to lend sent the wrong message to the client and to the partners.

Given the current situation, the Bank can do little to move forward the economic and social agenda. It cannot lend even for a narrowly defined social agenda; the Government has been in arrears to the Bank since May 2000. At the present juncture, the Bank should focus AAA on building a knowledge base in four critical areas: (i) an assessment of poverty and inequality, and the impact of economic policies on these issues; (ii) an analysis of the political economy factors which have impeded reforms (e.g., parastatal reform) in the past; (iii) learning from pilots on land reform launched in other countries; and (iv) a public expenditure review focused on fiscal sustainability and the required rationalization and reallocation of public expenditures. A resumption of normal Bank lending should be conditional on: credible and upfront measures to achieve macroeconomic stability; fundamental governance reforms; a pro-poor reallocation of expenditures; parastatal reforms; and the formulation and credible initial steps in the implementation of an action plan on land issues.

Gregory K. Ingram
Director-General
Operations Evaluation

1. Background

Description

1.1 Zimbabwe is a land-locked country. It borders Zambia to the north, Botswana to the west, South Africa to the south, and Mozambique to the east. Its population in 2000 was 12.6 million, about 0.6 percent of which were whites. In 1999, industry accounted for 25 percent of GDP, agriculture 20 percent, and the service sector the remaining 55 percent. Despite the extensive diversification of the economy and agriculture's relatively small contribution to GDP, the sector's contribution to growth and employment has been and continues to be significant. In 1999, tobacco and horticulture alone accounted for 36 percent of exports and the sector as a whole accounted for 44 percent of total merchandise exports, the same since 1981. Further, half the manufacturing sector relies on agriculture for inputs. In addition, out of those employed in 1999, 60 percent were working in agriculture, forestry, and fishing.

Economic and Social Conditions

1.2 Prior to the 1965 Unilateral Declaration of Independence (UDI), Southern Rhodesia operated as an open economy. During those years, the economy experienced high overall growth, massive government investment in electric power, rail and road transport, and a large infusion of foreign capital. The ownership of land was, however, skewed; the Land Apportionment Act of 1930 reserved 30 percent of agricultural land for 1.1 million Africans living in mostly low fertility Native Reserves and 51 percent (including most high fertility land) for 50,000 white settlers (roughly 5 percent of the population at that time). The remaining 19 percent was unassigned land and forest areas.

1.3 The UDI in 1965 provoked international sanctions which prompted the Government to switch towards greater reliance on import-substituting industrialization policies. After a period of relative prosperity between 1965 and 1974, sanctions, shortcomings of these policies, and civil war between 1973-80 caused growth to slump. The war was fought over two fundamental issues; one was the enfranchisement of Africans and the other was land distribution. In the words of Eddison Zvobgo, Zimbabwe's first Minister of Local Government, "Land was the concretization of all the other grievances . . . The most obvious and visible deprivation was land."

1.4 The war culminated in the Lancaster House Agreement and the creation of Zimbabwe on April 18, 1980. Under the Agreement, the British Government would grant funds for land acquisition and re-distribution for ten years for land acquired on a willing-seller-willing-buyer basis. This provision was meant to protect white landowners against confiscation of their lands.

1.5 Between 1980 and 1989 the pace of resettlement was slower than anticipated. About 52,000 families were resettled on 3.1 million hectares of acquired land against a target of 162,000 families on 10 million hectares set in 1982. The slow resettlement is explained by: restrictions placed by the Lancaster Agreement; the lack of financial resources (British assistance had to be matched dollar for dollar by the Government's own resources); overly centralized, bureaucratic, and uncoordinated implementation by the Government and the lack of availability of high quality land for sale. More than 40 percent of the acquired land for resettlement was in regions where land was of poor quality and the Government was unwilling to buy more land in these regions.

1.6 Thus, even after a decade of resettlement efforts, land distribution remained highly skewed. As of 1988, the large-scale commercial sector (LSCS), numbering about 4,660 farms, controlled 29 percent of the total land area, located mainly in the areas of highest agricultural potential. While more than 1,000,000 families remained in the overcrowded communal areas on 42 percent of the land area, located mainly in areas of poor agricultural potential. These families were facing declining soil fertility, and growing incidence of soil erosion from increased population pressures and intensive agricultural production together with limited use of fertilizers. Land pressure and tremendous political pressure because of expectations created during the war of Independence made land redistribution a continuing critical issue at the end of the 1980s.

1.7 There were also economic considerations for redistributing land. The policy of redistributing land would have improved the productivity of unused, or underutilized, land. Such land was estimated to be about 3.5 million hectares according to an internal Bank memorandum in the early 1990s. The argument that small farms resulting from redistribution policy are relatively inefficient compared to LSCS was not supported by studies.[1] In any case, redistribution policy was important for supporting broad-based growth and poverty alleviation because smallholder agriculture was the principal provider of the rural poor's employment and income.[2] Impact analysis on a set of land reform beneficiaries suggests that resettled households performed well based on income, agricultural productivity, accumulated wealth, and household expenditure when compared with their position at the start of the land reform program, or when compared with their communal counterparts.[3]

1.8 The other issues at the end of the 1980s were excessive controls and high government deficits. In order to redress inequities, the Government had intensified the direct controls inherited at independence and increased government expenditures. The

---

[1] The 1995 Country Economic Memorandum (CEM) noted that the dominance of LSCS in many high-value industrial and horticultural crops stemmed less from economies of scale than from the LSCSs favored land resources and access to irrigation facilities, favored access to technology, agricultural credit and other factors. Zimbabwe is divided into five natural regions based on soil types, rainfall, and other physical characteristics. Within natural regions I and II, the domestic resource cost ratio (DRC) for smallholder maize approximates that for LSCS maize production, while the DRC for smallholder cotton is lower than that for large farm tobacco, wheat and soyabean production. The case for a resource efficient smallholder subsector is even greater in regions III and IV. Smallholders are far more efficient producers of maize, cotton, and vegetables than the LSCS in these areas.

[2] A country's poverty reduction potential depends on growth elasticity, i.e., changes in poverty in relation to growth. A report by the Statistical Office in Zimbabwe in July 1998 estimated that the growth elasticity between 1990/91 and 1995/96 for rural Zimbabwe was only -0.477. With this elasticity, agricultural growth rates of higher than 6 percent per annum would be required before the incidence of poverty in rural areas could decline

[3] Deininger, Hoogeveen, and Kinsey. 2002.

highly regulated agricultural marketing network was expanded as were the range of crops that were controlled. Controls on the allocation of foreign exchange and price determination were extended to cover the labor market. In 1980, minimum wages were introduced, and increased sharply in the early 1980s. To prevent lay offs, regulations were introduced with severe restrictions on firing. A massive redistribution of social expenditures particularly on health and education led to significant improvements in social indicators (table 1.1), but the central government deficit rose to 10 percent of GDP (table 1.2). This was financed partly through high tax revenues (36 percent of GDP), with the remaining financed by domestic borrowing at negative real interest rates. By the end of the 1980s, per capita income growth was 1 percent per annum and unemployment was more than 20 percent.

1.9 As a result, the Government came to regard economic policy change as necessary and launched the Economic and Structural Adjustment Program (ESAP) covering 1991 through 1995. The program, unlike in many African countries, was initiated not by a crisis but by a recognition that conditions for more rapid growth were needed.

Table 1.1: Social Indicators

	Zimbabwe			*Sub-Saharan Africa*	
	1980	***1990***	***2000***	***1990***	***2000***
Infant mortality (per thousand live births)	80	51.8	69.0	101	92.4
Illiteracy (% of population age 15+)	30	19.3	11.3	50	39.4
Life expectancy at birth	54.9	56.2	40.4	49.9	46.8
Safe water (% of population with access)	..	77	85	48.7	55.4
Sanitation (% of population with access)	..	64	68	55.2	54.8
Primary school enrollment % gross	85.1	115.7	112.4	75.7	74.6

Source: Bank Database.

1.10 Under the ESAP, substantial progress was made in liberalizing the trade and foreign exchange regime, in deregulating agricultural marketing, the labor market, and the financial sector. The average annual growth in GDP in 1991-97 was 2.9 percent, but excluding the 1992 drought year, average growth was 4.9 percent, above the rate of population growth which had slowed to about 2.6 percent during 1991-97.

Table 1.2: Selected Economic Indicators (per annum)

Indicator	***1965-74***	***1975-80***	***1981-90***	***1991-97***	***1998-99***	***2000***	***2001 Proj.***
Real GDP Growth	7.8	1.1	4.5	2.9	1.1	-4.9	-8.4
Agricultural Growth	6.3	-0.7	4.5	3.8	4.2	2.5	
Central Govt. Budget Balance, excl. grants (% of GDP)	-2.9	-8.7	-10.7	-8.8	-7.6	-22.9	-12.6
Gross Fixed Capital (% GDP)	19.4	16.0	17.3	21.3	13.8	….	…

Source: Bank Database. Budget deficit is from an internal Bank economic memorandum in 1981 and IMF reports.

1.11 But inadequate progress was made in macroeconomic stabilization due to several factors. The main factor was the flaw in sequencing of reforms in the ESAP macro program. [4] The fiscal aspect of the program had three elements: (i) a reduction in the

[4] IMF. 1998.

fiscal deficit; (ii) a reduction in explicit tax rates; and (iii) a deregulation of interest rates. A reduction in tax rates and the deregulation of interest rates sequenced to come before rather than after expenditure reductions from parastatal reform and public employment reductions turned out to be fiscally very costly. Even with a constant domestic debt, the cost of financial liberalization alone was 5 percent of GDP. The failure to meet fiscal targets necessitated further borrowing and led to the domestic debt trap. In 1990–91, the central government domestic debt was 30 percent of GDP, the Government was paying 9.8 percent nominal interest when inflation was 23 percent; interest payments were only 4.5 percent of GDP. By 1995–96, domestic debt had increased to 47 percent of GDP, the real interest rate was 8 percent on domestic debt and the interest bill had risen to 9 percent of GDP. Other factors that exacerbated the fiscal deficit were, government reluctance to follow through with civil service and public enterprise reform, and the 1992 drought which necessitated increased spending at the same time that tax revenues were declining.

1.12 The ESAP also entailed a massive redistribution of income from formal sector wage earners to commercial agriculture. The deregulation of the labor market, reduced protection of manufacturing, and a reduction in public expenditures led to a decline in employment in manufacturing and in public administration. Agriculture benefited from exchange rate adjustment and marketing deregulation but agricultural growth was not broad based enough to reduce rural poverty (para 3.10). The overall prevalence of extreme poverty increased from 26 percent to 35 percent between 1991 and 1995. Inequality remained high with a Gini coefficient of 0.63 in 1995–96 compared to 0.39 for Ghana, 0.38 for Uganda, and 0.53 for Zambia.[5] Rising poverty and high inequality undermined support for the program in a country that was trying to overcome its legacy of a highly dualistic economic structure and segregated past.

1.13 Poverty has most likely increased since 1995 for several reasons. First, both GDP per capita and GNI per capita have on average declined since 1996 by 2.2 and 3.4 percent respectively (annex A, table 2).[6] The decline has been particularly marked since 1999. Second, there have been considerable increases in the prices of food and other consumer goods such that inflation was 58.5 and 55.9 percent in 1999 and 2000 respectively. Third, the misery of the poor has been reinforced by a substantial shortfall in maize production in 2002. Finally, the fiscal crisis has led to a devastating reduction in access and the quality of social services at a time when they are badly needed.

1.14 Key millennium development goals (MDGs) are worsening as a result of the human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) pandemic. The adult HIV/AIDs prevalence rate for Zimbabwe is now estimated at a third of the population. Between 1990 and 2000, life expectancy has decreased from 56 to 40 years and infant mortality has risen from 52 to 69 per thousand live births. In 1999, the

[5] See Christiaensen, Demery, and Paternostro. 2002.

[6] The trends in GDP per capita in 1995 prices and GNI per capita in 1993 purchasing power parity (PPP) track each other closely, particularly from 1996. The Atlas method for calculating the trend in GNI per capita shows a substantially greater decline compared with the PPP method because inflation has been high, and exchange rates have not been market-determined but administratively adjusted from time to time.

number of AIDS-related orphans increased by 130,000 (about 1 percent of the population). The pandemic has also sharply increased infections such as tuberculosis.

1.15 Starting in 1997, there was a fundamental change in governance. The Government back tracked on price and trade liberalization, and granted war veterans unbudgeted payments of more than 2 percent of GDP in August 1997. Parastatals incurred losses of more than 7 percent of GDP in 1997–98. Budgetary discipline was further undermined in 1998 by increasing defense expenditures with military operations in Congo.[7] By 1998–99, the central government budget deficit had risen to 11.5 percent. The Government also progressively became more strident in its claims that white farmers should move off their land and be replaced by blacks. It targeted 1,471 commercial farms for compulsory acquisition in November 1997, and in June 1998 prepared a second land reform program aimed at acquiring 5 million hectares.

1.16 Expectations for a meaningful land reform increased in September 1998 as a result of agreements reached in a donor conference. But divergent views between the Government and the donors on what each side had committed to do led to an impasse. In April 2000, frustrated with a lack of financial support from donors, the Parliament adopted an amendment to the Constitution which stipulated that if donors did not provide funds for land purchases, the Government could acquire farms compulsorily without paying compensation. A wave of invasions hit the country, organized by war veterans and condoned by the Government. In July 2000, a newly-elected government proceeded to take over large-scale commercial farms under the Fast Track land reform program involving the compulsory acquisition of 5 million hectares of commercial farm land. In July 2001, the Government increased the amount to be resettled from 5 million hectares to 8.3 million hectares, or almost 77 percent of the land area with large-scale commercial farming. And in November 2001, the fast-track program was accelerated to allow the Government to assume immediate ownership of land targeted for acquisition; current owners were instructed to vacate farms within three months.

1.17 By 2000, the country was in a serious economic crisis. GDP per capita growth was –6.7 percent in 2000 and –9.8 percent in 2001. The central government fiscal deficit (excluding grants) had risen from 10 percent of GDP in 1999 to 22.5 percent in 2000 led by large, unbudgeted increases in civil service wages, defense spending and a surge in domestic interest payments following a rapid increase in domestic borrowing. The deficit was projected to decline in 2001 due to a sharp reduction in domestic interest payments as a result of forced restructuring of government debt.

[7] In every sector, ministries could not implement reforms because they were overruled by the ruling party. For instance, a financial sector policy note in 1997 singled out a bank for corruption and financial risk; the bank was inspected by the Central Bank but not stopped from operating because of political connections. The power ministry was receptive to sectoral reforms but the party leadership negotiated an unfavorable power deal with another country. In 1998, senior officials of the Agricultural Ministry were arrested.

2. Products and Services

Bank Strategy and Its Relevance

2.1 The twin objectives of reducing fiscal deficits and fostering equitable growth have remained unchanged for almost two decades. These objectives were first set out in the 1980 country economic memorandum (CEM) and repeated with a few modifications in the FY92, FY94 and the FY97 country strategies. Private sector development, poverty alleviation, human capital, and rural development were added to the country strategies in the 1990s.

2.2 The FY92 Bank strategy objectives embedded in the first Structural Adjustment Credit (SAC I) report of the Bank's President aimed to maintain macroeconomic stability, promote growth, and reduce poverty and inequality. Reforms were to be directed at the parastatal sector, the civil service, trade, and exchange rates. Price controls would be removed and the procedures for hiring and firing would be streamlined. To mitigate the potential negative effects of structural adjustment on the poor, a Social Development Fund (SDF) was proposed to provide financial assistance to the poor in the payment of education and health fees, in the maintenance of nutritional standards, in the training of retrenchees, and in establishing small businesses. Continued emphasis would be given to agriculture and to protect government resources going to health and education.

2.3 Lending was projected at US$265 million in FY91–92 and US$267 million in FY92–93. The bulk of lending was to be through two adjustment credits (US$300 million) and the remainder was to be for investment loans for economic infrastructure, health care, education, wildlife conservation and an agricultural services project. No new analytical and advisory activities (AAA) were envisaged as considerable work had been completed.

2.4 The objectives of the FY94 Bank strategy were similar to those in the FY92 strategy: recovery of growth, private sector development, greater equity, and poverty alleviation. The Bank strategy proposed US$50–$150 million per year for FY93–97. In the base case, nine investment loans would support small and medium enterprises, infrastructure, communal farming, and health to arrest the spread of AIDS. A third adjustment credit in FY95 would focus on initiatives to expand exports. Major economic and sector work (ESW) was foreseen in the Bank strategy (e.g., a CEM, Trade Expansion Study, and Public Expenditure Review).

2.5 The FY97 Bank strategy also targeted macroeconomic reforms, rural development, natural resource management, private sector development, and the development of human capital. The base case lending scenario was US$90 million per year with investment projects for public sector capacity building, rural development and natural resource management, private sector development through support for infrastructure, and the development of human capital. Increased emphasis would be placed on workshops, seminars, and shorter focused studies rather than broad-based ESW.

