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INTERNATIONAL FINANCE CORPORATION

AND

MULTILATERAL INVESTMENT GUARANTEE AGENCY

INTERIM STRATEGY NOTE

SUPPORTING ECONOMIC RECOVERY FOR INCLUSIVE GROWTH

FOR

THE REPUBLIC OF ZIMBABWE

FOR THE PERIOD FY13-15

March 6, 2013

Zimbabwe Country Management Unit
Africa Region

The International Finance Corporation
Africa Region

The Multilateral Investment Guarantee Agency

The date of the last Interim Strategy Note was May 30, 2007

CURRENCY EQUIVALENTS

Currency Unit = USD
US$1= US$1

GOVERNMENT FISCAL YEAR

January 1 to December 31

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AfDB	African Development Bank
A-MDTF	Analytical Multi-Donor Trust Fund
AU	African Union
AusAID	Australian Agency for International Development
BBWEE	Broad-Based Women's Economic Empowerment
BNPP	Bank Netherlands Partnership Program
CAADP	Comprehensive African Agriculture Development Program
CBO	Community-based Organizations
CBNRM	Community-based Natural Resource Management
CEM	Country Economic Memorandum
CIDA	Canadian International Development Agency
CLARP	Comprehensive Land and Agrarian Reform Program
CSO	Civil Society Organization
EIB	European Investment Bank
EPDF	Education Program Development Fund
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoZ	Government of Zimbabwe
GPA	Global Political Agreement
GPOBA	Global Partnership on Output-Based Aid
GPE	Global Partnership for Education
HIV/AIDS	Human immunodeficiency virus/Acquired Immuno Deficiency Syndrome
HIPC	Heavily-Indebted Poor Country
HRI	Health Results Innovation
HRMIS	Human Resource Management Information System
IEE	Indigenization and Economic Empowerment
IBRD	International Bank of Reconstruction and Development
ICSID	International Center for the Settlement of Investment Disputes
ICT	Information Communication Technology
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Financial Institution
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
ISN	Interim Strategy Note

JOMIC	Joint Operations, Monitoring and Implementation Committee
LICUS	Low-income Countries Under Stress
MDA	Ministries, Developments, and Agencies
MDG	Millennium Development Goals
MDC-M	Movement for Democratic Change–Mutambara
MDC-T	Movement for Democratic Change–Tsvangirai
MDRI	Multilateral Debt Relief Initiative
MDTF	Multi-Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
MOEPIP	Ministry of Economic Planning and Investment Promotion
MOF	Ministry of Finance
MOHCW	Ministry of Health and Child Welfare
MOESAC	Ministry of Education, Sport, Arts and Culture
MWAGCD	Ministry of Women Affairs, Gender and Community Development
MTP	Medium-Term Plan
NANGO	National Association of NGOs
NGO	Non-Governmental Organization
OECD	Organisation for Economic Cooperation and Development
PFMS	Public Financial Management Systems
P-MDTF	Programmatic Multi-Donor Trust Fund
PPG	Public and Publically Guaranteed
PPP	Public-Private Partnership
PSIP	Public Sector Investment Program
PRGT	Poverty Reduction and Growth Trust
PRSP	Poverty Reduction Strategy Papers
RBF	Results-Based Financing
RBZ	Reserve Bank of Zimbabwe
SADC	Southern African Development Community
SIDA	Swedish International Development Agency
SDR	Special Drawing Rights
SME	Small, Micro, and Medium Enterprises
SMP	Staff-Monitored Program
SPF	State and Peace Building Fund
STERP	Short-Term Emergency Recovery Program
TA	Technical Assistance
TB	Tuberculosis
TF	Trust Fund
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WDR	World Development Report
WBG	World Bank Group
ZANU-PF	Zimbabwe African National Union-Patriotic Front
ZAREP	Zimbabwe Accelerated Re-engagement Economic Program
ZACH	Zimbabwe Association of Church Hospitals
ZDHS	Zimbabwe Demographic and Health Survey
ZEAIP	Zimbabwe Emergency Agricultural Input Project
ZMRT	Zimbabwe Mining Revenue Transparency
ZPC	Zimbabwe Power Company

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REPUBLIC OF ZIMBABWE
INTERIM STRATEGY NOTE: FY13–15

TABLE OF CONTENTS

List of Boxes

List of Tables

ISN Annexes

ISN Standard Annex Tables

Map of Zimbabwe

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REPUBLIC OF ZIMBABWE
INTERIM STRATEGY NOTE: FY13–15

EXECUTIVE SUMMARY

1. This World Bank Group Interim Strategy Note (ISN) for Zimbabwe for the period FY13-FY15 follows on from the two previous ISNs for Zimbabwe (prepared in 2005 and 2007). Although it was on the path to Middle Income Status in the 1980s and much of the 1990s, Zimbabwe has since suffered from protracted fragility induced by recurrent cycles of political and economic crises. However, during the past four years, relative political stability, the adoption of a multi-currency regime and economic reforms has generated vigorous economic growth. Nonetheless, the decade of economic decline which preceded the growth has severely compromised basic service delivery, public sector capacity, infrastructure maintenance and the investment climate for the private sector. Despite the current difficulties, Zimbabwe has enormous potential for sustained growth and poverty reduction given its generous endowment of natural resources and a reservoir of highly skilled human resources base. Realizing this potential would require conducive political and economic environment.

2. Zimbabwe has been in arrears with the Bank since October 2000. Without the clearance of arrears to International Financial Institutions (IFIs), Zimbabwe cannot access regular development assistance from these institutions. The steps involved in Zimbabwe's re-engagement were set out in the 2009 Board paper titled "Joint IMF-World Bank-African Development Bank Note on Operational and Legal Elements of Re-engagement in Zimbabwe". This ISN has been prepared within the framework provided in that Board paper. An IMF Staff Monitored Program (SMP) is an important step towards full re-engagement of the IFIs. Good progress is being made in IMF's dialogue with Zimbabwe.

3. Given the uncertainties facing the country, the ISN has been prepared to swiftly respond to changes in the country context. The anticipated elections and an expected new Constitution would be important developments during the ISN period. The ISN has been informed by three scenarios: status-quo, enhanced re-engagement, and deterioration – specific features of these scenarios, current assessment of their likelihood, and possible World Bank Group (WBG) response have been set out in the document. Under the 'status quo' scenario, the WBG will continue to support reforms and recovery through dialogue and analytical work – building upon the success achieved on this front during the ISN2 period through the Analytical Multi Donor Trust Fund (A-MDTF) and other forms of support. If the situation improves and 'enhanced re-engagement' can be confirmed, then the WBG will work with other partners in helping the government to develop social and economic reform program needed to move towards arrears clearance and full re-engagement in line with the 2009 Board paper. Under the third scenario, if the political economy deteriorates to the point where most analytical work no longer has a receptive audience, the World Bank would scale back its work and staff.

4. The ISN identifies three priority areas for WBG support in terms of fostering an enabling environment for: Private Sector Development and Job Creation; Strengthening Core Systems for Public Sector Management and Service Delivery; and, Reducing Vulnerabilities, Improving Resilience, and Strengthening Human Development.