2.6 *Evaluation of the strategies:* The strategies were relevant in many respects. Relevance was high with respect to stimulating private sector development and growth. Relevance was also high with respect to maintaining macroeconomic stability by focusing on reducing unsustainable levels of public sector deficits and parastatal losses, and mitigating the negative social impact of adjustment on the poor and the vulnerable through the SDF. The emphasis on Sexually Transmitted Infections (STI) for reducing AIDs in the FY94 Bank strategy was relevant at that time, although recent research suggests that it likely would have had only a modest impact on HIV transmission. While population issues were not mentioned in the bank strategies, a Bank report in 1989 highlighted the need to develop a national population policy and program, and to put together a comprehensive and cost effective budget and financing plan. The Bank strategy in FY97 for private sector development correctly focused on the provision of efficient and cost effective infrastructure, and continuing the process of tariff reduction. It also recognized that promoting indigenous participation was a key Government objective.

2.7 The mix of instruments of support was also appropriate. Adjustment lending would target policy reforms and investment lending would support small and medium enterprises, infrastructure, communal farming, and health. The focus of AAA was good, as was the shift in emphasis from broad-based ESW in the FY94 strategy to workshops, seminars, and shorter, more focused pieces of work in the FY97 strategy.

2.8 The relevance of the strategy throughout the 1990s was modest with respect to the Bank's mandate to reduce poverty and the country's objective to reduce inequality, mainly because there was no strategy for land reform, despite glaring inequalities (para 1.6). The FY92 Bank strategy did not mention land reform. The FY94 Bank strategy gave conflicting messages: it noted the passage of the 1992 Land Acquisition Act and expressed considerable concern that the new land acquisition policy, if implemented indiscriminately, will adversely affect agricultural development in the country but that the Bank is supportive of the Government's land reform program. The FY97 Bank strategy acknowledged the skewed ownership of land in favor of the white minority but gave no signal that the Bank was ready to work with the Government on meaningful land reform.

2.9 Relevance was modest for other reasons. The FY92 and FY94 Bank strategies placed little emphasis on infrastructure in communal lands where rural poverty was concentrated. Further, no plan was put in place to monitor the impact of economic policies on poverty and income distribution, and the FY94 country strategy did not propose a strategy to strengthen safety nets although it noted that the SDF had not been effective in protecting the poor.

2.10 Although the ESAP was initiated by the Minister of Finance and supported by technocrats in the economic ministries and Reserve Bank, the Bank underestimated concerns of the top political leadership about the impact of parastatal and civil service reforms, privatization, and changes to investment policies on the unequal distribution of income and assets and on the racial divide inherited at independence. The FY94 Bank strategy characterized differences between the Bank and the Government's views of reforms as "differences of emphasis," when in fact they reflected fundamentally different approaches to the issues. The Bank paid too little attention to the likely impact of the proposed reforms, policies, and programs on the aspects that were uppermost in the minds of the country's leadership. As it turned out, weak ownership at the highest level of government for the Bank's strategy eventually undermined outcomes.

2.11 The 1997 Bank strategy was overly optimistic which stated that the Bank's relationship with the Government was somewhat strained. But the Bank has had an important influence on macro and sector policy development. While the Bank reached agreement with technocrats in the ministries, the political party remained unconvinced of the need for macro and sectoral reforms. As a result, the macro situation remained unstable throughout the 1990s and at the time of the Bank strategy in 1997, the estimated budget deficit was 10.8 percent of GDP for 1996–97. In addition, the Bank strategy optimistically proposed nine investment projects over three years, FY98–00, when only six had been approved over the previous seven years in FY91–97.

Implementation of Strategies: Lending

2.12 Between FY52 and FY02, the Bank has lent US$1,564 million. While only US$3.9 million were committed from FY52 to FY80, after independence in April 1980, lending commitments increased from US$672 million in FY81–90, to US$888 million in FY91–00. Zimbabwe became IDA eligible in August 1991; lending on IDA terms increased from 5 percent in 1952–89 to 62 percent in 1990–2000. There has been no new lending since September 1999 and disbursements to Zimbabwe were suspended on May 15, 2000 due to overdue service payments.

2.13 During FY81–90, the Bank appropriately refrained from pushing adjustment lending, but investment lending was not oriented towards reducing inequality and was not effective in reducing fiscal deficits. The Government was fiercely independent and deeply suspicious about accepting Bank policy advice. Since it was investing in education and health and social indicators were improving, Bank investment loans were directed to multisector, power, transport, and urban development, areas where the Government was willing to borrow from the Bank. But these loans, comprising 85 percent of lending in this period, benefited the population living in exceptionally well-served cities, large scale commercial farms, and the industrial sector where ownership was concentrated among a few foreign and domestic corporations and banks. Two investment loans in the power sector did not improve the financial position of the power parastatal, and two agricultural projects exacerbated the fiscal situation.[8] The large investment projects on IBRD terms in the 1980s exacerbated the net transfer problem from the Bank to Zimbabwe in the 1990s (para 2.41). The Bank's lending strategy in the 1980s should have been to curtail investment lending until the resolution of major policy differences with the Government over the management of the economy.

[8] The Small Farm Credit Project (FY83) led to lending to unsuitable borrowers by the Agricultural Finance Corporation (AFC) and to rising arrears. The AFC avoided the impact on its finances by activating government guarantee on losses, guarantees which the Bank reinforced through a covenant in direct contradiction of its stance to phase them out. Another credit in FY89 failed to make AFC sustainable; its portfolio quality deteriorated and arrears mounted, requiring government financing.

2.14 Planned lending volumes did not materialize in FY93–00 (table 2.1). In FY93-97, four of the nine planned investment projects were approved. In FY98–00 also, four of nine planned investment projects were approved before lending was suspended in May 2000. One significant positive aspect of lending in FY91–93 was the Bank's rapid response to the 1992 drought through a drought management project in FY92. Despite implementation problems, the main objective of providing financing for essential imports was achieved and there was not a single death attributable to the drought in Zimbabwe. Rapid assistance for drought relief had an important demonstration effect on other donors who provided additional food aid.

Table 2.1: Planned and Actual Lending, FY91-01 (US$ million)

	FY91-93		***FY93-97***		***FY98-00***		***FY01-02***	
	Planned	***Actual***	***Planned***	***Actual***	***Planned***	***Actual***	***Planned***	***Actual***
CAS91	532	554						
CAS93 (range)			250-750	362				
CAS97 (base)					270	137	0	0

Source: Various country strategies.

2.15 While sectoral allocations did not match some of the priorities established in the country strategies (table 2.2), after the FY97 Bank strategy, actual lending volumes declined appropriately in response to the deteriorating macroeconomic environment.

Table 2.2: World Bank Commitments by CAS Period

	FY91-93	***FY94-97***	***FY98-00***	***FY91-00***	***%***
Agriculture and Forestry	150	…	14	164	18.5
Economic Policy	300	…	…	300	34.0
Electric Power & Energy, Oil & Gas	…	90	…	90	10.0
Environment	…	…	63	63	7.0
Finance	…	…	…	…	…
Health Nutrition & Pop; Education	90	…	…	90	10.0
Multisector	…	…	…	…	…
Private Sector Development	…	70	…	70	7.9
Social Protection	…	…	60	60	6.8
Transportation	39	…	…	39	4.4
Urban/Water Supply & Sanitation	…	12	…	…	1.4
Total	579	172	137	888	100
Memo items: Adjustment	300	…	…	300	34.0
Commitments per year	193	43	45	89	

Source: World Bank database.

2.16 But the Bank should have been even tougher, insisting on credible implementation of reform commitments, given the clear signs that the 1997 strategy for stabilizing the economy and promoting sectoral reform was not working. Clearly deteriorating sectoral and governance conditions (see para 1.15 and footnote 7) should have been a warning to the Bank that the macroeconomic conditions were likely to be unsustainable and the second tranche of SAC II should not have been released in December 1997. The Bank should also have refrained from approving the environment and the agricultural sector management projects in FY98, negotiating a SAC III in August 1999, and appraising new projects.[9]

2.17 *Lending program by CAS objectives*: The following paragraphs assess lending by three country strategy objectives. First, macroeconomic stability and growth; second, private sector development; and third, poverty alleviation and reduction of inequities. The evaluation of policy based lending is followed by an evaluation of investment lending.

2.18 The Bank's two SACs in the 1990s (34 percent of lending in 1991–2000) were appropriately focused on stimulating private sector development and growth. They supported the gradual dismantling of a restrictive system of foreign exchange allocation and exchange rate determination which undermined competitiveness and suppressed imports and private investment. At the same time, they supported the elimination of many non-tariff barriers and a reduction/simplification of trade tariff rates, as well as the deregulation of domestic price controls and a reduction of unsustainable levels of public sector expenditures and parastatal losses. The SAC I (FY92) also focused on reducing the civil service wage bill. The SAC II following a year-and-a-half later (FY93) addressed the elimination of the requirement that farmers sell their maize to the Grain Marketing Board, removal of all geographic restrictions on the transport of maize within Zimbabwe, and a change in the marketing arrangements for beef, dairy products, and cotton which were important for stimulating agricultural growth.

2.19 There were two significant positive aspects of policy based lending for Bank strategy objectives. First, for poverty alleviation, the Bank persuaded the Government to establish the SDF in conjunction with the SAC I to mitigate the impact on the poor and vulnerable of price liberalization (e.g., maize price increases), higher school tuition fees, intensified collection of charges for health care services, and reductions in civil service employment. Second, the import liberalization program was not only phased but the export retention scheme (ERS) under SAC II was designed to provide a strong transitional incentive for export expansion.[10] This was an explicit recognition that export expansion was essential for success in terms of external balance, employment expansion, growth, and poverty reduction, and was necessary to minimize the initial negative consequence of a conventional simple liberalization.

2.20 However, for the implementation of country strategy objectives, the SACs were weak in important respects. A critical weakness was that the fiscal aspects of the macroeconomic program had a low probability of being implemented. The fiscal aspects comprised three elements: a reduction in fiscal deficits, a reduction in tax rates, and

---

[9] The Bank appraised a local government project in October 1999, and a roads project in February 2000. It also appraised an Enhanced Social Protection Project Program in 2000 because it felt that the government was making serious attempts to repay the Bank, there was a good counterpart team for social protection side and poverty was increasing. A component of this project was used by the Government in targeting its school-fee waiver program (box 2.1). The SAC III was not submitted to the Board due to a severe deterioration in macroeconomic fundamentals.

[10] Under the ERS, exporters were to be allowed to retain an increasing proportion of their foreign exchange earnings and trade their ERS entitlements in the open market.

liberalization of interest rates (para 1.11). In the absence of GDP growth, these elements involved a reduction in non-interest expenditures of 15 percent over 1992–95 (from 37 percent of GDP in 1991 to 22 percent in 1995).[11] Such a reduction in non-interest spending was not feasible without a broad based social and political consensus for reforms, especially in a country whose strategy in the 1980s was based on increasing social expenditures; this consensus was not generated. Further, SAC I tranche condition required a reduction in civil service positions when civil service employment was not large by African standards; the major issue was high civil service wages and public wage indexation. Parastatal reform conditionality was not focused on requiring commercialization and privatization but on requiring studies, performance contracts and action plans for enhancing parastatal efficiency. The SAC II report of the President in June 1993 also did not mention the risk to stabilization and to private sector confidence posed by the 1992 Land Acquisition Act that had increased the risk of expropriation.

2.21 For economic efficiency, poverty alleviation, and equity, the SACs could have included easing the regulations on land subdivision as a condition on tranche release.[12] An upstream analysis could also have been undertaken of the scope of coverage of the SDF and its resource requirements. There was no explicit provision in SAC II or in the Bank's strategy for adequate funding and monitoring of the implementation of the SDF.

2.22 The SACs and the ESAP did not achieve their major objectives. Macroeconomic stabilization was not achieved, parastatal losses were not reduced, and growth was not sustained (section 3). The SDF remained underfunded, narrow in scope, overly bureaucratic in its implementation, and allegedly highly politicized in its resource allocation. The expectation in SAC II that real per capita recurrent expenditures by the Government on health and education in the 1993–94 budget would be restored to the levels that prevailed in 1991–92 was not met. During the SAC II period, real expenditures on health and education declined (even though the non-interest budget share of these two sectors increased). By 1996–97 they were still 10 percent and 3 percent lower in real terms, respectively, than those in 1990–91. The reduction was mainly brought about by a decline in real staff wages and non-wage expenditures; the overall number of teachers and health workers changed little.[13]

2.23 The Bank was unable to launch an effective program in agriculture where progress was critical for poverty alleviation. If the Emergency Drought Recovery Loan (FY92) is excluded, then agriculture, the source of livelihood for most of the poor, comprised only two projects and only 1.6 percent of commitments in FY91–00. An Agricultural Services Project was appraised in 1992 but the Ministry of Finance (MOF) objected to the magnitude of the proposed investments in civil works and vehicles in the

---

[11] IMF. 1998.

[12] An internal Bank memorandum on agriculture in 1991 recommended *both* agricultural marketing reforms and a relaxation of subdivision rules. It found that the persistence of land concentration owes a good deal to the limitations which have been placed upon its marketability through restrictions on subdivision. The same applies to underutilization. The Government was unwilling to permit subdivision on the ground that the land would sell more easily and for higher per hectare prices in smaller units; thus, parcels of land would be fragmented just for speculative purposes.

[13] Internal Bank report on the completion of the Second Structural Adjustment Credit.

project and were of the view that the Ministry of Agriculture (MOA) was being pushed to accept it by the Bank on the strength of the massive investments proposed under the project. This project did not materialize. A Land Use Management project foreseen for FY95 also failed to materialize. In 1996–97, the Government did an analysis of the core functions of the MOA. It also analyzed staff and stakeholder perceptions about agricultural services. The Bank redesigned the 1992 Agricultural Services Project as an Agricultural Services and Management Project (FY98) for US$9 million to build capacity in the MOA for policy formulation and for the efficient delivery and financing of agricultural services. This project had an unsatisfactory outcome: the policy framework for agricultural services was not strengthened, services were not delivered more cost effectively, and private-sector service provision was not improved.

2.24 The second agricultural project, a Land Reform Support Project (FY00) for US$5 million was approved following a donor conference in September 1998. The project was prepared in record time in support of pilots to test alternative approaches to land reform.[14] The Bank was the only donor to prepare such a project. It was even ratified by the Parliament on April 2000, but failed to become effective because in May 2000 Zimbabwe fell into arrears. Until March 2002, when Bank management approved an exception to the prohibition on disbursement against land, the Bank could not finance land acquisition.[15] By this time, however, forcible land acquisition had become the objective of the top political leadership.

2.25 Social protection projects were not in place during FY91–96 when the SACs were being implemented. Progress on a Community Action Project (FY98) that sought to improve the coverage and quality of social services by investing in small projects in these sectors, identified as priorities by the poorer communities, was stopped when disbursements were suspended in May 16, 2000. But the Bank helped redesign the education component of social protection which now relies on geographic and community-based targeting to identify the most needy students. The Government has continued to finance it despite budget constraints.

2.26 In the health sector, the Bank launched two important projects. Because the Government was deeply suspicious of the Bank addressing policy issues in the health sector, projects were almost wholly focused on civil works, procurement of drugs and contraceptives. The Second Health Project (FY91) (following a First Health Project in FY87), financed health facilities in the 16 poorest districts. The design and location of the facilities were best practice but health status improvements did not materialize because of AIDS and macroeconomic problems which led to declines in the health budget and real wages for health workers. The Sexually Transmitted Infections (STI) project (FY93) was the first stand-alone STI project in Africa. The expectation was that improved STI treatment would contribute to reduced transmission of HIV. The project

---

[14] The project was designed to increase the emphasis on settlement approaches with direct community participation and continued consultation with stakeholders on the broader land-reform agenda.

[15] The Legal Department interpreted the articles to mean that the Bank could not finance land acquisition, a position that was reaffirmed in a 1996 Operational Policy Committee Meeting. After March 2002, certain community-based land reform projects that address lack of access to land by the poor, will allow disbursements for land purchase on the market by local communities for their members.

successfully financed essential drugs and medical supplies. The prevalence of STI declined during the life of the project, but the prevalence of HIV infection continued to increase. The project design was based on the assumption that behavioral change would receive adequate government attention and funding, which turned out not to be the case; the Government was unwilling to openly discuss AIDs. Drug availability and medical supplies fell sharply after the end of the project due to the severe economic crisis.

2.27 The Third Power Project in FY94 (following two in the 1980s) partially improved the performance and reliability of a large power plant but the objective of improving the financial performance of the Zimbabwe Electric Supply Authority (ZESA) was not achieved. A national power tariff was introduced in 1998, but on political grounds the tariffs of the largest customers were not fully adjusted to cover the utility's financial costs. The Government did not allow an immediate pass-through to consumer prices of the devaluations of 1997 and 1998. During preparations of the SAC III in 1999, ZESA implemented an automatic tariff adjustment mechanism for its commercial customers and in early 2000, applied the automatic tariff adjustment mechanism to all its customers. But adverse movements in key macro-variables in 2000–2002 have exacerbated the financial situation. Deferral of critical maintenance and overhauls have led to supply disruptions and deterioration of existing service which the projects had sought to address.

2.28 While three investment projects in FY96–98 focused on equity, the Third Power Project (FY94) and the Second Power Project (FY88) made no attempts at rural electrification where the heart of inequality was most obvious. The projects did not have a requirement in terms of a certain percentage of new customers connected that were poor.[16] All projects encountered implementation problems, largely because of the deteriorating macroeconomic environment.

2.29 *Project Ratings*: For the period FY90–2002, project outcomes were rated as fully satisfactory in 24 percent and moderately satisfactory in 57 percent of evaluated net commitments, institutional development was rated high or substantial in only 19 percent, and sustainability as likely or highly likely in 21 percent of evaluated net commitments.

Table 2.3: OED Ratings (as percent of rated net commitments)

	Projects Approved in FY90-2002		
Ratings	***Zimbabwe***	***Africa***	***Bankwide***
Fully satisfactory outcome	24	47	64
Moderately Satisfactory outcome	57	25	18
High or substantial institutional development	19	31	48
Likely or highly likely sustainability	21	45	70

2.30 *Internal Bank* data show that as of November 2002, only one IDA project for US$60 million was active and it was at risk.

2.31 Three points should be noted about OED's outcome ratings for Zimbabwe. First, the majority of projects were rated moderately satisfactory suggesting rather more marginal outcomes than a bimodal presentation (satisfactory-unsatisfactory) infers.

[16] The three projects were the Enterprise Development Project (FY96), the Rural Development Council Pilot (FY97) and the Community Action Project (FY98).

Second, some projects had relatively narrow objectives. Thus, the main objective of the Emergency Drought Recovery Loan (FY92) for US$150 million was to provide financing for essential imports. Third, OED's moderately satisfactory rating in SAC I reflected the progress that was made on trade liberalization and domestic deregulation. But the failure to reduce the wage bill and to reform the parastatals, together with rising interest payments on the Government's domestic debt meant that fiscal deficits were not reduced. Poor outcomes in this area had a negative impact on both private sector growth and poverty reduction. For private sector growth, financing of fiscal deficits continued to absorb substantial private savings and kept real interests rate high. Persistent fiscal deficits contributed to high inflation, with deleterious impacts on the poor. Equally importantly, government borrowing to finance high deficits in the context of financial sector liberalization led to a rapidly increasing debt burden that squeezed public spending for social services. These weaknesses in design and implementation are reflected in the rating of the country strategy (para 3.14).[17]

Implementation of Strategy: Analytical and Advisory Activities (AAA)

2.32 While substantial AAA was completed, with some positive impact, there were major gaps in the Bank's work. AAA in 1987 and 1988 fostered an awareness of structural adjustment and helped the Government formulate its reform program. In 1989-90, the Bank persuaded the Government to include a strategy to protect the vulnerable and poor from the negative impact of adjustment in the Government's 1991 "Framework for Economic Reform" that was the basis for the ESAP. A Bank internal memorandum on agriculture in 1991 was used by the Government in its 1993 agricultural price policy. It also formed a component in SAC II. A population sector report in 1989 was followed by considerable informal work on this issue in 1992 and 1995. The 1992 education sector report was a best practice report. In 1994 and 1995, the Bank supported the Government's Land Tenure Commission and the implementation of agricultural marketing reforms.

2.33 A major shortcoming of the Bank's AAA was that it did not provide effective leadership on land reform (annex B). The five major reports in the 1980s made no recommendations in this area. The AAA in 1991 and 1995 recommended an increase in extension service delivery to black farmers, a relaxation of sub-division rules and the implementation of a land tax. Two projects attempted to address the delivery of agricultural extension services without success (para 2.23); other issues were not addressed in Bank lending. In 1994, based on a paper prepared by the Bank's Research Department, the Bank organized a seminar in the MOA which included government officials and others. At that time a community driven land reform program was advocated. However, the Government was not receptive to Bank advice, and there was no follow up. Even within the Bank there was no consensus on how to approach land reform; while some advocated market-based land reform (land taxes, subdivision), others were of the view that redistribution of land using market based approaches alone will be

[17] OED's review of the completion report of SAC II in December 1998 rated the loan marginally satisfactory. It noted that the outcome of the operation is borderline satisfactory/unsatisfactory. A project assessment in November 2002 has confirmed the unsatisfactory rating.

infeasible and community driven land reform approaches whereby the beneficiaries would be helped to buy land with grants, or partial grants should be adopted. [18]

2.34 There were several reasons as to why the Bank neglected to address land reforms in the early 1990s.[19] First, the perception was that the breakup of large farms could disrupt economic activity and reduce export earnings.[20] Second, until 1990, the Government was bound by the Lancaster Agreement which established a willing-buyer-willing-seller condition, and donors were sympathetic to white farmers. Third, the Bank wanted to address policy issues where it could have an impact as opposed to land reform, which was unlikely to be resolved. Raising a politically charged issue could jeopardize lending. In addition, the Bank wanted commitment to fair price and compensation, an issue on which the Government stance was constantly shifting. Furthermore, there were no successful examples for the Bank to use for Zimbabwe, and despite the strong rhetoric by the Government on forcible land acquisition, there was little happening on the ground until 2000 when the invasions started. [21] Finally, the inability to lend until 2002 for land acquisition reduced the effectiveness of dialogue, the impact of analytical work, and the scope for Bank involvement.

2.35 Nevertheless, the Bank could have done a number of things. It could have taken the lead in testing alternative approaches to land reform in 1993–95 when the situation was not so politically charged; Bank involvement might possibly have led donors to finance land acquisition. It could have disseminated findings from elsewhere that only in exceptional cases large farms are more efficient than small farms, and done studies on the relative efficiency at different scales in Zimbabwean agriculture.[22] It could have pushed for easier subdivision to increase the marketability of land.

2.36 The Bank engaged the Government intensively on land reforms for the first time since Independence in the run-up to the Donor conference in September 1998. The

[18] Evidence shows that in the few developing countries that are able to meet the conditions of administering a tax on land effectively and equitably, land taxes are relatively unimportant. Imperfections in the land sales market prevent bringing ownership holdings in line with the optimal distribution of operational holdings. These imperfections are brought about by land-credit linkages and policy distortions. Land is the preferred store of wealth and its immobility makes it a preferred form of collateral. The number of buyers is constrained by the level of household savings since mortgaged land cannot be used as collateral. See Binswanger, Deininger, and Feder. 1993.

[19] This paragraph is based on interviews with Bank staff.

[20] Thus the political party sought to replace white-owned large scale commercial farms with black-owned large farms rather than reduce the size of farms in the large scale commercial sector.

[21] However, a land reform pilot was started, without prior experience, by the Bank in Brazil in 1997. A project component in Colombia in 1998 piloted participatory planning and implementation of land titling. And a Land Administration and Management Project for the Philippines from 2000 included a component that implements a land administration prototype in six municipalities and focuses on accelerating the issuance of land titles. Land reform was always politically charged because the war of independence was fought over land and population pressure in communal areas was increasing. There was the threat of expropriation in 1992 when the Government broadened its power for compulsory land acquisition and in 1995, when it announced its decision to acquire 5 million hectares of land.

[22] Binswanger, et al. op. cit. Also according to an internal Bank memorandum, it states that studies of this nature in the freehold sector are long overdue. Relaxation of subdivision would probably have resulted in smaller holdings, as had been the case in Kenya.

conference was, however, followed by an impasse because commitments were reached at the technical but not political level. Also, there were divergent views on how to put the agreements into practice because actions were not specified. Distrust between the donors and the Zimbabwean leadership led to disagreements on whether donor conditions for financing land acquisition had been met─such as transparency in the selection of beneficiaries and adherence to the rule of law.

2.37 On expenditure reform, the public expenditure review (PER) came at the end of 1995, one-and–a-half years after the approval of SAC II. The PER identified government expenditures that could be cut and measures to restructure expenditures, but it came too late to inform the design of the SACs. An earlier PER would have likely highlighted sequencing issues in the fiscal program and avoided actions to reduce taxes before rationalizing public expenditures.

2.38 On poverty reduction, through much of the 1990s, AAA understated its importance and sent the wrong message for the assistance strategy. A poverty assessment has never been completed and this has left a large gap in the Bank's policy dialogue. The 1991 agricultural sector memorandum, apart from mentioning the need for a more equitable distribution of assets and food insecurity, made no reference to widespread and deep poverty in rural areas. This omission was noteworthy considering that it followed on the World Development Report in 1990 which was focused on poverty. The 1995 CEM was labeled as a poverty assessment but it was a slim poverty profile with no proposed action plan or strategy for reducing poverty. It estimated the incidence of poverty in 1990–91 at 25 percent but could not estimate the incidence in 1995–96 mainly because the Central Statistical Office (CSO) did not provide access to the 1995–96 survey. Based on the CEM, the 1997 Bank strategy, stated that poverty is not as prevalent as in many other Sub-Saharan countries, but is likely to have increased in 1990–95.

2.39 Studies and dialogue to assess the impact of the ESAP started in 1996. A poverty situation analysis was published in 1996 and work in 1997 on geographical targeting formed the basis of the Community Action Project in FY98. In 1998–99, studies on social protection were undertaken. The Bank also partly financed an analysis of CSO's 1995–96 data.[23] The impact of analytical work on one activity in social protection has been exceptional despite the adverse environment (box 2.1). While several factors facilitated the strong collaboration between the Government of Zimbabwe and the Bank in this activity, a key factor was that there was political support for it; it improved the Government's reputation for service delivery which was important for its domestic political platform.

2.40 In sum, while the Bank's AAA had some positive impacts, it did not provide analytical underpinnings to the Bank's lending and policy dialogue in several key areas. On land reform, the analysis of land policy (prepared mainly in the 1980s) was not

[23] Other AAA in the social sectors included a draft poverty assessment prepared in 1999, a note on the education sector in 2000, workshops on education and poverty, a study tour of education officials, and the financing of participation of a Bank staff in the President's Health Commission.

strong, the Bank's stance on land reform until 1998 was non-committal and our AAA work did not promote alternative, viable approaches to land reform issues. After mid-1998, the Bank took the lead in dialogue, technical assistance and in developing an operation in support of financing land reform, but in 2002, land reform remains unresolved with severe negative economic and social implications. Attention to poverty and social protection was weak in 1991–96, and a full poverty assessment has never been completed. The PER was not undertaken early enough to inform the design of SACs I and II.

Box 2.1 Good Practice: Technical Collaboration and Trust in the Midst of Decline

Despite the suspension of lending, the technical relationship remains strong in social protection. The Bank assisted in a major redesign of the Ministry of Public Service, Labor and Social Welfare (MPSLSW) targeted school-fee waiver program. The redesigned program, the Basic Education Assistance Module (BEAM), was to rely on geographic and community-based targeting to identify the most needy students. It was to also operate with a national target and community level hard budget constraints to introduce greater predictability in funding to schools and eliminating arrears. The program redesign was based on analytical work in 1997 and undertaken as part of another Bank project that could not be financed because of Zimbabwe's IDA-default status. Nonetheless, the MPSLSW decided to adopt it using scarce domestic budget resources.

The BEAM began implementation in January 2001 and has financed approximately 600,000 children's school fees/levies at primary and secondary levels across Zimbabwe. Given the ability of the BEAM to use community structures to identify vulnerable children, the National AIDS Council of Zimbabwe has decided to provide significant co-financing to the BEAM on an ongoing basis.

The MPSLSW has worked with the Bank in carrying out an initial evaluation of the BEAM (December 2001) and with the Bank's technical assistance is about to commission a more detailed survey-based independent evaluation of BEAM. The Bank has drawn on BEAM implementers to assist with a similar program for a vulnerable children project in Swaziland.

What factors mattered? (i) The Minister of MPSLSW is a "champion" for improving the effectiveness of social assistance, and steered the reforms through Cabinet and Parliament to secure significant budget resources for its implementation. (ii) There was continuity in the core technical team membership both on the government and Bank sides which allowed mutual trust to develop. (iii) The BEAM development was participatory; international experience was discussed in government-NGO-donor technical groups and adapted to the local situation. (iv) There was a confluence of interests between the Government and the Bank. The MPSLSW improved its reputation in service delivery, which supported the domestic political platform; the Bank "achieved" better targeting, more effectiveness, and equity in the Government's school-fee waiver program.

Source: Interviews with Bank Staff.

Resource Mobilization and Aid Coordination

2.41 The Bank mobilized considerable donor resources in support of Zimbabwe. In the December 1993 Consultative Group (CG) meeting, US$782 million were mobilized, two-thirds in commitments and one-third in pledges. This was an enormous achievement considering the Government's fiercely independent and unwelcoming stance towards donors (in contrast to other countries in Africa). While the Bank's lending to Zimbabwe in 1990–2001 was about US$900 million, net transfers were only US$53 million due to the high share of IBRD lending in total lending in 1952–89 and the slow growth in Bank lending in the 1990s. After March 1995 there were no CG meetings because of deteriorating dialogue on macroeconomic and structural policies.

2.42 The evaluation mission in 2001 found that while relations between the Bank and other donors had been cordial, in the first half of the 1990s, the Bank was perceived as not providing leadership or coordination on land, and on other economic and social issues. Bilateral donor assistance was directed to all major economic and social sectors. Within these sectors, the largest areas of assistance were transport and communications, followed by education and water supply and sanitation. The Bank was not seen as active in coordinating donors in these sectors. On land issues, the Bank was unwilling to reach out to donors, because of the various reasons mentioned earlier (para 2.34) and because the Government was suspicious of donors, and viewed coordination as collusion against the Government. In the second half of the 1990s, the Bank became more proactive and is well regarded for its open dialogue with donors and stakeholders. Regular informal meetings were held to exchange information and discuss development issues. The Bank also organized a poverty forum and provided substantive technical input for the donor conference in 1998.

3. Development Impact of Country Assistance

3.1 This section assesses the impact of the country assistance strategy program in achieving the objectives set out in country assistance strategy documents. These were: (a) supporting macroeconomic stabilization and promoting growth; (b) facilitating the expansion of private sector activity; and (c) addressing equity and poverty.

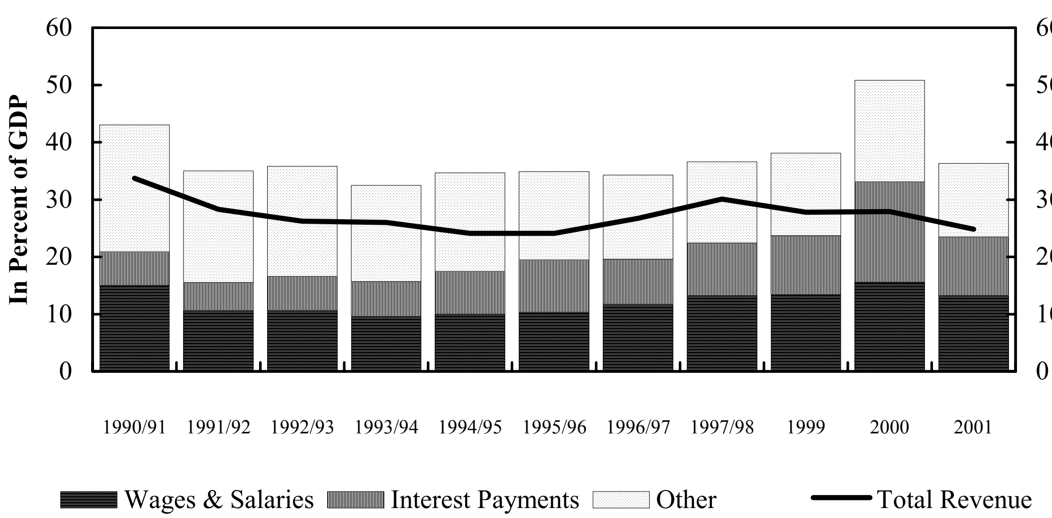
Growth and Macroeconomic Stabilization

3.2 Performance in the 1980s was mixed. In the first two years after Independence (1980 and 1981), real GDP grew rapidly (10.6 percent and 12.5 percent respectively), largely as a consequence of favorable weather, the end of the war, and the removal of sanctions. During the mid-1980s, however, growth slowed dramatically, largely because of droughts, emigration of skilled manpower, a lack of investment in productive sectors, and disincentives that hindered private sector activity. The central government fiscal deficit was in excess of 10 percent of GDP for much of the 1980s. Bank assistance was not effective in influencing the Government to reduce fiscal deficits.

3.3 Growth averaged 2.9 percent per annum in 1991–97, declining to 1.1 percent in 1998–99 and to –4.9 percent in 2000. The economic crisis in 2000 was fueled by mounting fiscal imbalances, farm invasions, and uncertainties in economic policy. One important positive aspect of the economic performance in the 1990s was that agriculture grew at an average rate of 3.9 percent per annum because of a substantial reduction in Government intervention in agricultural production and marketing that the Bank's SAC II supported but most of this growth was in the large-scale commercial farm sector.

3.4 In the 1990s also overall fiscal deficits (central government plus major parastatals) were not reduced (see figure 3.1). Central government deficits (excluding grants) averaged 8.8 percent in 1991–97 and 7.6 percent in 1998–99. In 2000, the central government deficit was 22.9 percent, driven by a surge in domestic interest payments

Figure 3.1: Zimbabwe Central Government Operations, 1990-2001



from 8 percent of GDP in 1999 to 15 percent of GDP in 2000. The wage bill and defense outlays also increased while revenues declined. The aggregate losses of nine major public enterprises were 3.5 percent of GDP in 2000 in addition to the central government deficit. The parastatals with large losses were also the ones running losses at the end of 1980.