REPUBLIC OF ZIMBABWE
INTERIM STRATEGY NOTE: FY13–15

1. **This Joint IDA-IFC-MIGA Note outlines the proposed strategic direction for World Bank Group support to Zimbabwe from April 2013 through March 2015.** The thrust is to promote an enabling environment for inclusive growth from continuing economic recovery after the stabilization phase of 2009–12, while recognizing the highly unpredictable political environment. Inclusive growth will be promoted through a growing private sector, a more efficient public sector, and a more engaged civil society. Zimbabwe has been in arrears with the Bank since October 2000. Recent Bank support has been guided by Interim Strategy Note (ISN) FY08-09 (2007–09) whose objective to strengthen World Bank operational readiness to re-engage with Zimbabwe**,** remained relevant through 2012 as dialogue between Government, donors, and other stakeholders continued about a suitable plan for re-engagement as the political-economic environment changed.

I. COUNTRY CONTEXT

Continuing Fragility amid Political Transition

2. **Although it was on the path to middle-income status in the 1980s and much of the 1990s, Zimbabwe has since suffered from protracted fragility induced by recurrent cycles of political and economic crisis.** Zimbabwe is unique in that it has the characteristics of both a middle-income country and a typical fragile state: it has solid backbone infrastructure and human capacity but has been drained of institutional capacity, especially in core government functions, service delivery to citizens, the private sector, and systems to resolve political and economic contests. The degradation of institutions is such that Zimbabwe has had difficulty managing political, economic, and external stresses, which if not properly handled, could reignite political conflict and economic vulnerability. Given anticipated elections and an expected new constitution, it is possible that in the next 12 to 24 months the post-2009 economic rebound could be accelerated and progress made in rebuilding the state. This ISN describes how the World Bank Group proposes to respond to the opportunities and risks for supporting scaled-up engagement. It lays a foundation for analytic and programmatic work and direct engagement with the private sector to ensure that, if Zimbabwe continues to move toward re-engagement, the Bank Group is well-prepared to respond quickly. The technical assistance (TA) and pilot initiatives could be scaled up, if conditions warrant.

3. **For the last four years, relative political stability, the adoption of a multi-currency regime, and economic reforms have improved incentives for the private sector, generating a vigorous economic rebound**. The political impasse of the 2000s was partially resolved by the establishment in 2009 of an inclusive government made up of the three major political parties, which created significant room for reforms and a window to improve basic social service delivery. However, since early 2012 the coalition government has been increasingly fractious, especially as the elections scheduled for 2013 draw closer. Uncertainty over future political arrangements threatens to undermine the fragile reforms, and the emergence of new sources of revenue and rents has put additional stress on often-politicized institutions. This oscillation in reform opportunities is consistent with the notion of multiple transitions identified in the 2011 *World Development Report* (WDR) on Conflict, Security, and Development, which found that transitions, especially after protracted fragility, are not linear—there is a cycle of opening and contracting opportunity as the equilibrium continually shifts. The last few years have demonstrated that rapidly changing circumstances can create opportunities for engagement even after contentious elections. Once the

conditions for World Bank Group re-engagement exist, it can help improve institutional governance, livelihoods, private sector expansion and growth, especially through a dynamic response to improved incentives from the private sector.

4. **Following the lessons of the 2011 WDR,[1] the Bank proposes to pursue two major objectives**: confidence-building, by demonstrating early gains for citizens and business through enhanced service delivery and private sector opportunities; and incremental institution-building, through demonstrative interventions in core public and economic management systems. The Bank Group therefore proposes actions to foster an enabling environment in three areas:

- fostering private sector-led growth,
- strengthening public sector core management systems, and
- reducing societal vulnerabilities while improving human capacities.

5. **The Bank recognizes that, among other risks, political crises could re-emerge or the transition could be protracted,** stalling efforts to re-engage and threatening the gains of the last few years. Keeping the risks in mind, the Bank will initiate early steps in a longer-term program of support for institutional transformation that could be sustained, scaled up, or scaled back as reform opportunities fluctuate. Actions will be guided by robust analysis of technical issues and continuous risk assessment. Bank-supported service delivery innovations will be carefully monitored to manage risks and to document lessons for the benefit of Government, the private sector, donors, and other internal and external stakeholders. For example, in the health sector the Bank will work with the Government to rigorously assess how innovative financing can improve health outcomes and share the emerging knowledge.

Political and Economic Overview

6. **In the last decade and half, Zimbabwe reversed the social and economic strides it had made since independence.** Between 1998 and 2008, Gross Domestic Product (GDP) declined by an estimated 96.5 percent and the hyperinflation due to poor macroeconomic management that emerged in 2006 caused critical services to fail. A large number of skilled workers in both Government and the private sector left the country, and commercial farming collapsed as the government forcefully expropriated land under the Fast Track Land Reform Programme. The economic crisis peaked in late 2008 when extreme hyperinflation resulted in de facto abandonment of the domestic currency. Official year-on-year inflation reached 231 million percent in July 2008, although estimates by independent economists put the figure at the end of October 2008 at above 2 quintillion percent. In 2008, 24 new currency denominations were introduced.

7. **Since the formation of the inclusive government in 2009, its Short-Term Emergency Recovery Program (STERP) has turned the economy around (see Table 1).** The STERP introduced a multiple-currency system, dominated by the US dollar; removed price controls, and committed to fiscal discipline. It arrested the quasi-fiscal activities[2] of the Reserve Bank of

[1] WDR 2011 analysis shows that restoring confidence and building legitimate institutions break the cycles of violence. There is a need to build inclusive-enough coalitions to implement the initial stages of confidence-building and institutional transformation before embarking on wider institutional transformation. Second priority is transforming institutions that provide citizen security, justice and jobs by prioritizing and sequencing actions and reforms.

[2] These are activities outside the budget that have fiscal impact.

Zimbabwe (RBZ), got parastatals and government agencies to charge cost-based prices, liberalized foreign exchange regulations, and freed the markets for grain and minerals, especially gold. It thus ushered in a regime of stable prices and market-oriented policies. Hyperinflation came to a halt, GDP grew at over 9 percent in 2010 and 2011, and the tax base was rebuilt to reach 31 percent of GDP in 2012 from a low base of 3 percent of GDP in 2008. Historically, the private sector had been robust and competitive, benefiting from foreign and domestic investment that was attracted by a high skills base, an investor-friendly market economy, and good infrastructure; now it reacted with vigor to the STERP incentives, and agriculture, mining, and services grew remarkably fast (for example, mobile phone penetration has grown 400 percent since 2008; it now reaches 70 percent of the population). However, recovery in manufacturing has been hampered by the limited availability of funds to rebuild working capital and address capital decay.