3.5 Civil service reform (supported by the Bank in SAC I of FY92) was not guided by clearly defined priorities and brought few efficiency gains. During 1990/91–2001, the wage bill averaged 12 percent of GDP, double the Sub-Saharan Africa average. Average civil service pay increased in real terms by 20 percent between 1990 and 1998, at a time when real wages in the private sector contracted sharply. At the end of 1990, a definition of the core functions of ministries, subcontracting of government services, and decentralizing some services in education, health care, and agriculture to local governments remained in the planning stage.

Private Sector Development

3.6 The SACs stimulated important policy reforms for private sector development. By end-March 1993, the share of domestic production free from any price intervention rose to 85 percent. Administrative interventions in wage determination were reduced. On July 3, 1994 the exchange rates were unified, and allowed to float.[24] By 1995, the private sector had full authority to maintain and use foreign currency accounts. Restrictions on licensing and repatriation of profits by foreign investors were eased. By 1996, the quantitative restrictions on imports that were in effect during the 1980s had been largely dismantled and replaced by tariffs. The labor market was deregulated, with free collective bargaining replacing centralized wage setting, and firing restrictions were removed. The financial sector was decontrolled; interest rates were market determined, and many new banks were established. But the positive effects of economic liberalization and deregulation of investment on private sector development in the SACs was counteracted by inappropriate sequencing of fiscal reforms in the macroeconomic program. Financial liberalization and tax reductions before reductions in expenditures led to an increase in government deficits and high real interest rates.

3.7 There was some initial progress in reform of a few parastatals with Bank support in SAC II and analytical and advisory work. The Grain Marketing Board's monopoly over the procurement and domestic distribution of grain was removed in 1996 although it was still required to manage the Government's Grain Reserve. As a result, thousands of new hammer milling enterprises were established that produced coarse maize meal at much lower prices than the government supplied millers using roller mills. In 1997 three parastatals were sold off—the Commercial Bank of Zimbabwe, the State Cotton Company, and the Dairy Board. The reform of the Cotton Board (first downsized and then privatized) has been the only successful reform of the cotton board in Africa. In

[24] With a sharp depreciation of the Zimbabwean currency in end-1997 and 1998, the Government pegged the exchange rate in January 1999 to the US dollar. In August 2000, the Reserve Bank of Zimbabwe (RBZ) introduced a crawling peg with a band of 5 percent of each side of the central parity, as well as periodic devaluations based on inflation differentials with trading partners.

early 2000, the state electricity company moved to a formula-based pricing. Nevertheless, the quasi-fiscal deficit was not significantly reduced.

3.8 Private sector confidence has deteriorated steadily since 1997 because of compulsory land acquisition and reversals of policy reforms taken in the first half of the 1990s (paras 1.15–1.16). The reimposition of price controls on maize in June 1998 was followed by the discovery of serious fraud in a merchant bank in April 1998, military intervention in the Democratic Republic of Congo in August 1998, the raising of import tariffs in September 1998, and new restrictions on the access by the private sector to foreign exchange for imports or debt service payments. Continuing losses incurred by parastatals directed bank credit away from the private sector.[25] Financing of fiscal deficits continued to absorb substantial private savings (around 8 percent of GDP per annum) and kept real interest rates high.

Poverty Alleviation

3.9 Extreme poverty rose during the 1990s (table 3.1). It remained more widespread, deeper and more severe in rural than in urban areas, but urban poverty rose dramatically between 1990–91 and 1995–96 and must be considered higher now. Inequality was high with a Gini in 1995–96 of 0.64.

Table 3.1: Zimbabwe: Distribution of Poverty Indexes, 1990–91 and 1995–96[a] (in percent)

Poverty Measure	***1990–91***	***1995–96***
All Zimbabwe		
Prevalence	25.8	34.9
Depth	8.8	11.8
Severity	4.2	5.4
All rural areas		
Prevalence	35.8	48.0
Depth	12.4	16.6
Severity	5.9	7.7
All urban areas		
Prevalence	3.4	7.9
Depth	0.8	1.9
Severity	0.3	0.7

Source: Alwang, Mills, and Taruvinga. World Bank. 2002.
[a] The estimate is based on a poverty line created by measuring the cost of a minimum-needs basket of food and is on adult equivalent basis which adjusts for family composition.

3.10 Why did rural poverty increase when average agricultural growth in the decade was 4 percent per annum and population growth rate in the 1990s had declined to 2.6 percent per annum? Because agricultural growth was not broad based. Rather it was skewed in favor of LSCS that typically produced about 75 percent of the value of crop production under relatively capital-intensive conditions and dominated the export market. Growth in the agricultural sector did not generate significant additional employment for rural households managing small-scale labor intensive farms in the communal areas.

[25] Claims by public enterprises on banks increased in nominal terms from Z$879 million in 1994 to Z$7,360 million in 2000.

3.11 While rural households in the communal areas benefited from an increase in producer prices of maize and cotton, they were severely affected by the drought, and a lack of high quality land, rural infrastructure such as irrigation, and agricultural inputs.[26] The devastating drought of 1992 (as well as the less severe drought of 1995) destroyed rural assets such as livestock and dramatically reduced maize yields.[27] Important public sector extension services, particularly credit facilities, fertilizer, and other agricultural inputs were reduced in the 1990s. Bank lending was not successful in addressing the main constraints to poverty reduction in rural areas. It was also unable to protect critical public expenditures in the agricultural sector.[28]

3.12 Increases in urban poverty were due to limited employment opportunities in the formal sector.[29] Despite significant structural reforms (including labor market deregulation), high real interest rates, downsizing in the public sector, and political uncertainty all combined to slow investment and job creation. As a consequence, official data indicate that formal sector employment has been essentially flat since 1991 with formal unemployment estimated at 25 percent in 1998. A decline in remittances from urban areas (a major source of income for the poor in rural areas) also increased rural poverty. The plight of the poor was aggravated by problems in administering social safety nets; a large number of eligible households were unable to get the benefits intended for them as there was confusion about the definition of the targeted groups and the level of benefits due to them.

3.13 Gains in health in the 1980s were largely eroded in the 1990s by the economic crisis, the AIDS epidemic, and recourse to user fees with ineffective exemption systems. The large decline of real wages of health workers increased staff shortages in clinics, and a decline in non-wage spending in health reduced drug availability. These factors, together with the HIV epidemic which now affects almost a third of the adult population have reduced life expectancy from 56 years in 1990 to 40 years in 2000. Infant mortality increased from 52 to 69 per thousand live births between 1990 and 2000.

Overall Assessment

3.14 *Outcomes:* Outcome ratings measure the program's progress toward all major relevant objectives of the strategy (macroeconomic stabilization and growth, private sector development, and poverty alleviation). Bank actions, which largely determine Bank performance, are one contributor to the outcome of the Bank's assistance strategy (paras 4.1 to 4.8). Outcomes are also determined by the Borrower's performance and other factors (paras 4.9 to 4.14). The Borrower showed little commitment to macroeconomic stability and poverty alleviation. In the 1980s, the Bank engaged in substantial investment lending which however, was largely not oriented to reducing inequality and was not effective in reducing the drain on the budget from the parastatals.

---

[26] According to a 1999 draft on poverty assessment, even controlling for land quality, the poor in communal areas were distinguished by high dependency and small holdings per household member.
[27] Alwang, Mills, and Taruvinga. 2002.
[28] The allocation of central government budget for the MOA declined from 10 percent in 1991/92 to 3 percent in 1995/96.
[29] Alwang, et al. op.cit.

During the 1990s, the Bank engaged in policy lending, but with mixed results: progress on liberalization was not matched by improvements in macroeconomic stability. One reason was the unwillingness of the highest political leadership to make critical adjustments. A second important reason was that financial liberalization and tax reduction were sequenced to come before, rather than after, reductions in expenditures. This proved to be fiscally costly and led to a domestic debt trap. With respect to efficiency of the strategy, the cost per US$1,000 of commitment in FY91–01 (US$21.6) was higher than the Bank wide average, but lower than the African region. Cost per US$1,000 of commitments for satisfactory and nonrisky projects in the same period was US$28.1, also higher than Bank wide (US$16.7) but lower than the Africa region (US$37.3). The summary rating for outcome of Bank assistance is *unsatisfactory.*

3.15 This assessment differs from OED project ratings presented in table 2.3. At the individual project level, objectives were relevant and mostly achieved but the assessment here takes into account the relevance of successive country strategies as presented in Bank documents; its implementation, its responsiveness to changing country conditions, and the extent to which the strategy's major objectives were met. Taking all these factors into account, the assessment on outcome of Bank assistance at a country level in the 1990s is not as positive as OED's outcome ratings on individual projects presented in table 2.3. The continuing lack of an overall satisfactory policy framework which could sustain project/sector achievements is reflected in unsatisfactory CAE outcome ratings and is consistent with the poor project ratings on the sustainability dimension.

3.16 *Institutional Development Impact*: There were some successes in improving Zimbabwe's ability to make more efficient, equitable, and sustainable use of its human, financial, and natural resources. The Government developed a power sector reform program. In addition, the procurement capacity of the General Medical Stores and the institutional capacity of Zimbabwe's National Railways were strengthened.

3.17 However, Zimbabwe's abilities remained weak in key areas. The capacity for drought preparedness and mitigation management was not enhanced, and capacity for delivering agricultural services was not strengthened. The civil service was characterized by rivalry and distrust (for example four government ministries fighting over turf in the Land Reform Learning and Innovation Loan (LIL)) and a lack of accountability. The client did not show ownership for capacity building programs that may have enhanced public expenditure management and improved its privatization processes. Institutional development in the parastatal sector was disappointing; legal and regulatory frameworks were not established and the budgetary systems remained weak. The Government lacked the will to coordinate donors. In sum, the institutional development impact of Bank assistance was *negligible*.

3.18 *Sustainability*: The period since 1998 has been one of macroeconomic destabilization and slippages in structural reforms, reflected in aborted attempts to implement IMF Stand-by arrangements in 1998 and 1999, and an inability to move ahead with a third SAC. This unfavorable situation stems in part from a political response to social discontent over rising poverty, limited employment opportunities for a relatively well-educated workforce, and persistent dualism and high inequality in the distribution of assets. Controversial and unexpected policy decisions (e.g., civil service wage increases, land redistribution) have increased fiscal deficits, fueled inflation, destroyed investor confidence, and disrupted official capital flows. The ensuing crisis has led to policy reversals in areas such as exchange rate management, foreign exchange convertibility restrictions, trade policy barriers, and interest rate caps. Initial restrictions have been eased, but not eliminated. The sustainability of net benefits from structural adjustment has been severely compromised and is rated as *unlikely*.

Counterfactual

3.19 What could the Bank have done differently? If the Bank had analyzed the extent of country ownership of reforms, based on the degree of consensus among decision makers, the locus of policy initiatives (whether local or external), the existence of up-front actions, and the participation of major stakeholders, it would have realized that ownership was weak, and it would not have relied so heavily on commitments with technocrats in the ministries. If it had been able to ensure in the 1990–96 period that the macroeconomic reforms in the ESAP were properly sequenced, and designed and monitored the implementation of the SDF, it might have been able to maintain the provision of services to the poor which had been the core of the Government's strategy in the 1980s. If it had monitored the impact of its assistance on income distribution, it might have made a different choice of lending or design of specific projects (e.g., the power sector loan or rural infrastructure). Proper sequencing might also have brought the deficit under control, and reduced nominal and real interest rates. This could have accelerated the recovery of private investment, and alleviated the unemployment problem in the formal sector. A reduction in inflation would also have reduced the decline in real wages. If the Bank had engaged on land reforms through pilot programs, political and social outcomes might also have been different.

3.20 A Bank stance in the 1997–2000 period rooted in implementation of reforms rather than policy intentions would have sent a strong message to the Zimbabwe leadership. An assessment of the macroeconomic situation would have confirmed that while the 1997–98 central government deficit was reduced to 6.5 percent, parastatal losses amounting to more than 7 percent of GDP in that year implied that the overall public sector deficit was about 14 percent of GDP. Therefore, there was no basis for concluding that macroeconomic management was sound and for releasing the second tranche of SAC II in December 1997. With the central government budget deficit in 1998–99 of 11.5 percent, a parastatal deficit of 3.4 percent of GDP, the announcement of compulsory acquisition of almost 1,500 farms and regular breaches of the rule of law by the perpetrators of deadly farm invasions, the Bank should not have negotiated a SAC III, and continued to prepare new operations on the basis of Government promises.

4. Contributors' Performance

World Bank Performance

4.1 In the 1980s, the Bank appropriately drew attention to poor economic management but massive sectoral investments on IBRD terms led to a net transfer problem in the 1990s. In the 1990s, the Bank focused on the right issues, stimulating private sector development and growth, and maintaining macroeconomic stability by reducing unsustainable levels of public sector deficits and parastatal losses (para 2.6). The Bank also appropriately sought to liberalize agricultural marketing and to mitigate the negative social impact of adjustment on the poor and the vulnerable through the SDF. But, when the Government failed to implement key aspects of the reform program, the Bank did not take appropriate steps to put the reform program back on track.

4.2 In one key area, land redistribution, the Bank did not focus on it until mid-1998. Land redistribution was fraught with risks because the Government strategy was based on compulsory acquisition, and its stance on fair price and compensation was constantly shifting. But land redistribution was critical for poverty alleviation, essential for political sustainability, and imperative for increasing economic efficiency. There was and remains considerable expertise within the Bank on land reform issues and there was an emerging consensus around how to deal with them.[30] Even without being able to finance land acquisition, the Bank could have been more proactive.

4.3 While both the Bank and the Government favored user charges as a means of financing health services (annex D), the Bank could have anticipated the difficulties in having an administratively workable system that protects the poor and the vulnerable. It also could have paid more attention to the design of the SDF whose social safety net component was to protect the poor from cost recovery and should have monitored poverty and inequality during the crucial adjustment period in 1991–96. Until 1998, the Bank was under the impression that poverty was not high and was debating whether poverty had or had not increased during 1991–96.

4.4 In the early 1990s, the Bank correctly identified the need to liberalize the economy and to reduce fiscal deficits but it underestimated the risks to the adjustment program. The Government was strongly independent, wanting to reform at its own pace, but program success depended on macroeconomic stability being reestablished in tandem with the liberalizing effort. In the event, the Government liberalized but did not reduce the fiscal deficit and was caught in a domestic debt trap that kept real interest rates high and led to large budgeted interest payments that crowded out other essential expenditures. In hindsight, the Bank should have strongly opposed a reduction in the tax rates and

[30] Annex B.

liberalization of the financial sector in the IMF-supported macro program before parastatal reform and public employment reductions.[31]

4.5 From the start of the adjustment program in 1991, the Bank did not factor in its strategy the divisions on major reform issues.[32] On the one side were a small circle of technocrats (e.g., officials of the economic ministries) committed to market based reforms and on the other, were the anti-reformers, the President and other members of the party. The important characteristic of the anti-reformers was that they did not believe in the market's efficacy in redistributing wealth and viewed the Bank with deep suspicion, because of a perception that the Bank's major shareholders dictated what the Bank could and could not do. Ultimately, reforms were not sustained because power lay, not with individual ministries and technocrats with whom the Bank dialogued but with the anti-reformers whose trust the Bank was unable to gain.[33] As a result, Zimbabwe became an exceptionally difficult client for the Bank to work with, agreements reached were not followed through, and a large number of projects failed to materialize.

4.6 The SACs could have been more effectively leveraged. The relaxation of rules for land subdivision could have been included in the SACs, which might have had a positive impact on the land markets, thereby easing some pressure for land reform. Civil service reform in SAC I should have focused on institutional strengthening of ministries rather than on just cutting numbers. The SAC II condition on parastatal reform could have been action oriented. In the event, SACs achieved liberalization and deregulation but fiscal stability was compromised as the fiscal deficits remained high and public enterprise reform was too slow.

4.7 While many AAA were completed in the 1990s, substantive analytical work on some key issues either was not undertaken or was not timely. A PER was completed only in end-1995; an earlier review would have identified expenditure priorities for SAC I and II and highlighted non priority expenditures that could be eliminated when faced with unforeseen demands on the budget. An analysis of trends in poverty was not undertaken until 1998 and no poverty assessment has been completed.

4.8 After 1997, Bank influence and the sense of urgency in Zimbabwe might have been greater had the Bank taken a tougher stance. Actual lending volumes did decline in FY98–00, but the Bank negotiated a SAC III in August 1999.[34] The Bank also held up

---

[31] According to some Bank staff, interest rate liberalization was important to force the government to stop domestic borrowing. The assumption was that at highly negative interest rates, the Government would continue to borrow. In the event, the Government continued to borrow at high interest rates.

[32] For the President and his party, privatization and land redistribution were means of promoting indigenous ownership of productive assets and reducing the racial divide. For technocrats, privatization was a means of raising resources for the budget, reducing bank financing and promoting private sector development, and land redistribution was a governance, rule of law issue.

[33] Internal Bank reports say that sensible agreements had been reached but they were not followed through. Other indicators of lack of trust were the refusal to share with the Bank the results of the 1995/96 household survey until 1998, and keeping confidential a report of the Presidential Commission on health.

[34] It was appropriate for the Bank to prepare SAC III, but not go so far as negotiations. Zimbabwe was in a severe internal debt crisis and without privatization and public enterprise reform and massive concessional inflows it would not be able to come out of its fiscal problems.

the second tranche of SAC II for two-and-a-half years but disbursed it in December 1997 based on government assurances which were not met and consultations with the IMF. The IMF did not explicitly address the issue of tranche release, nor the likelihood of the government implementing its macroeconomic framework, and its assurances were provided six months before the tranche was actually released.[35] In Zimbabwe's case, continued willingness to lend and prepare additional projects sent the wrong signal to the Government and the Bank's development partners.

Government Performance

4.9 The problems in the late 1980s were a result of the intensification of controls on the economy and rising fiscal deficits. In the 1991–94 period, the Government implemented economic liberalization but showed little interest in maintaining macroeconomic stabilization. It did not follow through on commitments to rationalize the civil service and to restructure the parastatals. After 1997 it abandoned all efforts at reform, reversed many of the measures undertaken earlier in the decade, and adopted populist measures such as payments from the budget to war veterans.

4.10 The Government has also shown little commitment to poverty alleviation and respect for rule of law and property rights. It failed to act on its own Land Reform Commission's 1994 report which concluded that there has been no coherent policy to support the small-scale farming sector. It did not take relatively simple steps on land policy which the Commission recommended and on which it was not constrained such as allowing subdivision of land or revising leasing regulations. Easier subdivision would have encouraged LSCS to bring more land onto the land market and allowed the Government to coordinate the acquisition of land with its ability to resettle and support effectively new farmers. Instead it used underutilization of land to support arguments for compulsory acquisition of white farmland for resettlement by war veterans. In July 2000, the Government announced a program of compulsory acquisition of 5 million hectares, and in July 2001, increased the amount to be resettled to 8.3 million hectares which it has since implemented, to the severe detriment of agricultural production.

Partner Performance

4.11 The macroeconomic reforms could have been sequenced differently.[36] The financial sector liberalization and the reductions in tax rate should have been phased in gradually, after the implementation of deficit reduction measures. Financial liberalization and tax reductions before civil service and parastatal reforms, required a severe reduction in expenditures which would likely have been politically unsustainable. Over-optimistic growth forecasts also made the fiscal adjustment appear more feasible than was actually the case. Finally, much greater attention should have been paid to fiscal sustainability and the persistent failure to achieve fiscal targets.

---

[35] According to an internal Bank report for the completion of SAC II, the tranche was released based on government assurances that payments to war veterans in August 1997 and increased military expenditures "would be handled in a manner that did not jeopardize achievement of the agreed 1997/98 fiscal targets nor the intention to further reduce the fiscal deficit in subsequent years" and assurances from the IMF.

[36] IMF. 1998.

4.12 Other donors have been very active in Zimbabwe. Net flows from bilateral donors to Zimbabwe were about US$300 million a year in 1980-89, rising to US$409 million a year in 1990–2000. Net flows from IBRD/IDA in the same periods were only US$30 million and US$43 million per year respectively. Partners have been involved in all major Bank lending in the 1990s; from early projects in railways and the health sector and co-financing of adjustment loans, to support for the development of rural district councils in FY97. Bilateral donors have continued to support Zimbabwe with substantial resources in 1997-2000 although governance has deteriorated significantly; net flows to Zimbabwe in this period were US$1.1 billion.[37]

4.13 UNDP leadership was instrumental in the organization of the land conference in September 1998 but the unwillingness of donors to make financial commitments in 1999 reinforced the Government's fears that donors were not serious about land reform. The Government did not have sufficient funds to acquire even the 118 farms that had been offered voluntarily by their owners for the inception phase. Although donor skepticism may have been justified given the Government's persistent rhetoric on the subject, the persistence of the financial constraint was a factor that led the Government to include the provision that would empower it to seize commercial farmland without compensation in the Referendum on constitutional reforms in February 2000.

Box 4.1: Role of IFC and MIGA in Zimbabwe

Zimbabwe has been a member of IFC since 1980. IFC has an outstanding portfolio of US$48 million covering over 25 companies in a wide range of sectors. IFC's activities have complemented the Bank's strategy for private sector development and have sought to enhance export-generating activities, assist in privatization and modernization, strengthen the financial sector, and support small and medium enterprises. Activities have been on hold due to the deteriorating situation. While MIGA has no guarantees in Zimbabwe, it has provided support to Zimbabwe's investment promotion agency, and convened investment promotion capacity building workshops.

Exogenous Factors

4.14 Zimbabwe was hit by two droughts. The first in 1992 was characterized as the worst of the century, the subsequent one in 1994/95 was more localized. The impact of the droughts was compounded by unfavorable global commodity price trends. Prices of flue-cured tobacco, sugar, and beef fell in real terms between 1991 and 1996.

[37] OECD data.

5. Lessons and Recommendations

5.1 The Zimbabwe experience provides four lessons.

(i) Given the short-term necessity of macroeconomic stability, especially achieving fiscal sustainability, the Bank should have undertaken a public expenditure review prior to 1995, should have been more forceful in ensuring that credible steps to achieve fiscal sustainability were incorporated in our adjustment lending and should have formed a judgement not only about the macroeconomic/fiscal targets, but also about the likelihood of their implementation.

(ii) The Bank should have crafted its strategy with greater attention to the long-term objective of reducing glaring inequalities and reducing poverty. This should have required the Bank to have undertaken in-depth analytical work on poverty and to have been proactive in addressing land reform well before 1998. The Bank should have analyzed options and consequences of land reform, and should have strongly signaled to the Government earlier in the 1990s that it was willing to support a sensible land reform program with available instruments.

(iii) The Bank should not have relied so much on commitments with technocrats in absence of political dialogue and consensus for reforms.

(iv) In a relationship with a reluctant reformer, with distinct lack of ownership from top political leadership, the Bank should remain consistent on requiring that conditions be fulfilled and not proceed to lend on the basis of promises.

5.2 Given the current political situation, the Bank can do little to move forward the economic and social agenda. It cannot lend even for a narrowly defined social agenda; the Government has been in arrears to the Bank since May 2000. At the present juncture, the Bank should focus AAA on building knowledge base in four critical areas: (i) an assessment of poverty and inequality, and the impact of economic policies on these issues; (ii) an analysis of the political economy factors which have impeded reforms (e.g., parastatal reform) in the past; (iii) learning from pilots on land reform launched in other countries; and (iv) a public expenditure review focused on fiscal sustainability and the required rationalization and reallocation of public expenditures. A resumption of normal Bank lending should be conditional on: credible and upfront measures to achieve macroeconomic stability, fundamental governance reforms, a pro-poor reallocation of expenditures, parastatal reforms, and the formulation and credible initial steps in the implementation of an action plan on land issues.

References

(*in addition to Bank Lending, ESW, OED Project Assessment and IMF Reports on Selected Economic Developments and Article IV Consultations*)

Alwang, Jeffery, Bradford B. Mills, and Nelson Taruvinga. 2002. "Why Has Poverty Increased in Zimbabwe?" *Poverty Dynamics in Africa Series*. Report No. 24052. Washington, D.C: The World Bank.

Binswanger, Hans P., Klaus Deininger, and Gershon Feder. 1993. "Power, Distortions, Revolt, and Reform in Agricultural Land Relations." In J. Behrman and T.N. Srinivasan (eds.), *The Handbook of Development Economics* Volume II.. Policy Research Working Papers No. WPS 1164. Washington, D.C.: The World Bank.

Christiaensen, Luc, Lionel Demery, and Stefano Paternostro. 2002. "Growth, Distribution, and Poverty in Africa: Messages from the 1990s." *Poverty Dynamics in Africa Series* Report No. 25244. Washington, D.C. The World Bank.

Deininger, Klaus, and Hans P. Binswanger. 1995. "Rent Seeking and the Development of Large-Scale Agriculture in Kenya, South Africa, and Zimbabwe". *Economic Development and Cultural Change*. Chicago, IL.: University of Chicago Press.

Deininger, Klaus, Hans Hoogeveen, and Bill Kinsey. 2002. "Benefits and Costs of Land Reform in Zimbabwe with Implications for Southern Africa." Forthcoming in World Development.

International Monetary Fund (IMF). 1998. *External Evaluation of Enhanced Structural Adjustment Facility* (Report of the Group of Independent Experts). Washington, D.C.: IMF.

Jayarajah, Carl, William Branson, and Binayak Sen. 1996. *Social Dimensions of Adjustment: World Bank Experience, 1980-93*. Operations Evaluation Department. Washington D.C.: The World Bank.

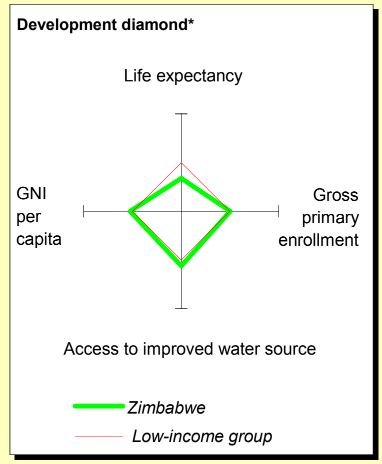
Annex A

Statistical Annex

Annex Table 1: Zimbabwe at a glance

9/24/02

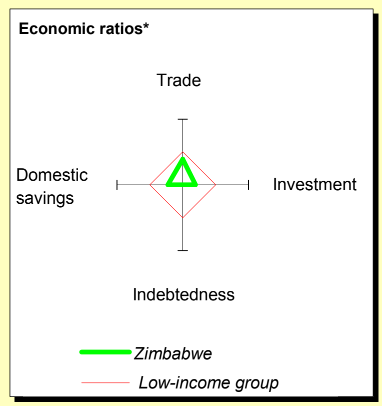
POVERTY and SOCIAL	Zimbabwe	Sub-Saharan Africa	Low-income
2001			
Population, mid-year *(millions)*	13.7	674	2,511
GNI per capita *(Atlas method, US$)*	450	470	430
GNI *(Atlas method, US$ billions)*	6.2	317	1,069
Average annual growth, 1995-01			
Population *(%)*	1.8	2.5	1.9
Labor force *(%)*	1.9	2.6	2.3
Most recent estimate (latest year available, 1995-01)			
Poverty *(% of population below national poverty line)*	..	..	..
Urban population *(% of total population)*	36	32	31
Life expectancy at birth *(years)*	40	47	59
Infant mortality *(per 1,000 live births)*	69	91	76
Child malnutrition *(% of children under 5)*	13	..	..
Access to an improved water source *(% of population)*	85	55	76
Illiteracy *(% of population age 15+)*	11	37	37
Gross primary enrollment *(% of school-age population)*	97	78	96
Male	98	85	103
Female	95	72	88



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

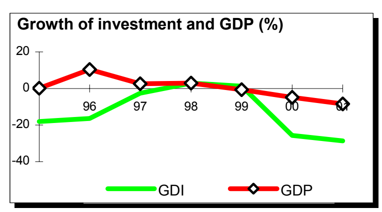
	1981	1991	2000	2001
GDP *(US$ billions)*	8.0	8.6	7.2	9.1
Gross domestic investment/GDP	20.8	19.1	12.6	7.8
Exports of goods and services/GDP	19.4	23.9	29.4	21.8
Gross domestic savings/GDP	14.3	15.8	14.8	9.0
Gross national savings/GDP	11.2	12.5	11.2	7.4
Current account balance/GDP	-8.4	-6.3	-1.4	-1.2
Interest payments/GDP	0.6	1.7	..	..
Total debt/GDP	10.1	39.8	55.8	41.7
Total debt service/exports	7.0	22.1	21.9	6.8
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..

	1981-91	1991-01	2000	2001	2001-05
(average annual growth)					
GDP	3.6	1.8	-4.9	-8.4	2.4
GDP per capita	0.3	-1.3	-7.7	-10.1	0.5
Exports of goods and services	6.2	7.4	-16.6	-3.6	1.8

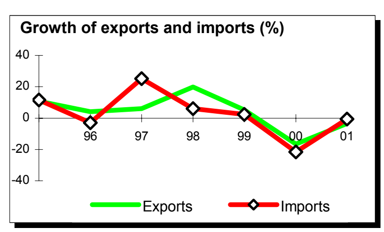


STRUCTURE of the ECONOMY

	1981	1991	2000	2001
(% of GDP)				
Agriculture	17.5	15.3	18.5	17.6
Industry	31.3	37.4	25.0	24.4
Manufacturing	21.5	27.2	15.8	13.9
Services	51.1	47.3	56.5	57.9
Private consumption	72.0	68.1	60.9	71.8
General government consumption	13.7	16.1	24.2	19.3
Imports of goods and services	25.9	27.2	27.2	20.7



	1981-91	1991-01	2000	2001
(average annual growth)				
Agriculture	3.5	4.3	3.0	-12.0
Industry	3.1	-0.4	-9.8	-9.8
Manufacturing	3.3	-1.0	-10.5	-19.0
Services	3.3	2.4	-3.6	-5.3
Private consumption	4.0	4.2	-14.4	2.7
General government consumption	2.8	-3.1	55.5	-29.3
Gross domestic investment	3.3	-6.5	-25.6	-28.6
Imports of goods and services	6.3	5.0	-21.6	-0.7



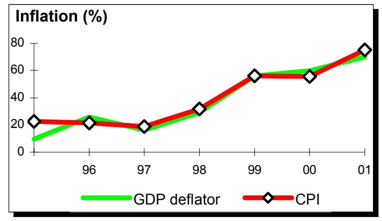
Note: 2001 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Zimbabwe

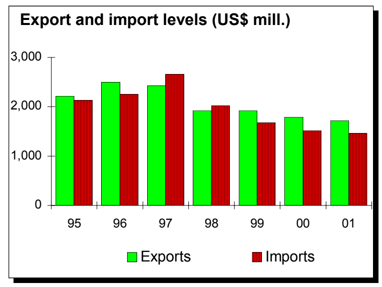
PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
Domestic prices				
(% change)				
Consumer prices	..	23.3	55.7	75.1
Implicit GDP deflator	14.5	30.6	59.9	70.1
Government finance				
(% of GDP, includes current grants)				
Current revenue	20.7	26.6	27.4	23.3
Current budget balance	16.3	0.3	-19.9	-10.7
Overall surplus/deficit	-6.5	-6.3	-22.5	-11.6



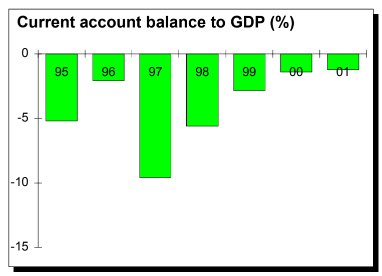
TRADE

	1981	1991	2000	2001
(US$ millions)				
Total exports (fob)	..	1,785	1,791	1,715
Tobacco	..	532	549	566
Gold	..	225	216	172
Manufactures	..	587	567	552
Total imports (cif)	..	1,700	1,520	1,455
Food	..	245	54	135
Fuel and energy	..	197	250	202
Capital goods	..	611	480	458
Export price index *(1995=100)*	..	98	89	86
Import price index *(1995=100)*	..	95	91	86
Terms of trade *(1995=100)*	..	104	98	100



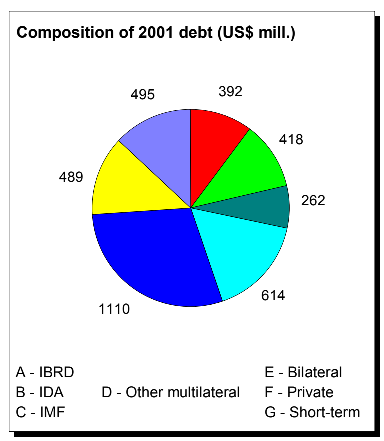
BALANCE of PAYMENTS

	1981	1991	2000	2001
(US$ millions)				
Exports of goods and services	1,575	2,056	2,118	1,977
Imports of goods and services	1,985	2,301	1,956	1,872
Resource balance	-410	-245	162	105
Net income	-140	-304	-244	-246
Net current transfers	-124	2	-20	31
Current account balance	-674	-547	-101	-110
Financing items (net)	356	421	264	190
Changes in net reserves	318	126	-163	-80
Memo:				
Reserves including gold *(US$ millions)*	368	371	22	18
Conversion rate *(DEC, local/US$)*	0.7	3.4	44.4	55.1



EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
(US$ millions)				
Total debt outstanding and disbursed	812	3,436	4,022	3,780
IBRD	52	410	416	392
IDA	151	68	437	418
Total debt service	114	461	471	136
IBRD	2	66	72	15
IDA	2	0	2	0
Composition of net resource flows				
Official grants	91	95	..	..
Official creditors	80	139	-15	-1
Private creditors	3	98	-50	-33
Foreign direct investment	-26	3	..	..
Portfolio equity	..	..	..	..
World Bank program				
Commitments	..	..	0	0
Disbursements	48	52	26	-2
Principal repayments	1	33	46	11
Net flows	47	19	-20	-13
Interest payments	3	33	28	4
Net transfers	44	-14	-48	-17