Table 1: Zimbabwe: Economic Indicators					
	2009	**2010**	**2011**	**2012 Est.**	**2013 Proj.**
Real GDP growth (%)	6.0	9.0	9.3	5.0	5.0
Fiscal overall balance, incl. quasi-fiscal (% of GDP)	–2.9	–2.6	-3.1	-10.4	--3.8
Fiscal primary balance, incl. quasi-fiscal (% of GDP)	0.5	–0.1	-1.1	-8.4	--1.9
CPI inflation (%, annual average)	–7.7	3.2	4.9	3.7	5.6
Broad money (M3, % of GDP) *	31.0	28.4	34.4	39.0	38
Domestic credit (% of GDP) *	56.5	21.0	29.3	40.1	40
Private credit/domestic credit (%)	105.4	105.6	101.0	100.8	8.5
Exports (% of GDP)	27.7	43.1	44.6	47.8	46
Imports (% of GDP)	55.1	68.5	63.7	66.3	63
Current account balance (% of GDP)	–24.4	–21.1	-35.5	-20.1	20
External debt (% of GDP)	124.0	121.3	111.1	116.3	116
Official foreign reserves (months of imports) *	1.0	0.4	0.3	0.2	0.2

Sources: Government of Zimbabwe; * IMF estimates

8. **The economic rebound was supported by the complex political transition of 2008 and early 2009**. A contested first-round election on March 29, 2008, saw Morgan Tsvangirai, leader of the Movement for Democratic Change-T (MDC-T), winning by too narrow a margin to avoid a run-off. In the run-off on June 27, 2008, President Mugabe of the ruling Zimbabwe African National Union–Patriotic Front (ZANU-PF) was declared the winner, running as the sole candidate. An African Union (AU) summit held in Egypt in mid-2008 issued a resolution urging the president to form a government that would include members of the opposition MDC-T and the smaller MDC-M, led by Arthur Mutambara at the time. On September 15, 2008, a Global Political Agreement (GPA)[3] for an inclusive government was signed and a new government was formed in February 2009, with Mr. Mugabe remaining president and Mr. Tsvangirai filling the new post of prime minister.

9. **The Government has made intermittent progress on the reforms agreed upon**, enacting 24 of the 27 elements of the GPA. The GPA laid out a schedule of about two years from formation of the new government to draft and adopt a new constitution. After four-years of

[3] In the GPA the three parties made a series of commitments that were intended to enable them to work together to create a genuine, viable, permanent, sustainable, and nationally acceptable solution to the problems facing Zimbabwe.

discussions, a draft Constitution was agreed by the main parties in January 2013 and was passed by Parliament in February 2013. It is expected to be put to referendum in March 2013. Despite this encouraging progress, differences persist on the three unfulfilled elements of the GPA—especially appointment of provincial governors, ambassadors, the attorney-general, and the governor of the Reserve Bank—that have not been resolved despite frequent attempts by SADC[4] to broker a solution. ZANU-PF has linked these issues to continuing restrictions imposed by long-time donors on doing business with certain individuals and companies affiliated with ZANU-PF.

10. **The SADC Heads of State summit on June 12, 2011,** in South Africa, however, produced an agreement on a roadmap to elections and on strengthening the GPA Joint Operations, Monitoring and Implementation Committee (JOMIC) by adding officials from Namibia, Mozambique and South Africa.

11. **At the ZANU-PF December Annual Conferences in 2011 and 2012 the party unanimously approved Mr. Mugabe as their presidential candidate** for the next elections, and approved a resolution calling for the polls to be held "as soon as possible". Under the current constitution, the life of Parliament ends in June 2013 and elections should be held within three months. The timing of elections is likely to be informed by the Bill that would be prepared if the Constitution gets a majority 'yes' vote in the referendum. Most observers expect elections to take place in 2013.

12. **The speed and direction of change in Zimbabwe is largely determined by the principal signatories to the GPA**, and how they respond to five constituencies with a particular stake in the future of Zimbabwe: (1) members and leaders of the two major political parties, led by Mr. Mugabe and Mr. Tsvangirai; (2) the Joint Operations Committee (JOC) made up of the heads of security units and their Ministers (Army, Police, Intelligence, and Prisons); (3) regional leaders in the SADC, who facilitate the Zimbabwe political dialogue under the leadership of President Jacob Zuma of South Africa, with AU backing; (4) citizens acting through a variety of institutions—e.g., nongovernmental organizations (NGOs), civil society organizations (CSOs) and the private sector; and (5) the international community acting through the European Union (EU), the United Nations (UN) and related bodies.

13. **The Government finances have recently come under stress**, and there have been set-backs such as the financing of non-priority expenditures; a rapidly rising public sector wage bill (which accounted for 60 percent of total expenditure in 2012); lack of action to rid the wage bill of irregularities; efforts to fast-track indigenization; and non-concessional borrowing (for example, a US$100 million[5] loan to build a Defense College). A major deterrent to sound economic management is the lack of agreement between the major political parties on such central issues as how, for example, to control the unsustainable wage bill. The parties also disagree on two key on-going policy reforms, one on Indigenization and Economic Empowerment (IEE),[6] the other on land and agrarian reform.

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[4] The Southern African Development Community, consisting of Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

[5] The U.S. dollar is the dominant currency in the multi-currency regime.

[6] The Zimbabwe Indigenisation and Economic Empowerment Act (IEA), Chapter 14:33 (Act 14/2007, *gazetted* March 7, 2008),, provides that "[t]he Government shall, through this Act or regulations or other measures under this Act or any other law, endeavour to secure that… at least 51% of the shares of every public company and any other business shall be owned by indigenous Zimbabweans." An "indigenous Zimbabwean" is defined as "any person who, before the 18th April, 1980 [*the date of Zimbabwe's independence*], who was disadvantaged by unfair discrimination on the grounds of his or her race, and any descendant of such

14. **Traditional donors still provide about US$600 million a year to Zimbabwe,** consisting mostly of 'humanitarian-plus' assistance that remains outside the Government budget. Most donors are also contributing to multi-donor trust funds (MDTFs), including the Bank-administered Analytic MDTF (discussed below),[7] and the AfDB-administered Zim-Fund MDTF, which is channeling over US$100 million to Government-executed projects in energy and water supply, with replenishment expected this year. Nontraditional donors—China, Russia, India, South Africa, and Brazil—are also expected to continue active economic cooperation, including non-concessional loans, with the Zimbabwe Government. They have made significant investments in Zimbabwe, including in the diamond sector (see Annex 2 for information on the primary donors and their sector focus and on bilateral aid flows to Zimbabwe in 2011).

15. **Zimbabwe's relations with the IMF have progressed in the past four years**. In May 2009, the IMF Board agreed to a targeted lifting of the suspension of technical assistance (TA) and the Fund has since provided TA on (i) tax policy and administration; (ii) payment systems; (iii) lender-of-last-resort operations and banking supervision; (iv) central bank governance and accounting; and (v) public financial management. In February 2010, the Fund decided to restore the voting rights of Zimbabwe at the Board and made the country eligible to use the Fund's general resources. Zimbabwe also received a general allocation of Special Drawing Rights (SDR) 262 million in August 2009. Since then, Zimbabwe has made three conversions of its SDR holdings, totaling SDR 168.1 million (US$260 million) – comprised of SDR31.5 million in 2009, SDR 65.3 million in 2010 and SDR71.3 million in 2012.[8] The IMF has also requested that Zimbabwe establish a track record of making regular payments of its overdue financial obligations to the IMF by making monthly payments to the Poverty Reduction and Growth Trust (PRGT).

16. **An IMF Staff-Monitored Program (SMP) is an important step towards full re-engagement with the World Bank** and other international financial institutions (IFIs) and with development partners, more generally. In June 2012, an IMF mission initiated a stocktaking exercise, and recognized the encouraging steps taken by the government toward resolving the debt overhang in a comprehensive framework and stated that such action is a key step in restoring external sustainability. Following lifting of a TA ban by IMF in October 2012, discussions were initiated with the government on a possible SMP. Discussions are currently at an advanced stage on the SMP.

17. **Zimbabwe is in debt distress**[9]**,** and arrears to most of its creditors continue to accumulate. At the end of 2011, total external debt was estimated to be US$10.7 billion (113.5 percent of GDP). Total public and publicly guaranteed (PPG) external debt at the end of 2011 was estimated

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person, and includes any company, association, syndicate or partnership of which indigenous Zimbabweans form the majority of the members or hold the controlling interest." Adopted in pursuance of the IEA's objective, the "Indigenisation and Economic Empowerment (General) Regulations" (IEA Regulations) 2010 (*gazetted* January 29, 2010, effective March 1 2011) require all businesses with an asset value of US$500,000 or more to cede, within 5 years, a controlling interest of not less than 51% of its shares or interests to indigenous Zimbabweans, unless a lesser share or longer period within which to achieve the indigenisation is justified.

[7] The Analytical A-MDTF was set up in 2008 to assist government, donors, the World Bank, and all stakeholders in building up the necessary knowledge in readiness for re-engagement. It has so far received US$19 million from just over 10 donors and is scheduled to close in December 2013 – having paid particular attention to knowledge and Technical Assistance needs in economic management, agrarian reforms, and infrastructure management (complementing the AfDB managed Zim-Fund supporting the energy and water sectors).

[8] In response to the global financial crisis, the IMF in 2009: (i) made a general SDR allocation equivalent to about US$250 billion; and (ii) provided for a special one-time allocation of SDRs of 21.5 billion under the Fourth Amendment to the Articles of Agreement. These allocations could under specified circumstances be converted into domestic currency; for more information, see http://www. imf.org/external/np/pp/eng/2009/082809.pdf.

[9] IMF and World Bank, Zimbabwe Debt Sustainability Analysis, September 2012.

to be 84 percent of GDP; 65 percent is in arrears. Most PPG external debt is medium to long term and owed to official creditors. Among the country's creditors are the World Bank (owed US$976.45 million as of January 31, 2013) and the IMF (US$127.4 as of February 1, 2013). Latest available information on the amounts owed also includes the African Development Bank (US$587 million) and the European Investment Bank (EIB; US$244 million). While domestic public debt (estimated at US$507 million) is a comparatively small component of total debt, it is still a source of vulnerability. The sensitivity analysis suggests that the debt situation may worsen. Although the debt indicators are expected to improve over the long term, they will still be high, with debt service including arrears being unaffordable since the arrears are so high. Development partners have expressed a general concern about Zimbabwe's unsustainable external arrears and have called for a coordinated approach by the multilateral institutions to resolve this problem.

18. **An outstanding 2009 International Center for Settlement of Investment Disputes (**ICSID) arbitral award requires Zimbabwe to pay 8.22 million Euros plus interest to foreign claimants whose land was expropriated and for which no compensation was paid.[10] The award remains unpaid. ICSID has periodically reminded Zimbabwe of its obligation to pay, and the World Bank Group will continue to monitor the situation and report to the Executive Directors of any developments.

19. **Without the clearance of arrears to International Financial Institutions (IFIs), Zimbabwe cannot access regular development assistance from these institutions**. Zimbabwe has also accumulated sizable arrears with Paris Club creditors.[11] The Government has drafted a Zimbabwe Accelerated Re-engagement Economic Program (ZAREP), which aims to prepare for eventual arrears clearance and debt relief by (i) establishing a track record of sound macro management; (ii) implementing civil service reform, including containing the wage bill to sustainable levels; and (iii) securing donor support not only for arrears clearance and debt relief but also development programs. Participants in the Friends of Zimbabwe meeting in March 2012, in Tunis have been supportive of the ZAREP. [12]

20. **A critical element of re-engagement** would thus be to address the arrears and debt overhang. Following the guidelines set out in the 2007 IDA 15 Paper,[13] the guiding principles would be these:

- Full re-engagement (resumption of normal Bank financial assistance) will require compliance with the re-engagement criteria set forth in the 2007 IDA 15 Paper,[14] including full clearance of arrears to IBRD and IDA, and other multilaterals, as set out in the June 2009 Board Paper.[15] Arrears to IBRD and IDA would need to be cleared as part of a coordinated effort to clear arrears to other creditors.
- If donor/government resources are not sufficient to fully clear arrears to IBRD and IDA, Zimbabwe could become eligible for exceptional arrears clearance support from IDA

[10] Funnekotter and Others v. Republic of Zimbabwe, ICSID Case No. ARB/05/6.

[11] Figures are still being reconciled.

[12] The meeting was also attended by Australia, Belgium, Canada, People's Republic of China, Czech Republic, Denmark, France, Finland, Germany, Italy, Japan, The Netherlands, Norway, Portugal, South Africa, Sweden, Switzerland, the United Kingdom, the United States, the EU, the EIB, the United Nations Development Program, International Fund for Agricultural Development, the IMF, the Paris Club and the World Bank

[13] See *Further Elaboration of a Systematic Approach to Arrears Clearance* (IDA/SecM2007-0443, June 11, 2007; "2007 IDA 15 Paper").

[14] See 2007 IDA 15 paper, paragraphs 14 et seq.

[15] See IMF/SecM2009-0391, "Joint IMF-World Bank–African Development Bank Note on Operational and Legal Elements of Reengagement in Zimbabwe, June 19, 2009" ("2009 Board Paper").

resources if it is grand-fathered for Heavily-Indebted Poor Country (HIPC) eligibility (this would require, among others, approval by IDA Executive Directors of an exception to or modification of the HIPC eligibility criteria, because Zimbabwe did not meet the HIPC Initiative's income criteria based on end-2004 data, as is required[16]), and if it continues to meet the other IDA re-engagement eligibility criteria set forth in the 2007 IDA-15 Paper—especially that Zimbabwe achieve a satisfactory track record of performance (e.g., through an IMF SMP), that IBRD/IDA is granted *pari passu* treatment with other creditors, and Zimbabwe is reclassified to IDA-only status shortly before arrears clearance.

- Before full re-engagement, pre-arrears clearance grants could be, with IDA Executive Director approval, provided from IDA resources to finance activities such as those related to Zimbabwe's social and economic recovery program, and emergency high-priority expenditures and programs[17]. There would need to be a determination that the country is eligible for exceptional arrears clearance support from IDA resources, and it would have to meet the criteria for pre-arrears clearance grants.[18]
- IFC would seek to scale-up its advisory services work until full re-engagement. MIGA would take a similar approach.