Annex Table 2: Zimbabwe - Economic and Social Indicators, CY1990-2001

Series Name	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Average 1990-01 Zim-babwe	Cote d' Ivoire	Ghana	Kenya	Malawi
GDP growth (annual %)	14.4	7.0	5.5	-9.0	1.1	9.2	0.2	10.4	2.7	2.9	-0.7	-4.9	-8.4	1.9	2.8	4.2	2.0	3.7
GDP per capita growth (annual %)	10.6	3.7	2.7	-11.2	-1.2	7.0	-1.7	8.3	0.7	0.9	-2.6	-6.7	-9.8	-0.6	-0.1	1.8	-0.6	1.6
GNI per capita, Atlas method (current US$)*	950.0	880.0	870.0	710.0	640.0	630.0	610.0	680.0	680.0	570.0	470.0	440.0	480.0	638.3	618.2	597.2	587.8	583.5
GNI per capita, PPP (current international $)	1460.0	2260.0	2380.0	2190.0	2200.0	2400.0	2430.0	2660.0	2670.0	2680.0	2670.0	2550.0	2340.0	2452.5	2468.5	2475.9	2499.7	2524.7
Agriculture, value added (% of GDP)	15.7	16.5	15.3	7.4	15.0	19.0	15.2	21.8	18.9	21.8	19.4	18.5	17.6	17.2	17.3	17.4	18.3	18.5
Manufacturing, value added (% of GDP)	21.6	22.8	27.2	29.5	23.0	21.2	21.8	18.8	18.0	16.6	16.6	15.8	13.9	20.4	20.2	19.7	18.8	18.5
Services, etc., value added (% of GDP)	55.3	50.4	47.3	51.7	51.6	48.6	55.7	52.3	55.5	54.2	56.6	56.5	57.9	53.2	53.4	54.0	54.1	54.3
Exports of goods and services (% of GDP)	23.4	22.9	23.9	27.2	30.7	34.6	38.2	36.1	37.6	45.9	46.2	29.4	21.8	32.9	33.7	34.5	35.1	35.5
Imports of goods and services (% of GDP)	26.5	22.8	27.2	36.5	32.4	36.5	40.9	35.9	44.6	47.8	46.6	27.2	20.7	34.9	35.9	36.7	36.7	37.0
Current account balance (% of GDP)	-2.2	-1.6	-5.3	-8.9	-1.8	-6.2	..	..	..	..	..	..	..	-4.8	-5.4	-5.4	-4.7	-5.3
Total debt service (% of exports of goods and services)	3.8	23.1	23.1	32.0	30.9	25.4	23.6	21.2	22.2	38.2	27.3	22.1	..	26.3	26.6	26.9	26.4	26.0
External debt (% of GNI)	11.9	38.2	41.1	62.7	67.9	68.6	73.8	60.2	61.3	88.1	88.9	57.5	..	64.4	66.8	69.1	69.7	69.8
Gross international reserves in months of imports	2.7	1.5	1.4	1.8	3.2	2.5	3.2	2.8	1.1	1.2	2.1	1.7	0.7	1.9	2.0	2.0	2.0	1.9
Gross domestic savings (% of GDP)	13.8	17.5	15.8	11.0	21.0	21.8	17.0	18.7	11.1	15.3	15.7	14.8	9.0	15.7	15.6	15.6	15.9	15.5
Official exchange rate (LCU per US$, period average)	0.64	2.45	3.62	5.10	6.48	8.15	8.67	10.00	12.11	23.68	38.30	44.42	55.05	18.2	491.9	2102.8	54.1	23.0
Real effective exchange rate index (1990 = 100)**	..	100.0	111.3	137.1	147.5	159.4	161.6	152.3	159.0	233.2	239.1	173.5	125.5	125.5	100.0	82.0	..	117.0
Inflation, consumer prices (annual %)	5.4	17.4	23.3	42.1	27.6	22.3	22.6	21.4	18.7	31.8	58.5	55.9	76.7	34.9	36.3	37.4	37.0	37.8
Current revenue, excluding grants (% of GDP)	19.3	24.1	22.0	24.0	26.1	22.5	26.7	25.3	29.4	..	..	..	..	25.0	25.1	25.5	25.7	25.6
Expenditure, total (% of GDP)	27.9	27.3	27.5	32.6	29.2	25.9	35.7	34.7	35.7	..	..	..	..	31.1	31.5	32.0	32.0	32.3
Overall budget deficit, excluding capital grants (% of GDP)	-8.8	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Illiteracy rate, adult total (% of people ages 15 and above)	29.9	19.3	18.5	17.7	16.9	16.1	15.2	14.5	13.7	12.9	12.1	11.3	10.6	14.9	14.6	14.2	13.9	13.7
Immunization, DPT (% of children under 12 months)	..	88.0	87.0	86.0	85.0	87.0	88.0	90.0	86.0	81.0	81.0	..	..	85.9	85.7	85.6	85.5	85.6
Improved water source (% of population with access)	..	77.0	..	..	..	..	..	..	..	..	..	85.0	..	81.0	83.0	83.0	83.0	83.0
Life expectancy at birth, total (years)	54.9	56.2	..	55.7	..	..	49.0	..	44.5	..	40.4	39.9	..	47.6	46.2	46.2	44.8	44.8
Mortality rate, infant (per 1,000 live births)	80.0	51.8	..	53.0	..	..	60.2	..	65.0	..	..	69.0	..	59.8	61.4	61.4	62.8	62.8
Sanitation (% of population with access)	..	64.0	..	..	..	..	..	..	..	..	..	68.0	..	66.0	67.0	67.0	67.0	67.0
School enrollment, primary (% gross)	85.1	115.7	121.5	118.4	117.3	111.3	114.3	113.0	112.4	..	96.6	..	..	113.4	113.1	112.2	111.5	110.9
School enrollment, primary (% net)	..	..	..	..	..	..	..	..	..	..	80.2	..	..	80.2	80.2	80.2	..	80.2
School enrollment, secondary (% gross)	7.7	49.5	52.3	47.7	44.6	45.1	47.3	48.5	..	..	45.3	..	..	47.6	47.3	46.7	46.6	46.8
School enrollment, secondary (% net)	..	..	..	..	..	..	..	..	..	..	42.3	..	..	42.3	..	42.3	..	..
Population, total (million)	7.1	10.2	10.5	10.8	11.0	11.3	11.5	11.7	11.9	12.2	12.4	12.6	12.8	11.6	11.7	11.8	11.9	11.9
Population growth (annual %)	3.4	3.1	2.7	2.5	2.2	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.5	2.1	3.1	2.4	2.6	2.0
Urban population (% of total)	22.3	28.4	29.0	29.7	30.4	31.1	31.8	32.5	33.1	33.9	34.6	35.3	36.0	32.1	32.5	32.7	33.0	33.2

Source: World Bank database as of 11/07/2002.

*Computing GNI per capita (current $US), the Bank uses the Atlas conversion factor, a three-year average of official exchange rates adjusted for the inflation rates in the country and in the G-5 countries. As a result, GNI per capita (current $US) of Zimbabwe declined by 45% from 1990 to 2001 due to exchange rate depreciation and high domestic inflation.

** Data for comparison among countries refers to CY2001.

*** Growth rates are least-squares growth rates.

Annex Table 3a: External Assistance to Zimbabwe
CY1970-2000, (US$ million)

Donors		***1970-79***	***1980-89***	***1990-2000***	***1997***	***1998***	***1999***	***2000***
Bilateral	*Average Net Receipts*	32.2	293.2	408.7	305.7	177.0	420.5	208.2
	Average Net Official Flows	4.2	196.2	315.2	251.9	277.9	204.0	191.7
	Average Net Private Flows	28.0	97.1	93.5	53.8	-100.9	216.5	16.5
Multilateral		-3.8	75.3	141.7	85.2	32.5	-20.6	-46.3
IBRD/IDA		-4.0	30.1	42.7	85.8	25.0	-0.1	-20.2
African Development Bank	*Average Net Receipts*	..	5.7	20.1	-2.9	-18.3	-32.4	-7.1
African Development Fund		..	1.3	3.6	4.4	5.3	16.7	3.6
Other		..	4.9	-0.8	-2.6	-0.5	-0.1	-0.6
Total Donors	*Average Net Receipts*	28.4	373.5	549.7	388.3	209.0	399.8	161.3
	Average Net Official Flows	0.4	276.4	456.2	334.5	309.9	183.3	144.8
Memo item:								
GDP at market prices (current US$ million)		3662	7204	7380	8584	6338	5492	7392

Source: Geographical Distribution of Financial Flows to Aid Recipients. 2002. OECD.

Annex Table 3b: Zimbabwe - WB Commitments by Sector
FY80-00, (US$ million)

Sector Group	***1980-90***	***1991-2000***
Agriculture	102	164
Economic Policy		300
Electric Power and Energy	149	90
Environment		63
Finance	10	
Health, Nutrition and Population	10	90
Multisector	136	
Oil and Gas	1	
Private Sector Development		70
Social Protection		60
Transportation	141	39
Urban Development	123	12
Total	672	886

Source: World Bank data as of 04/09/2002.

Annex Table 4: Zimbabwe – Selected Economic and Sector Work

Title	*Date*	*Report No.*	*Type*
Agriculture			
Selected successful experiences in agricultural credit and rural finance in Africa	12/31/81	AGP69	WP NS
Selected successful experiences in agricultural credit and rural finance in Africa	08/31/82	AGP47	WP NS
Zimbabwe - Agricultural sector study	12/31/83	4401	SR
Zimbabwe and the CGIAR centers: a study of their collaboration in agricultural research	10/31/85	CGR6	CGIAR SP
Agricultural research in Southern Africa: a framework for action - summary	12/31/93	13686	WP
SADC Region - Special Programme for African Agricultural Research (SPAAR) information system	09/01/94	13926	SPAAR WP
Sustainable Indigenous Knowledge Systems in agriculture in Zimbabwe's rural areas of Matabelel and North and South Provinces: Zimbabwe case study	11/30/98	18942	NL
Agricultural incentives in sub-Saharan Africa: policy challenges	08/31/99	WTP444	WB TP
Environment & Biodiversity			
Fisheries and aquaculture research capabilities and needs in Africa: studies of Kenya, Malawi, Mozambique, Zimbabwe, Mauritania, Morocco, and Senegal	09/30/91	WTP149	WB TP
Living with trees: policies for forestry management in Zimbabwe	07/31/93	WTP210	WB TP
Economic policy, wildlife, and land use in Zimbabwe	09/30/94	ENV68	EWP
Green national accounts: policy uses and empirical experience	07/31/96	18274	DWP
Decentralization and biodiversity conservation	12/31/96	16215	Pub
The greening of economic policy reform (Vol.1)	02/28/97	16339	EWP
The greening of economic policy reform (Vol.2)	02/28/97	16339	EWP
The impact of drought on sub-Saharan African economies - a preliminary examination	03/31/98	WTP401	WB TP
Encouraging private sector involvement in GEF projects	05/31/98	18249	NL
International watercourses - enhancing cooperation and managing conflict - proceedings of a World Bank seminar	07/31/98	WTP414	WB TP
Economic Policy			
Rhodesia and Nyasaland - The economy	06/30/56	EA60	ER
Rhodesia and Nyasaland - Economic position and prospects	05/31/58	EA83	ER
Rhodesia and Nyasaland - Current economic position and prospects	03/31/60	EA105	ER
Southern Rhodesia - The economy	09/30/64	AF29	ER
Zimbabwe - Country economic memorandum (Vol.1)	04/30/81	3234	ER
Inflation, price controls, and fiscal adjustment in Zimbabwe	04/30/89	WPS192	PRWP
A consistency framework for macroeconomic analysis	06/30/89	WPS234	PRWP
A framework for macroeconomic consistency for Zimbabwe	12/31/89	WPS310	PRWP
Macroeconomics of public sector deficits: the case of Zimbabwe	05/31/91	WPS688	PRWP
Macroeconomic structure and policy in Zimbabwe, analysis and empirical model: 1965-1988	09/30/91	WPS771	PRWP
Macroeconomic adjustment to oil shocks and fiscal reform: simulations for Zimbabwe, 1988-1995	09/30/91	WPS772	PRWP
The World Bank economic review 5(3)	09/30/91	17598	WB ER
Zimbabwe - Country economic memorandum: achieving shared growth (Vol.1)	04/21/95	13540	ER
Zimbabwe - Country economic memorandum: achieving shared growth (Vol.2)	04/21/95	13540	ER
Africa's experience with structural adjustment: proceedings of the Harare Seminar, May 23-24, 1994	09/30/95	WDP288	WB DP
The economics of wildlife: case studies from Ghana, Kenya, Nambia, and Zimbabwe	02/29/96	20017	WP NS
Sector growth and the dual economy model - evidence from Cote d'Ivoire, Ghana, and Zimbabwe	09/30/99	WPS2175	PRWP
Education			
In service training in Zimbabwe: an analysis of relationships among education and training, industry, and the state	03/31/90	8604	WP NS
Implementing educational policies in Zimbabwe	07/31/90	WDP91	WB DP
What causes differences in achievement in Zimbabwe's secondary schools?	06/30/91	WPS705	PRWP
Primary school achievement in English and mathematics in Zimbabwe: a multi-level analysis	10/31/93	WPS1208	PRWP
Equipment for science education constraints and opportunities	10/31/93	17346	WP NS
Energy and Electric Power			
Zimbabwe - Issues and options in the energy sector	06/30/82	3765	SR
Zimbabwe - Power system loss reduction study	02/28/83	ESM5	ESMAP
Zimbabwe - Energy assessment status report	08/31/84	ESM19	ESMAP
Zimbabwe - Power sector management assistance project: background, objectives and work plan	04/30/85	ESM34	ESMAP
Zimbabwe - Petroleum supply management assistance	02/28/90	ESM109	ESMAP
Zimbabwe - Charcoal utilization prefeasibility study	06/30/90	ESM119	ESMAP
Integrated energy strategy evaluation for Zimbabwe	01/31/92	8768	ESMAP

Title	*Date*	*Report No.*	*Type*
Energy efficient technical assistance project: strategic framework for a National Energy Efficiency Improvement Program (NEEIP) - ESMAP activity completion report	04/30/94	17428	ESMAP
Capacity building for the National Energy Efficiency Improvement Programme (NEEIP): routes to an implementing agency for energy efficiency in Zimbabwe	12/31/94	17429	ESMAP
Energy price increases in developing countries: case studies of Colombia, Ghana, Indonesia, Malaysia, Turkey, and Zimbabwe	03/31/95	WPS1442	PRWP
Employment and Labor Issues			
The labor market in Zimbabwe: historical trends and an evaluation of recent policy	05/31/87	DRD296	DWP
Lessons from tax reform: an overview	01/31/91	WPS576	PRWP
Does financial reform increase or reduce savings?	02/28/99	WPS2062	PRWP
Are wages and productivity in Zimbabwe affected by human capital investment and international trade?	04/30/99	WPS2101	PRWP
Health, Nutrition and Population			
Ventilated improved pit latrines: recent developments in Zimbabwe	12/01/82	WTP3	WB TP
Pit latrine ventilation: field investigation methodology	01/01/83	TAG4	WP NS
Ventilated improved pit latrines: vent pipe design guidelines	01/01/83	TAG6	WP NS
Zimbabwe - Population, health and nutrition sector review (Vol.1)	06/17/83	4214	SR
Zimbabwe - Population, health and nutrition sector review (Vol.2)	06/17/83	4214	SR
The design of ventilated improved pit latrines	01/01/84	TAG13	WP NS
Ventilated improved pit latrines: Zimbabwean brick designs	01/01/85	11434	WP NS
Zimbabwe - Financing health services	01/31/92	10262	WB CS
Development of the Zimbabwe family planning program	12/31/92	WPS1053	PRWP
Nutrition in Zimbabwe: an update	06/30/94	13403	Pub
Contraceptive choice, fertility, and public policy in Zimbabwe	02/28/95	LSM109	LSMS WP
Swimming against the tide: strategies for improving equity in health	05/31/95	14567	HCWP
Financing health services through user fees and insurance: case studies from sub-Saharan Africa	01/31/96	WDP294	WB DP
Sustainable health care financing in Southern Africa: papers from an EDI Health Policy Seminar held in Johnannesburg, South Africa, June 1996	05/31/98	17908	EDI LRS
World Bank HIV/AIDS interventions - ex-ante and ex-post evaluation	06/30/98	WDP389	WB DP
The impact of World Bank support to the HNP sector in Zimbabwe	06/30/98	18141	OED R
Development effectiveness in health, nutrition, and population: lessons from World Bank experience	05/10/99	19266	OED R
Manufacturing and the Industrial Sector			
Structural aspects of manufacturing in sub-Saharan Africa: findings from a seven country enterprise survey	10/31/96	WDP346	WB DP
Public Sector Management			
Public sector deficits and macroeconomic performance	11/30/94	13905	Pub
Report on Round III (1995) of the Zimbabwe survey	12/31/95	15348	WP
Evaluation capacity development in Africa: selected proceedings from a seminar in Abidjan	11/30/98	19814	Pr.
Private Sector Development, Deregulation and Foreign Investment			
Private investment, government policy, and foreign capital in Zimbabwe	08/31/89	WPS248	PRWP
Zimbabwe - A policy agenda for private sector development	06/30/93	11533	SR
Technological capabilities and learning in African enterprises	12/31/95	WTP288	WB TP
Implementing deregulation and promoting foreign direct investment in Africa: a report on six workshops	06/30/96	15949	PAS RP
Empowering small enterprises in Zimbabwe	12/31/97	WDP379	WB DP
Poverty			
A review of the World Bank's efforts to assist African governments in reducing poverty	10/13/93	17670	WP NS
Social Sector			
Social infrastructure and services in Zimbabwe	02/28/81	DPH8103	WP NS
Social infrastructure and services in Zimbabwe	10/31/81	SWP495	SPAAR WP
Urban Development			
The urban age - information and cities 3(1)	02/28/95	17446	NL
Designing community based development	06/30/95	18187	NL