21. **To determine the level of exceptional arrears clearance support from IDA**, the Bank would assess Zimbabwe's capacity to pay in terms of the availability of domestic resources, the debt sustainability outlook and the financing gap.

22. **The decision to proceed with an arrears clearance operation would require Zimbabwe to** (i) agree to, and launch, a medium-term growth-oriented reform program endorsed by the Bank; (ii) generate satisfactory economic performance, if necessary, undertaking a stabilization program endorsed by the IMF; and (iii) agree to a financing plan that fully clears arrears to the Bank and ensures that debt service will be sustainable until it reaches the HIPC decision point. Note that:

a) Whether or not Zimbabwe qualifies for HIPC Initiative debt relief will be determined at the HIPC decision point based on the most recent year-end data.
b) Even after arrears clearance, Zimbabwe will face substantial debt service to the Bank. The Bank's ability to provide debt service relief after the HIPC decision point is likely to be limited since a significant portion of HIPC debt relief will likely be delivered upfront through the arrears clearance operation.
c) Arrears to the Bank would need to be cleared within a coordinated general effort to clear arrears to other creditors. Clearing arrears to multilateral institutions, or having a plan to do so, is a condition for reaching the HIPC decision point.

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[16] See 2007 IDA 15 Paper, paragraph 15, and 2009 Board Paper, paragraph 15.

[17] If there is a violation of IBRD negative pledge clause, the consequences for the process of reengagement in Zimbabwe have been laid out in the 2009 Board paper entitled "Joint IMF-World Bank-African Development Bank Note on Operational and Legal Elements of Reengagement in Zimbabwe". The paper (section16 b) states that following Bank practice, a confirmed violation of the clause would prevent "new IDA credits and grants from being processed and presented for Board approval until Zimbabwe's arrears to the Bank have been cleared and the negative pledge violation is addressed." Grants provided from Bank funded and managed trust funds are not affected.

[18] The criteria for pre-arrears clearance grants are that (i) the proposed grant has been designed in accordance with OP 2.30; (ii) early performance is promising as evidenced by the recipient country having taken convincing steps toward social and economic recovery; (iii) arrears to IBRD and IDA are large and protracted and cannot be easily or quickly cleared using domestic resources; (iv) a concerted international effort to provide positive financial flows and other assistance is underway, and other creditors have agreed not to make net withdrawals of financial resources from the country; and (v) alternative sources of financing for post-conflict recovery are inadequate or available only on inappropriate terms. See, 2007 IDA 15 Paper, paragraph 15.

d) Should Zimbabwe qualify for HIPC debt relief, it would also qualify for full cancellation of remaining debts to IDA under the Multilateral Debt Relief Initiative (MDRI) once it reaches the HIPC completion point.

23. **Just as the IMF will ask Zimbabwe to demonstrate a track record of payments to it,** during the ISN period Zimbabwe would need to establish a track record of payments to the World Bank, in line with the principle of *pari passu* treatment with other creditors. Given the amount of arrears to IBRD and IDA (US$976.45 million as of January 31, 2013), quarterly payments of US$900,000, commencing in early 2013, would seem to be appropriate, to be increased as payment capacity improves. Payment would be distributed to IDA and IBRD in proportion to their share of arrears and would be applied, in accordance with standard accounting practice, to the oldest overdues of each institution respectively.

II. CURRENT ECONOMIC, SOCIAL AND FISCAL SITUATION

Impact of the Decade of Economic Decline

24. **The 2000–2008 economic decline severely undermined Zimbabwe's capacity and human development systems (Table 2),** which had once been among the best in Africa. The hyperinflation, among others, caused public financing of education and health to collapse. A significant number of doctors and teachers emigrated and service providers introduced a variety of user fees. The 2011 United Nations Human Development Index (HDI) ranks Zimbabwe 173rd out of 187 countries; compared to 1998, when it ranked 130th out of 174 countries. Zimbabwe has had the steepest HDI fall ever**.** Without substantial investments and reforms in human, infrastructure, and economic and social development, Zimbabwe will not make progress toward the Millennium Development Goals (MDGs).

Table 2: Zimbabwe: Selected Social Indicators

Indicator	Previous	Current
Income poverty rate	42% (1995)	62%
Net enrolment, primary school	91% (2006)	87% (2010-11)
Proportion of unsafe school facilities	-	26%
Unqualified teacher rate	-	17% (2010)*
Infant mortality (per 1,000 live births)	60 (2005-06)	57 (2010-11)
HIV/AIDS prevalence rate	18% (2005-06)	15% (2010-11)
Stunting (age 6–59 months)	35% (2005-06)	32% (2010-11)
Number of orphans	200,000 (1994)	1.3m

Sources: ZDHS 2005-06 and ZDHS 2010-11
* Note: Government Medium Term Plan (EMTP 2012); figures vary greatly by province.

25. **Basic service delivery has thus been severely compromised:**

<u>*Health*</u>*:* Public health care has declined noticeably, particularly primary care:

- Utilization fell, because the cost of health services was gradually transferred to users through informal user fees and levies.
- There is an acute shortage of managerial and medical professionals, such as midwives, doctors, and pharmacists, causing high vacancy rates in rural areas, and there is now little capacity to train them.
- Medical and information and communications technology and infrastructure have not been replaced or repaired.

- While health sector financing has improved since 2009, budget allocations differ from what is actually provided, which affects planning and execution of investments. Though donor funding has helped to stabilize service delivery. For instance, the Bank is supporting a results-based financing (RBF) project, funded by the Multi-donor Trust Fund for Health Results Innovation (MDTF-HRI). The Bank's support complements financing from other development partners, such as the Health Transition Fund[19] coordinated by UNICEF, to rebuild the health system.

  Education: The quality of education has deteriorated severely:

- Salaries consume the bulk of education resources. In 2011, although the capital budget allocation was US$51.8 million, only US$17.4 million was released and US$14.2 million used. Moreover, additional levies were introduced for families in addition to existing fees.
- The lack of teachers is further affecting the quality of education. Although material shortages have been reduced with textbooks being supplied by the Education Transition Fund[20], the scarcity of teachers' housing and the decaying school infrastructure need urgent attention. According to the Government's Education Medium-Term Plan (EMTP 2012), 24,000 classrooms require rehabilitation and 2,250 new classrooms are needed to address overcrowding. Over the last decade, net enrolment rates have continued to drop, as have grade seven and O level pass rates.

  Safety Nets: Given current poverty and unemployment levels, high malnutrition rates and the large number of orphans, Zimbabwe's social protection mechanisms need urgent attention. It would be necessary to assess the efficiency of current safety net programs[21] and revamp them as needed to increase their coverage and effectiveness.

  Urban Services: Preliminary figures suggest that though the urban population has doubled in the past decade, there has been no increase in urban infrastructure. This has severely limited the capacity of local governments to provide basic transportation, housing, solid waste management, and water supply and sanitation services. The cholera outbreak in recent years, for example, was due to a breakdown in urban water and sanitation services. As road maintenance has largely been suspended, the roads are not in good condition. There is also a countrywide unmet demand for housing, estimated at 1.5 million units.