Title	*Date*	*Report No.*	*Type*
Women in Development			
The impact of female schooling on fertility and contraceptive use: a study of fourteen sub-Saharan countries	02/28/95	LSM110	LSMS WP
Gender-related legal reform and access to economic resources in Eastern Africa	08/31/99	WDP405	WB DP
Trade			
Is export diversification the best way to achieve export growth and stability? A look at three African countries	07/31/91	WPS729	PRWP
Promoting regional power trade - the Southern African power pool	06/30/98	18347	VP

CAS Country Assistance Strategy
DWP Departmental Working Paper
EDI Economic Development Institute
ESMAP Energy Sector Management Assistance Programme
LSMS WP Living Standards Measurement Study Working Paper
OED R Operations Evaluation Department Report
Pub Publication
SR Sector Report
VP Viewpoint
WB DP World Bank Discussion Paper
WP Working Paper
CGIAR SP Consultative Group on International Agricultural Research
ER Economic Report
GEF Global Environment Facility
NL Newsletter
PRWP Policy Research Working Paper
SPAAR WP Special Program for African Agricultural Research Working Paper
WB CS World Bank Country Study
WB TP World Bank Technical Paper
WP NS Working Paper (numbered series)

Annex Table 5: Zimbabwe - OED and Supervision ratings

Table 5a: OED Ratings

Country	Total Evaluated $m	o/w Adjustment $m	Outcome % Satisf.	Outcome % Satisf. Adj.	Inst. Devel. Imp. % Substan.	Inst. Devel. Imp. % Substan. Adj.	Sustainability % Likely	Sustainability % Likely Adj.
Projects approved before FY90								
Bank	142480	23618	68	62	33	33	54	56
AFR	22517	6315	55	47	22	18	26	27
Zimbabwe	**608**	**71**	**94**	**100**	**42**	**..**	**73**	**100**
Cote d'Ivoire	1379	501	43	0	8	0	15	..
Ghana	1421	702	81	88	62	77	60	73
Kenya	1428	466	44	49	7	0	22	15
Malawi	686	226	82	100	30	47	36	47
Projects approved in FY90-02								
Bank	134797	61325	81	84	49	48	70	74
AFR	17858	8957	71	78	31	31	45	51
Zimbabwe	**659**	**298**	**81**	**58**	**19**	**0**	**21**	**0**
Cote d'Ivoire	1737	1539	72	78	18	13	59	63
Ghana	1383	504	69	49	50	39	53	74
Kenya	1034	470	52	83	2	0	9	7
Malawi	860	455	56	83	5	0	62	100

* The Institutional Development Impact and Sustainability ratings have been in use only since FY89. Hence, the data for these two ratings for the period before FY91 applies for smaller levels of total net commitment than shown in columns 2 and 3 of the table.
Source: OED rating database as of 09/2002.

Table 5b: List of projects evaluated by the OED

Proj ID	*Sector*	*Lend. Instr. Type*	*Project Description*	*Appr. FY*	*Exit FY*	*Disb., $m*	*Out-come*	*Sust.*	*IDI*
Approval year 1990-2002									
P003287	Agriculture	I	Forest Resources Management and Development	1990	1998	14.47	MS	L	Mod
P003302	Population, Health & Nutrition	I	Family Health 2	1991	1999	25.00	MS	Unc	Mod
P003286	Transportation	I	Railways 2	1991	1999	38.60	S	L	Subst
P003313	Multisector	A	Structural Adjustment[2]	1992	1994	175.00	MS	Unc	Negl
P003330	Agriculture	I	Emergency Drought Recovery	1992	1995	119.95	S	Unc	Negl
P003333	Population, Health & Nutrition	I	STI	1993	2001	64.50	MS	U	Mod
P003322	Multisector	A	SAL 2	1993	1998	125.00	US	U	Negl
P003309	Electric Power & Other Energy	I	Power III	1994	2000	88.86	MS	L	Subst
P045029	Urban Development	I	Rural District Council Pilot Capital Development	1997	2000	12.25	MS	U	Mod
P003331	Agriculture Adjustment, Agriculture	A	Agr Srvc & Mgmt	1998	2002	1.80	US	HU	Negl

MS	moderately satisfactory	**US**	unsatisfactory	**U**	unlikely	**Unc**	Uncertain	**Negl**	Negligible
S	satisfactory	**L**	likely	**HU**	highly unlikely	**Mod**	modest	**Subst**	Substantial
I	investment	**A**	adjustment						

Table 5c: Supervision Ratings

Country	*No. of projects*	*Net commit., $m*	*Projects at risk, %*	*Commitment at risk %*
Bank	1433	100549	16	15
AFR	359	15194	22	23
Zimbabwe	**1**	**60**	**100**	**100**
Cote D'Ivoire	12	758	33	55
Ghana	21	1208	5	0.4
Kenya	13	701	38	60
Malawi	9	288	33	15

Source: World Bank as of 07/17/2002.

Annex Table 6: Costs of Bank Programs for Zimbabwe and Comparator Countries, FY91-01

Table 6a

Regions/Countries	*Total costs, $m*	*Lending completion costs, $m*	*Supervision costs, $m*	*ESW completion costs, $m*
Bank	3478	1243	1151	1084
AFR	921	314	360	247
Zimbabwe	**19**	**9**	**7**	**3**
Cote d'Ivoire	32	14	13	5
Ghana	49	17	23	8
Kenya	36	14	18	5
Malawi	29	10	15	4
Percentages				
Bank	100	36	33	31
AFR	100	34	39	27
Zimbabwe	**100**	**46**	**38**	**17**
Cote d'Ivoire	100	45	41	15
Ghana	100	36	48	17
Kenya	100	38	48	14
Malawi	100	35	51	14

Table 6b: Efficiency Table

Regions/ Countries	*Total costs, $m*	*Number of projects approved in 1991–2001*	*Commitment, $m*	*Commitment for satisfactory and nonrisky projects, $m*	*Average costs per approved project, $1000*	*Average cost $ per $1000 of commitment*	*Average costs $ per $1000 of commitment for satisfactory and nonrisky projects*	*Memo Average projects size, $m*
Bank	3478	2671	242060	208551	1302	14.4	16.7	91
AFR	921	689	30191	24695	1337	30.5	37.3	44
Zimbabwe	**19**	**13**	**887**	**680**	**1472**	**21.6**	**28.1**	**68**
Cote d'Ivoire	32	27	2175	1608	1194	14.8	20.0	81
Ghana	49	48	2237	1839	1016	21.8	26.5	47
Kenya	36	29	1824	1246	1255	20.0	29.2	63
Malawi	29	24	1098	868	1195	26.1	33.1	46

Source: World Bank. Direct costs by service across fiscal years, as of August 2001.

* The amount of total costs includes lending completion, supervision, and ESW costs.

** Lending, supervision, and ESW costs are actual costs for active, closed, dropped, and all other projects in Bank's operations in FY91–01.

Annex Table 7: Zimbabwe – Senior Management, CY1990–2002

Year	*VP*	*Div. Chief / Country Director*	*Resident Representative*
1990	Edward V. K. Jaycox	H. W. Messenger	M. A. Burney
1991	Edward V. K. Jaycox	Praful C. Patel	C. J. Poortman
1992	Edward V. K. Jaycox	Praful C. Patel	C. J. Poortman
1993	Edward V. K. Jaycox	Praful C. Patel	C. J. Poortman
1994	Edward V. K. Jaycox	Praful C. Patel	C. J. Poortman
1995	Edward V. K. Jaycox	Praful C. Patel	D. A. Cook
1996	Callisto Madavo	Barbara Kafka	D. A. Cook
1997	Callisto Madavo	Barbara Kafka	D. A. Cook
1998	Callisto Madavo	Barbara Kafka	D. A. Cook
1999	Callisto Madavo	Barbara Kafka	T. W. Allen
2000	Callisto Madavo	Yaw Ansu	T. W. Allen
2001	Callisto Madavo	Yaw Ansu	T. W. Allen
2002	Callisto Madavo	Yaw Ansu	O. O. Nyanin

Source: The World Bank Group Directory, 1990–2002.

Annex Table 8: Zimbabwe - International Development Goals

	1990	*1995*	*1998*	*1999*
Poverty and malnutrition				
Population below $1 a day (%)	36	..	..	..
Poverty gap at $1 a day (%)	9.6	..	..	..
Percentage share of income or consumption held by poorest 20%	4	..	..	..
Prevalence of child malnutrition (% of children under 5)	..	15.5	..	..
Universal primary education				
Net primary enrollment ratio (% of relevant age group)	..	..	..	..
Percentage of cohort reaching grade 5 (%)	94	79	..	..
Youth literacy rate (% ages 15-24)	94	96	96.7	97
Gender equality				
Ratio of girls to boys in primary and secondary education (%)	96.2	94	94.3	..
Ratio of young literate females to males (% ages 15-24)	94.6	96.2	96.8	97
Infant and child mortality				
Infant mortality rate (per 1,000 live births)	51.8	62.6	69	70.1
Under 5 mortality rate (per 1,000)	77	..	107.7	118
Maternal mortality				
Maternal mortality ratio (per 100,000 live births)	..	..	..	400
Births attended by skilled health staff (% of total)	..	69	..	84
Reproductive health				
Contraceptive prevalence rate (% or women ages 15-49)	..	48	..	..
Prevalence of HIV, female (% ages 15-24)	..	..	..	11.3
Environment				
Access to an improved water source (% of population)	77	77	..	85
Forest area (% of total land area)	57.5	..	..	49.2
Nationally protected areas (% of total land area)	..	..	7.9	7.9
GDP per unit of energy use (PPP $ per kg oil equivalent)	2.5	2.8	3.3	..
General indicators				
Population	9.7 million	11.0 million	11.7 million	11.9 million
Gross national income ($)	9.0 billion	7.0 billion	7.5 billion	6.3 billion
GNI per capita ($)	920	630	640	530
Adult literacy rate (% of people ages 15 and over)	80.7	84.8	87.2	88
Total fertility rate (births per woman)	4.8	4	3.8	3.6
Life expectancy at birth (years)	56.2	49	44.5	40.4
Aid (% of GNI)	4	7.2	4.4	4.7
External debt (% of GNI)	38.2	73.7	74.2	87
Investment (% of GDP)	17.4	23.6	19.8	11.5
Trade (% of GDP)	45.7	79.1	87.7	90.9

Source: World Bank Development Indicators database, April 2001.

Recommendations on Land Reform in Bank Reports

Report	Date	Bank Recommendation	Adoption
CEM	1981	None	
Agriculture Sector Study	1983	None	
CEM	1985	None	
Study on Land Subsector	1986	Lacked clear guidance. Suggested reviewing the restrictions on land transactions, including leasing, and assessing their impact on agricultural productivity and growth. "If a land tax is necessary to encourage a more efficient use of land, it should be relatively simple to administer and not impede efficiency."	No
A Strategy for Sustained Growth	1987	None	
Memorandum on Agriculture Sector	1991	An increase in the land tax; easier subdivision of freehold land; allow local authorities to collect and spend a portion of tax proceeds on local development as well as financing the acquisition of land for use in resettlement schemes; price paid for land that is offered for sale must be market-determined.	No
CEM	1995	Graduated land tax; charging farmers the full economic cost for utilities and removing other direct and indirect subsidies which increase the price of land; revising land subdivision, lease, and sale regulations; financial instruments to enable smallholder farmers to purchase or lease land; institutional arrangements to provide training and technical and marketing services; public investments in selected common use facilities and infrastructure in areas where significant land transfers are taking place. A grant component to be combined with market-based redistribution to facilitate the transfer of land to poor small-scale farmers.	No
Learning and Innovation Loan (LIL)	1998	Agreement between the Government, stakeholders, and donors on the principles of land reform (respect for law, the need for land reform to be consistent with macro-economic stability, focus on poverty reduction, transparency, accountability, and sustainability). An Inception Phase would be launched over two years, with the goal of resettling 1 million ha, with multiple pilots (based on a mix of compulsory acquisition and market-assisted models). Expansion phase would meet the Government's objective of redistributing 5 million ha.	No. Inception Phase never got off the ground.

Source: World Bank documents.

Brazil: Land-based Poverty Alleviation

1. With a land distribution among the most unequal in the world, the situation in Brazil is characterized by a large extent of landlessness and a politically very vocal demand for land reform. A land reform institute (INCRA) was established in 1969, distributing 10 million hectares to 200,000 families and colonizing about 14 million hectares for about 75,000 beneficiary families since then. However, a recent FAO study estimates the number of families who are potential candidates for land reform at 2.5 million, suggesting that only part of the effective demand has been addressed. Since 1995, the political importance of land reform has increased greatly; a federal Minister for Agrarian Reform was appointed in 1996 and the land reform budget tripled from US$0.4 billion in 1994 to $1.3 billion in 1995 with a further increase to $2.6 billion in 1997.

2. To help the Government accomplish the goal of poverty reduction, the Bank has been building on the highly successful experience of community-driven projects in the country's Northeast, to develop a program of community-based land reform that is *complementary* to the existing approach which, from 1995 through the end of 1999, has resettled approximately 372,500 families. Under the community-based scheme, eligible beneficiary groups (community organizations) receive assistance to identify and acquire land and to make complementary productive investments in order to be able to make productive use of this land. The pilot has been implemented faster than originally expected, benefiting about 15,000 households thus far. While the approach continues to evolve, and a major evaluation study that continues to yield valuable insights is ongoing, a number of conclusions, both with respect to land reform in general, and in relation to the community-based program, have already emerged:

3. First, land reform can be a cost-effective way of reducing poverty and inequality. It compares favorably with the cost of alternative programs such as generation of industrial employment or urban housing and stimulates productive development, thus providing benefits that are higher than those that would be generated by a perpetual income support in the size of the grant that is provided to land reform beneficiaries. The macro-economic reforms undertaken by Brazil, including the cut of agricultural credit subsidies and an increase in the taxation of unproductive land, imply that land is available at relatively low prices from owners and banks who hold land as collateral on defaulted farm debt. Land ownership has been shown to enable beneficiaries to make investments in perennials which would have been unthinkable of before, by enabling them to gain ownership of land rather than having to subsist as share croppers or wage workers. From the point of view of productivity, farm models point towards the potential to increase beneficiary income by up to five-fold within a 5-year period through investment and intensification. In addition to increasing beneficiaries' ability to generate sustainable economic revenues and self-insure in terms of crisis, the program has positive impacts that go beyond the sphere of economics, by improving beneficiaries' sense of dignity, their social skills, and their participation in local government structures.

4. Second, by putting beneficiaries in the drivers seat, the community-based program has been able to increase land access at a total cost that is about two thirds of the

traditional program. This means that, with any given amount of resources, it will be possible to attend to a higher number of beneficiaries than would have been possible otherwise. An independent evaluation of projects implemented in 1998 and early 1999 which is currently followed up by a more in-depth study, highlights a number of important factors. (a) The project has created an agile and effective mechanism of settling landless rural families as illustrated by the huge demand and the fact that the process of land acquisition, from identification to purchase takes normally less than 90 days. (b) Self-selection of beneficiaries is working well and thus an effective way of targeting the poor. About one third of beneficiaries were illiterate, the leakage to non-poor beneficiaries is minimal and practically all of them have previous farming experience. (c) The projects established under the pilot are significantly smaller than under the traditional program, with a size between 10 and 35 families having emerged as the optimal group size both in order to facilitate effective management of the community association and at the same time to be able to be of sufficient size to be able to undertake fixed investments, e.g. in rural electrification or purchases of a tractor. (d) Land quality is generally adequate and land prices under the pilot project compare very favorably to those under the traditional program, being about 22 percent lower in per hectare terms and 28 percent lower per family. Finally, regarding project implementation, state organizations still play an important role in helping beneficiaries in the identification of adequate land and the negotiation of purchase opportunities but this role is expected to be reduced gradually, to be replaced by transfer of information from projects that have already been completed and new entrants. Project implementation through community associations has been highly successful and highly participatory. The challenge of providing critical inputs to the associations in terms of training while at the same time supporting their autonomy has been addressed by developing specific training programs, and by working closely with civil society organizations.