26. **The economic crisis has severely affected infrastructure.** When price controls and hyperinflation eroded the financial viability of utility operations, maintenance and rehabilitation were held in abeyance. A 2011 African Development Bank Flagship report[22] found that the infrastructure backbone has deteriorated significantly (see Table 3). Zimbabwe has also fallen behind its neighbors in terms of communication technology and broadband penetration. The AfDB report estimated that Zimbabwe will need at least US$14.2 billion over the next 10 years to rehabilitate infrastructure.

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[19] The multi-donor Health Transition Fund was established in 2011 to improve maternal, newborn, and child health.

[20] The multi-donor Education Transition Fund, managed by UNICEF, was established to allow for investments for humanitarian purposes. .

[21] Well-established programs, such as the Basic Education Assistance Module (BEAM) and the Public Works Program (PWP), have suffered from budget and personnel shortages.

[22] *Infrastructure and Growth in Zimbabwe: An Action Plan for Strengthened Recovery*; the World Bank has also contributed significantly to the analysis and dialogue on infrastructure through the annual investment program reviews and specific pieces of analytical work.

27. **Capacity in the private sector has suffered from a decade of poor investment, but it could, with a conducive environment, be a driver of growth.** Zimbabwe had a very robust and competitive base for private sector development largely on account of the substantial investments made in human capital and infrastructure after independence in 1980. However, in the last decade, most private firms lost their competitiveness and many downsized, reducing capacity utilization as demand fell. But with the economic environment stabilizing, the private sector is demonstrating considerable resilience—though growth of the private sector to its pre-hyperinflation levels is stymied by other factors, primarily a dysfunctional financial intermediation market. While bank deposits have been increasing, 90% are short-term, which results in a mismatch with longer-term investment needs. Yet while the majority of firms have downsized and investment is still down, within the region the human capital base of Zimbabwe is still relatively sound and infrastructure is relatively decent. This means that given the right business environment, the private sector in Zimbabwe could be one of the few players capable of leading an economic recovery.

Table 3: Condition of Infrastructure

Sector	Status in 2011
Road network	- Nearly 90,000km in total - 60% of roads in good condition (versus 73% in 1995)
Railway	- Operating at about 15% (2.7 million tons) of its peak
Water and sanitation	- Access to sanitation at 41% (versus 68% in 2000)
Power	- Generation capacity is half (about 1,000 MW) of previous capacity.

Source: *Infrastructure and Growth in Zimbabwe: An Action Plan for Strengthened Recovery*; 2011, African Development Bank

28. **Both agriculture and manufacturing sectors contracted during the economic crisis and the economy suffers from a lack of liquidity.** Following the 2000 land reform program, agricultural production has plunged. Capacity utilization in the manufacturing sector had declined to 10 per cent by 2008, but had improved to 57 percent in 2011 and 45 percent in 2012. However, without substantial investment in upgrading capital equipment, manufacturing is poorly positioned to compete with imports. Bank capitalization was effectively wiped out by hyperinflation; today some banks are virtual shells. The Reserve Bank of Zimbabwe (RBZ) is insolvent (negative equity of US$1.2 billion), which means that commercial banks have little hope of recovering their statutory reserves and earlier levels of foreign exchange account balances. Although financial intermediation is looking more hopeful, loan interest rates at, 15-25 percent, are well above the regional average.

29. **The economic crisis brought major degradation to Zimbabwe's natural resource base.** Zimbabwe is, in any case, very vulnerable to deforestation, loss of biodiversity, excessive soil erosion, contamination and pollution of water resources, and excessive exploitation of ground-water. The country is believed to be a net carbon sink but global climate change has intensified its vulnerability through changes in rainfall patterns, frequent droughts, floods, and higher temperatures. Since a larger population is competing for natural resources, it has exacerbated climate change stresses. Without sustainable management to improve resilience, the country's medium- to long-term economic development will be compromised and it will be almost impossible for it to benefit from the full potential of the agriculture sector to ensure food security.

Lack of sustainable management will be felt disproportionately by the poor, who depend heavily on natural resources.

30. **Women play a critical role in the Zimbabwean economy**. For instance, it is estimated that they account for 61 percent of farmers and contribute 70 percent of agricultural labor (Annex 5 contains a detailed assessment of gender issues in Zimbabwe). Artisanal and small-scale miners own more than 60 percent of the gold and gemstone concessions in Zimbabwe, and women hold 20 percent of these claims. Women also account for 67 percent of small, micro, and medium tourism enterprises (SMEs), though they are active in less lucrative supply chains, such as crafts, small lodgings and restaurants, and marketing. In general, women entrepreneurs dominate the informal sector. In order to help their families survive as the men migrated, women have entered new areas, such as dairy farming, village banking, and cross-border trading.

31. **The UN MDG Report for 2011 indicates that Zimbabwe may achieve gender parity in primary and secondary education, but is off-track for achieving the target for women holding decision-making positions.** There are signs of poverty becoming feminized: more female-headed households are poor (68 percent) than male-headed households (60 percent). Although Zimbabwe has 17 laws that promote the rights of women, their effectiveness is compromised. The gender policy adopted in 2000 to incorporate emerging issues such as climate change and HIV and AIDS has not been reviewed, the laws have not been disseminated to the public, and women have inadequate access to resources for their empowerment.

Economic Prospects

32. **Zimbabwe has entered a period of recovery and has tremendous potential (Box 1).** The 2009 introduction of multi-currency regime (dollarization) allowed full reflection of high international prices on incentives, restore price stability and foster fiscal discipline. During 2009–12, GDP expanded by 25.2 percent, at a constant annual rate of 7.8 percent, but growth had started slowing registering a 5 percent growth in 2012. The rebound was led by mining (35 percent growth) and agriculture (16 percent). External demand for primary commodities (platinum, gold, cotton, and tobacco) has induced higher production, and the value of mineral exports increased by 230 percent and of agricultural products by 101 percent. However, production of tobacco, cotton, and gold has not yet recovered to 2000 levels.

Box 1: Zimbabwe's Potential

Despite the current difficulties, Zimbabwe has great potential for sustained growth and poverty reduction, and the economy could bounce back quickly. The country has potential unlike typical fragile and conflict affected states:

- Favorable agronomic endowments (land, water)
- Substantial mineral resources and major hydropower potential
- A historically diversified industrial base
- A reservoir of skilled personnel in both private and public sectors despite massive emigration
- A potential regional role in information and communication technology, energy and financial services
- Stable neighbors and proximity to the large southern African market
- Trunk roads and transmission lines still in reasonable condition
- A diaspora with significant business experience and capital waiting for conditions to improve
- Tourism potential (Victoria Falls, Great Zimbabwe, game reserves, Eastern Highlands, Lake Kariba, etc.)

33. **Manufacturing recovery (4.1 percent) has been less robust, dampened by declining competitiveness, power outages and low levels of investments.** While agricultural growth is easing, 2012–15 forecasts affirm that mining and quarrying will be contributing more to GDP, with mining growing at an estimated 20 percent in 2012.