5. *Lessons learned:* First, the project clearly illustrates that a decentralized and demand-driven approach to land reform is feasible and can have high economic as well as social benefits. It suggests that, this potential can be realized by empowering beneficiaries and helping them to draw in assistance from different sources. Second, the project is more likely to achieve its goals where it can draw on support from civil society at the local level. It is for this reason that support and participation by social movements and NGOs is critical to ensure the productive development of beneficiaries, and to help them gain the skills and experience needed to transform a one-time asset transfer into a sustainable improvement in living conditions. Finally, the project illustrates the need for continuing evaluation and discussion, together with civil society, to adapt the concept to conditions on the ground to learn from past mistakes, and to ensure that scarce resources are used in a way that maximizes the impact for the poor. To maximize this potential, the Government is engaged in an ongoing evaluation, and has created mechanisms to foster public debate on the issue. A recently approved land-based poverty alleviation program for Brazil includes full participation by one of the most important Brazilian NGOs dealing with rural development. In view of the importance of beneficiaries receiving support by NGOs and civil society at the local level, the project is actively encouraging participation by other NGOs as well.

Source: Klaus Deininger, World Bank.

User Charges in Health and the Bank's Role

1. Zimbabwe has had user charges in health care since well before independence. Through out the 1980s, the Bank supported the ministry's policy of free or subsidized services for family planning, and preventive care. For other conditions notably, basic curative services, the Bank argued in favor of a small user charge for everyone.

2. By the late 1980s, with budget deficits continuing to mount, Government became concerned that it would be unable to meet the recurrent cost obligations and under major new investments. Accordingly, it invited the Bank to collaborate in producing a sector report on options for financing the health sector. The report recommended an increase in revenue from user charges but stressed the importance of maintaining an administratively worktable system for protecting the poor. Following the sector work, the Government commissioned consultants in 1990 to work with the Bank on a more detailed review of cost recovery options. The report published in 1992 as a World Bank Working Paper suggested that the Ministry of Health (MOH) issue a concise, accessible and clear schedule to reduce administrative confusion. In view of inflation, it also advocated an increase in exemption system threshold to cover all poor and a 75 percent increase in fees. It also advocated that most preventive care be provided free and proposed a modest flat fee to be charged to everyone for routine curative outpatient care.

3. The Government's Framework for Economic Reform in 1991 stated that cost recovery in health and education will be implemented. A development policy letter for SAL I (FY92), stated that in education, the Government will introduce fees at primary schools, but parents who could not afford to pay will be paid from the SDF. In the health sector, the threshold of Z$150 per month would be revised upwards and the MOH will continue to identify and exempt patients unable to pay charges. Increased cost recovery in education and health by a combined amount equivalent to 0.5 percent of GDP was a monitorable action to be supported by SAL I but not a condition for tranche release. In face of the serious health consequences of the drought in 1992 MOH decided in early 1993 that government rural health clinics would suspend fees. But later in 1993 it prepared for Cabinet consideration the first new fee schedule since independence. The Bank was advised that a new schedule was being prepared but was not consulted in its development. The Bank also did not formally present its views on cost recovery to the Government. The new schedule took effect in January 1994; fees at primary facilities rose considerably, and the burden of proof of income fell on the patient and required paper documentation.

Guide to OED's Country Evaluation Rating Methodology

1. This methodological note describes the key elements of OED's country assistance evaluation (CAE) methodology.[1]

CAEs rate the outcomes of Bank assistance programs, not Clients' overall development progress

2. An assistance program needs to be assessed on how well it met its particular objectives, which are typically a sub-set of the Client's development objectives. If an assistance program is large in relation to the Client's total development effort, the program outcome will be similar to the Client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a Client's development by donors, stakeholders, and the government itself. In CAEs, OED rates only the outcome of the Bank's program, not the Client's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

3. The experience gained in CAEs confirms that program outcomes sometimes diverge significantly from the Client's overall development progress. CAEs have identified assistance programs which had:

- satisfactory outcomes matched by good Client development;
- unsatisfactory outcomes in Clients which achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients which did not achieve satisfactory overall results during the period of program implementation.

Assessments of assistance program outcome and Bank performance are not the same

4. By the same token, an unsatisfactory assistance program outcome does not always mean that Bank performance was also unsatisfactory, and *vice-versa*. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (a) the Client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (e.g., events of nature, international economic shocks, etc.). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three, and lead to an unsatisfactory outcome.

5. OED measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank's lending interventions, the scope, quality and follow-up of diagnostic work and

[1] In this note, *assistance program* refers to products and services generated in support of the economic development of a Client country over a specified period of time, and *client* refers to the country that receives the benefits of that program.

other AAA, the consistency of Bank's lending with its non-lending work and with its safeguard policies, and the Bank's partnership activities.

Evaluation in Three Dimensions

6. As a check upon the inherent subjectivity of ratings, OED examines a number of elements that contribute to assistance program outcomes. The consistency of ratings is further tested by examining the country assistance program across three dimensions:

(a) a *Products and Services Dimension,* involving a "bottom-up" analysis of major program inputs—loans, AAA, and aid coordination;

(b) a *Development Impact Dimension,* involving a "top-down" analysis of the principal program objectives for relevance, efficacy, outcome, sustainability, and institutional impact; and,

(c) an *Attribution Dimension,* in which the evaluator assigns responsibility for the program outcome to the four categories of actors (see paragraph 4. above).

Rating Assistance Program Outcome

7. In rating the outcome (expected development impact) of an assistance program, OED gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The country assistance strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. OED's task is then to validate whether the intermediate objectives produced satisfactory net benefits, and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

8. Evaluators also assess the degree of Client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key Client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of Client ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

Ratings Scale

9. OED utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

Highly Satisfactory:	The assistance program achieved at least acceptable progress toward all major relevant objectives, and had best practice development impact on one or more of them. No major shortcomings were identified.
Satisfactory:	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
Moderately Satisfactory:	The assistance program achieved acceptable progress toward *most* of its major relevant objectives. No major shortcomings were identified.
Moderately Unsatisfactory:	The assistance program did *not* make acceptable progress toward *most* of its major relevant objectives, *or* made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Unsatisfactory:	The assistance program did not make acceptable progress toward *most* of its major relevant objectives, *and* either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
Highly Unsatisfactory:	The assistance program did not make acceptable progress toward *any* of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

10. The **institutional development impact (IDI)** can be rated as: *high*, *substantial*, *modest*, or *negligible*. IDI measures the extent to which the program bolstered the Client's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- the soundness of economic management;
- the structure of the public sector, and, in particular, the civil service;
- the institutional soundness of the financial sector;
- the soundness of legal, regulatory, and judicial systems;
- the extent of monitoring and evaluation systems;
- the effectiveness of aid coordination;
- the degree of financial accountability;
- the extent of building NGO capacity; and,
- the level of social and environmental capital.

11. **Sustainability** can be rated as *highly likely*, *likely*, *unlikely*, *highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience to risk of the development benefits of the country assistance program over time, taking into account eight factors:

- technical resilience;
- financial resilience (including policies on cost recovery);
- economic resilience;
- social support (including conditions subject to safeguard policies);
- environmental resilience;
- ownership by governments and other key stakeholders;
- institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness); and,
- resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

Zimbabwe Country Assistance Evaluation

MANAGEMENT ACTION RECORD

Recommendations	*Management Response*
(i) The Bank should focus on AAA to build the Bank's knowledge base in key reform areas: (i) an assessment of poverty and inequality, and the impact of economic policies on these issues; (ii) an analysis of the political economy factors which have impeded reforms (e.g., parastatal reform) in the past; (iii) learning from pilots on land reform launched in other countries; and (iv) a public expenditure review focused on fiscal sustainability and the required rationalization and reallocation of public expenditures. (ii) A resumption of normal Bank lending should be conditional on: credible and upfront measures to achieve macroeconomic stability, fundamental governance reforms, a pro-poor reallocation of expenditures, parastatal reforms, and the formulation and credible initial steps in the implementation of an action plan on land issues.	Overall, the OED recommendations on focus of Bank's activities and on conditions for resumption of lending are in line with the Interim Strategy for Zimbabwe that was reviewed by ROC on June 27, 2002. Currently, the scope of the Bank's activities in Zimbabwe is limited due to the country's non-accrual status, poor macroeconomic and land policies, weak governance, and a marked deterioration of law and order. Zimbabwe is a LICUS country, in which, our overall strategy is to maintain dialogue with the Government on macroeconomic policies, generate and disseminate knowledge, suggest ways to improve provision of services in social sectors and for HIV/AIDS, catalyze change by informal dialogue in key policy areas, and to prepare for re-engagement when certain requirements are met. More specifically, our ongoing assistance includes: **Knowledge generation and dissemination**. We will prepare "Watching Briefs" to primarily inform ourselves, management, and share with others (out-reach) analysis of macroeconomic and structural policies, the socio/political situation including rule of law, agriculture, food security and land reform, poverty, and social services. We will also finalize and disseminate the analytical/TA work such as Public Enterprise Sector Report and the Social Sector Expenditure Review. **Service delivery**. We will continue to make contributions in three areas: (a) In social sectors, we will use the Social Sector Expenditure Review to assess alternative (public and non-governmental) service delivery mechanisms with a view to provide advice as well as to position ourselves for

Recommendations	*Management Response*
	possible future support (e.g. an emergency operation when the situation in the country begins to turn for the better); (b) Regarding HIV/AIDS, provide TA on financial management and M&E to National AIDS Council (NAC), explore possible areas of collaboration with non-governmental organizations, and try to mobilize non-IDA grant resources to support NAC and other players; and (c) In agriculture and food security, work with other partners for short-term response to food crisis and remain engaged on other agricultural policy issues. **Catalyzing change proactively**. We will continue: (a) informal dialogue on macroeconomic policies, (b) policy discussions on land issues within and outside government, and (c) coordinating government/donor relations to provide assistance towards a "meeting of the minds."

CHAIRMAN'S SUMMARY: COMMITTEE ON DEVELOPMENT EFFECTIVENESS

Informal Subcommittee's Report on Zimbabwe Country Assistance Evaluation

(Meeting of March 8, 2004)

1. The Informal Subcommittee (SC) of the Committee on Development Effectiveness (CODE) met on March 8, 2004 to discuss the Zimbabwe Country Assistance Evaluation prepared by the Operations Evaluation Department (OED).

2. **OED Evaluation Findings**. The evaluation finds that the outcome of Bank assistance during the past two decades has been unsatisfactory. Lessons from the Zimbabwe experience include: the Bank should have undertaken a public expenditure review (PER) prior to 1995; it should have been more forceful in ensuring that credible steps to ensure fiscal sustainability were incorporated in adjustment lending; it should have formed a judgment about the macro-economic fiscal targets and the likelihood of their implementation; it should have undertaken in-depth analytical work on poverty and more proactively addressed land reform before 1998; it should not have relied on commitments with technocrats in the absence of political consensus for reforms; and in the absence of ownership from the political leadership the Bank should have insisted that conditions be fulfilled before lending. The government has been in arrears to the Bank since May 2000. At the present juncture, the Bank should focus AAA in four areas: an assessment of poverty and inequality and the impact of economic policies on these issues; an analysis of the political economy factors that have impeded reforms in the past; learning from pilots on land reform launched in other countries; and a PER focused on fiscal sustainability and the required rationalization and reallocation of public expenditures. Resumption of normal Bank lending should be conditioned on credible measures to achieve macroeconomic stability, fundamental governance reforms, a pro-poor allocation of expenditures, parastatal reforms and the formulation of credible initial steps in the implementation of an action plan on land issues.

3. **Comments from Management**. Management agreed with the analysis in the CAE, and said it was fair and balanced. While it agreed that land reform and HIV/AIDS interventions could have started earlier, management said it was not factually true that no substantive analytical work on poverty had been completed and that the Bank had given insufficient attention to social safety nets. The Bank had supported a wide range of analytical work in these areas in 1995/96, mostly through trust funds. Management said that there had been no LICUS strategy at that time, and no markers for what to do in a country in rapid decline and political turmoil. The report did not adequately reflect the unusual relationship between the Government and aid partners, or identify what the Bank could have done differently to keep the dialogue alive while not lending to the country. Management added that some of the CAE's recommendations were already being applied in the context of a LICUS strategy being prepared. There was a focus on HIV/AIDS and land reform issues, agrarian sector reform, and agricultural production. Analytical work was being done in the area of macroeconomics and debt sustainability, coping mechanisms and social safety nets. Regarding poverty work, OED responded that analytical work in this area was recognized in the evaluation but that attention to poverty and social protection was weak during the adjustment period, 1991-96, and no comprehensive poverty analysis had been completed.

4. **Main Conclusions and Next Steps**. Members welcomed the hard hitting OED evaluation and broadly endorsed its findings and recommendations. They noted that Zimbabwe had been a difficult country, with a complex environment. The Subcommittee supported the proposal for the Bank to stay engaged in the country and maintain a dialogue with the

Government, in preparation for stronger reengagement when conditions permitted. One member said the evaluation did not analyze all factors that had played a role in the decline in sufficient depth. For instance, the external shocks that Zimbabwe had endured during the 1990s should have been taken into consideration in analyzing the fiscal situation.

5. The Chair representing Zimbabwe agreed with the broad findings of the evaluation. He said the Bank could have been more cognizant of events on the ground in Zimbabwe. The strategy devised by the Bank was not well tailored to country conditions. The problem of land distribution had been known to the international community for many years before it exploded in 2000. The Bank had been somewhat inflexible in its approach and had not offered pragmatic solutions, given the political reality. The speaker said that proper sequencing of macroeconomic reforms was essential. It would have led to greater ownership of reforms and realism in the strategy. The recommendation that future Bank lending should be conditioned on credible and upfront measures, including in politically sensitive areas, was too strong. He said the cost of a stopgap approach, particularly after a long period of disengagement, would be too high, and he encouraged the Bank to remain engaged in the country.

The main points of the Subcommittee's discussion are summarized below:

6. **Political Ownership is Key**. Subcommittee members noted that the recommendation in para 3 states the Bank should not have relied so much on the commitments of technocrats in the absence of political dialogue and consensus for reforms. While stressing the critical importance of political ownership, some members said there was nothing wrong in reaching informal decisions with technocrats, who could not in any case take major decisions without the approval of the political authorities. One of them said that political consensus could not be assured in all cases. He therefore suggested either deleting or modifying this recommendation. Another member said a broad ownership of the reform process was important. Other speakers said that political ownership was a prerequisite for successful Bank assistance, and even in failed states the Bank should act under a framework agreed upon with the authorities in power. While there was no harm in exchanging views with technocrats, taking commitments from officials with no decision-making power should be avoided. The DGO said the thrust of the recommendation was not that Bank staff should not negotiate agreements with technocrats but that both technocratic support and political ownership were necessary for a successful program.

7. **The Importance of Land Reform.** One member stressed the importance of land reform and said the Zimbabwe case should be an opportunity for the Bank to focus on the land issue as a powerful tool for enhancing pro-poor and equitable economic reform. The speaker said the Bank, as an international institution with a strong convening power, had a comparative advantage in promoting peaceful and well-planned land reforms. He urged it to focus its LICUS activities in Zimbabwe on building its own knowledge and capacity on land reform issues. Management said that the Bank was placing a lot more emphasis on land reform issues. It had expanded its technical capacity in this area, and was taking the lessons of the Zimbabwe experience very seriously.

8. **Counterfactual.** Some members said the report raised the issue of whether it would have made a difference in Zimbabwe if the Bank had changed its strategy, given the lack of political ownership in the country. They noted management's view that it was unclear what it could have done differently in the absence of lending and a LICUS initiative. A member said the Bank could have been more involved in learning how the government operated, understanding the political context and gaining country knowledge. Lending under the circumstances that existed may have given the wrong signal. Another member asked for management's assessment of whether a LICUS type of initiative, with a particular focus on staffing and motivational rewards for Bank teams to stay engaged in a very difficult environment, could have yielded better results.

A member said that management's response to the evaluation's statement that there was no basis for releasing the second tranche of SAC II in December 1997 should be recorded in the report. One speaker said that with the Bank's experience and knowledge, it should not have taken it 10 years to know what to do in difficult environments. A credible track record of prior actions should have been a precondition for continued lending in the absence of genuine ownership and commitment to reform. Until there were fundamental policy reforms and a resolution of the political crisis, he said, it was difficult to see a useful role for the Bank in Zimbabwe.

9. OED responded that there were clear instances where a different Bank response would likely have had a positive impact on the program: had a PER been completed earlier, issues in the sequencing of reforms would have been clearer and the Bank would have recognized that financial sector and tax reform needed to be undertaken after a rationalization of expenditures to ensure fiscal stability (this finding is also consistent with an IMF evaluation of the ESAF program); and, work on land reform issues to inform the government about best practices elsewhere, as was done in South Africa and Brazil, may have been beneficial in initiating a sustainable process.

Jinkang Wu
Acting Chairperson, CODE Subcommittee