34. **The 2009–11 rebound was supported by a surge in domestic demand (both private and public), accompanied by extremely high growth in import volumes**. Aggregate demand increased by 27.8 percent, while domestic absorption increased by 32.2 percent, and external absorption by 47.8 percent.[23] At 142 percent, investment was the fastest-growing component of aggregate demand during the period. Investment now accounts for about 11 percent of growth in spending and its share in GDP had risen to 22.8 percent by 2011. However, absolute fixed investment is still low due to structural weaknesses and limited access to finance.

35. **Zimbabwe's recovery was supported by high level of international prices in agriculture and mining sector, which has positively affected export values of tobacco, cotton, platinum and gold**. International reserves remains very limited, estimated at 0.6 months of import cover, far below the 3 months benchmark for dollarized economies, thus increasing the country's vulnerability to external shocks. The outlook remains further clouded by the possible compression of exports (due the global economic slowdown) and the risk of disorderly unwinding of vulnerabilities in the banking sector. The low level of domestic savings was matched by a marked increase in the current account deficit. The increase in aggregate demand in 2009–11was financed by external savings, mostly in the form of short-term capital inflows. Foreign direct investment (FDI) is still suppressed, amounting to less than 10 percent of total inflows. The external position is precarious: current account deficit eased somewhat to 22 percent of GDP in 2012 compared with 31 percent of GDP in 2011 and was largely financed by short-term capital flows and the

36. **GDP growth for 2012 is estimated at 5 percent**. Agriculture will register a decline of 3.5 percent, as production was constrained by unfavourable weather, lower area under cultivation, and subdued yields. Food security is deteriorating. This troubling outlook is further clouded by other factors - the continuing global economic slowdown, which would discourage exports; the risk of a disorderly unwinding of banking vulnerabilities; climate change and other risks in the agricultural sector; the potentially destabilizing effects of the indigenization program; the debt overhang; and uncertainty about the Constitution reform process and upcoming elections. For 2013–15, baseline projections are that the economy will grow at 6 percent in 2013, and 5 percent in 2014 – 2015, as investment may continue to remain below potential.

37. **Since dropping its quasi-fiscal activities, the Government has moved rapidly to rebuild the fiscal base.** Revenues have shot up from US$970 million in 2009 to US$3.5 billion in 2012 (even though diamond revenues are mostly not passing through the budget; see Box 2); in real terms this surpasses the 1998–2001 pre-crisis levels. The introduction of cash management has imposed discipline in spending, and in both 2010 and 2011 small cash surpluses were generated.

[23] See Elbawadi and Schmidt-Hebbel (1991) for historical data: "Private consumption declined from 68.3% in 1965–1972 to 61.4% in 1980–1988 (and declined further to 50.9% in 1989), while public consumption almost doubled from 11.6% to 20.8% in the same period. Private fixed investment averaged 9.1 % and 11.5% in the first two periods and declined to 9.5% after independence."

38. **However, the cash surpluses have been generated at the expense of a build-up in domestic arrears and employment costs have risen to absorb 60 percent of current expenditures**. Planning and implementation capacity has improved more slowly than revenues have grown, resulting in an increasing "implementation gap" that is making it difficult to use new fiscal resources effectively to support socio-economic recovery.

Box 2: Transparency and the Impact of Diamonds and other Minerals

The mining sector made a significant contribution to the economic rebound in 2009–11, when the value of mining and quarrying rose from US$700m to an estimated US$2.2bn, supported by a recovery of production and high international prices. In 2011, mining growth topped 50 percent; this was the first year that diamonds sold under international auspices from the Marange alluvial deposits, with an estimated export volume of 8.5 million carats worth an estimated total value of US$461 million.

There are, however, serious challenges to overcome if mining is to be a sustainable source of growth. There has been a dearth of capital outlays at mineral operations and plans to expand production have been put on hold pending greater clarity in mine policy and ownership. On the other hand, the flow of diamonds from Marange has reached new levels and volumes could rise further with the Kimberley Process certification. It is estimated that 12 million carats of Zimbabwean rough diamonds would have reached the market in 2012 (5 percent of global supply by value). Production is expected to reach 15 million carats/year, although according to Kimberly Process estimates, production could reach 25–34 million. There have, however, been allegations of lack of due process in the allocation of rights, concealment of beneficial ownership, opaque financial terms of joint ventures and concern over leakage of revenues owed to the Treasury.

The expected flow of diamond revenues into the Treasury has not materialized, affecting the 2012 budget. Diamond exports are estimated at about US$ 684 million in 2012.

39. **Human capacity in government has eroded significantly across the board, particularly in middle management at technical ministries**. For example, there are a significant number of vacancies for management, technical, and specialized cadres in the health sector. In education, there is both a large number of unqualified teachers and many vacancies in the inspectorate. Core management systems, such as public financial management and human resource management, have suffered from politicization as well as technical deterioration. While administrative information systems are recovering, collection of statistical data is only now re-starting after several years of underfunding in which statistical quality deteriorated.

40. **Rehabilitating infrastructure will be critical to steady recovery, but the environment for enabling private investment in infrastructure must improve first**. While the energy transmission and road backbones are in relatively good condition, suppressed energy production and intermittent water supplies are causing problems for businesses and agriculture. Poor public management of investments and the lack of public resources are holding back infrastructure rehabilitation. This could also benefit from public-private partnership (PPP) mechanisms to attract private investment, which is essential given the need for US$14.2 billion in infrastructure investment (see paragraph 26). Unfortunately, policy uncertainties, lack of transparency in regulation and uncertainty about the credibility of government contracting institutions are discouraging private investments.

41. **Recovery in agriculture could be accelerated if markets functioned more efficiently, but this will hinge on satisfactory resolution of land issues.** Most of the recovery in 2009–11 was from expansion in cropped areas, particularly for maize, the main staple crop. However, the sector is still very vulnerable to shocks; the 2011–12 season, for instance, was plagued by both late onset of rains and a prolonged intra-seasonal drought that caused more than 40 percent loss of the maize crop.

If rural incomes are to improve, agricultural productivity and profitability must recover. The recovery will depend on progress in addressing such areas as targeted investments in infrastructure and service delivery (irrigation rehabilitation, transport, markets, research, extension, etc.) and, perhaps more important, resolving land issues like tenure insecurity.

42. **Reducing vulnerabilities and improving resilience**, especially for women, would enhance the Government's capacity to deliver basic social services through targeted programs and policies. This is essential for the benefits of growth to be translated into pro-poor outcomes. Zimbabwe is in the list of fragile states, and remains vulnerable to natural, social, economic and political shocks. There has been a reversal of the gains in the provision of basic services during the past decade. Strengthening Zimbabwe's social protection mechanism is paramount given the current high poverty levels, unemployment, malnutrition rates and the large number of orphans. Although HIV and AIDS prevalence has decreased, it remains high at 15% in 2010/11.

43. **Economic recovery also critically depends on an environment conducive to private sector activity.** The once well-developed and diversified manufacturing sector seems to have decayed; its growth is likely to remain sluggish unless there is consensus on addressing the structural impediments to growth and investment. In the short term, the Government needs to resolve the uncertainties caused by the IEE Act,[24] which may discourage foreign investors and deter significant capital inflows. Other impediments are the lack of domestic liquidity, very high real interest rates on short-term credit, relatively high wage costs, the regulatory burden, trade costs and the unreliable power supply. In 2013, Zimbabwe ranked 172nd out of 185 countries in the Doing Business rankings (down from 170th in 2012 out of 183 countries). The recent Enterprise Survey for Zimbabwe captures the experiences of businesses currently operating there; though the picture that emerges is rather encouraging, with several indicators performing better than the regional average, but there are still numerous barriers to private sector development, particularly credit conditions.

44. **International trade is necessary to deepen the recovery.** Zimbabwe's exports have become more resource- than labor-intensive and are concentrated in products that require little processing. This is having a negative impact on employment and poverty. Future growth prospects would substantially improve with a strategy of openness and overcoming structural constraints to export diversification and sustained growth, e.g., by improving Zimbabwe's trade facilitation agenda, reducing nontariff barriers, improving the business environment and supportive institutions, and opening up access to and reducing the cost of trade finance. South Africa, EU, and other SADC countries have traditionally been Zimbabwe's major trading partners. However, since 2008, China has emerged as an important source and destination for the country's imports and exports. South Africa remains by far Zimbabwe's biggest source of imports, accounting for 64 percent of total imports in 2011.

III. ZIMBABWE'S DEVELOPMENT PROGRAM AND PARTNER RELATIONS

45. **The Government started implementing the STERP in March 2009** in order to "stabilize the macro and micro-economy; recover the levels of savings, investment, and growth; and lay the basis of a more transformative medium-term to long-term economic program". The priorities (see Table 4) were to tackle constitution, media, and legal reforms; rehabilitate food and humanitarian assistance, education, health, and targeted vulnerable sectors; and implement a

[24] See paragraph 13 supra.

growth-oriented recovery program that would restore the value of the local currency, increase capacity utilization in all sectors, and lead to job creation and availability of essential commodities like food, fuel, and electricity. This strategy was to be underpinned by rehabilitation of collapsed infrastructure to protect life and assets (social, health, education, and ensuring adequate water) before embarking on generalized rehabilitation and expansion.

46. **STERP was quickly followed by preparation of a Medium-Term Plan (MTP), and a 2012-13 Budget Strategy Paper (BSP),** both centered on an approach to long-term growth pursued through strategic priorities (see Table 4). Line ministries have also started to draft strategies aligned with the MTP and BSP, such as the Comprehensive African Agriculture Development Programme (CAADP).

Table 4: Focus of Government Development Strategies 2009-2015

STERP Priorities (2009)	MTP and BSP Strategies for Economic Growth (2011-15)
- Political and governance issues - Social protection - Stabilization	- Value addition and knowledge industries - Improved Government systems with sound policies - Greater equity and sustained service delivery (social and infrastructure) - Comprehensive land reform

47. **Actualizing the STERP, however, has been difficult.** On the one hand, emigration and staff movement to the private sector have greatly diminished government implementation capacity; on the other, government decisions still appear to be driven by considerations other than the long-term objectives defined in the MTP and BSP, reflecting the different approaches of the parties in the Government. For instance, strategies to improve Zimbabwe's competitiveness in mining, agriculture, and manufacturing have been compromised by the moves to indigenize the economy, and the development component of the budget strategy was quickly made obsolete by the need to finance rising civil servant salaries.

Zimbabwe's Coordination with Development Partners

48. **Although Government adopted an Aid Coordination Policy in May 2009 to make planning and engagement more effective and to help ensure financial accountability, the policy has yet to be implemented.** While donors are increasingly providing retrospective information on their interventions in Zimbabwe, it is still difficult to get complete, timely, and transparent data that would conform with the principles and the harmonization agenda set out in the Paris and Accra declarations.

49. **The donor community has both formal and informal coordinating bodies**. The UN resident coordinator and humanitarian coordinator are rotating co-chairs of Donor Monthly Coordination Meetings. Thematic group meetings also take place, especially in the health sector. The Policy Committee of the Analytical-MDTF (A-MDTF), which comprises the UN and the AfDB as well as all contributing partners, helps coordinate analytical and advisory activities (AAA) and also provides a forum for wider policy dialogue. A Policy Oversight Committee for the AfDB Zim-Fund is co-chaired by the Minister of Finance (assisted by the Minister for Regional and International Cooperation) and a representative of the donor group. Zimbabwe is a pilot country for the OECD "Principles for International Engagement in Fragile States" led by the European Commission, which is designed to 'maximize the positive impact of engagement and

minimize unintentional harm'.[25]

50. **The World Bank has also been central to donor coordination.** The A-MDTF provides a forum for coordination at policy and technical levels. The Bank Board in June 2009 had approved a Programmatic MDTF (P-MDTF); however, the World Bank was unable to assume the role of trustee. AfDB, therefore, administers the fund, now named the Zim-Fund, and has so far received over US$100 million to finance projects in water and energy rehabilitation.

Relations between the World Bank Group and the Government of Zimbabwe

51. **Between 1980 and 2000, World Bank assistance to Zimbabwe totaled US$1.6 billion**. The World Bank stopped providing new loans when Zimbabwe went into arrears in October 2000. IFC also stopped making new investments in 2000 and in 2002 closed its office in Harare. Between 2000 and 2004, the World Bank engaged in low-level dialogue and provided policy advice. The first Interim Strategy Note (ISN) was prepared in August 2005, followed by ISN FY08-09 in April 2007. The first ISN had a positive impact in fostering partnerships with stakeholders in Zimbabwe, building the Bank's knowledge of socioeconomic issues, and identifying entry points for dialogue on social and poverty issues. ISN FY08-09 helped build knowledge, enhance capacity and support donor coordination. It has since guided stakeholder dialogue on the economic reforms necessary for full re-engagement with the international community.

52. **The main vehicle for financing Bank support to Zimbabwe over the last five years has been TFs such as the Zimbabwe A-MDTF,** approved in February 2008 and a 2011 grant of US$15 million from the MDTF-HRI. The objective of the A-MDTF is to contribute to analytical work on development challenges facing Zimbabwe and to design instruments to enable Government and donors to respond quickly as conditions for re-engagement change. Supported by 12 donors,[26] the A-MDTF had funding of over US$19 million for 2008–2012, and has been extended through 2013. It has also improved donor coordination. Discussions are underway about opening a Recipient Executed (RE) window in the A-MDTF, in order for the government to take a more direct role in the management of MDTF supported activities.

IV. IMPLEMENTATION OF ISN FY08-09

53. **The aim of ISN FY08-09 was to strengthen World Bank operational readiness to re-engage with Zimbabwe,** aimed around three strategic outcomes: (i) enhanced country knowledge; (ii) improved capacity and accountability; and (iii) increased harmonization with donors. Activities planned consisted primarily of analytical work and limited direct support to health services.

54. **The World Bank succeeded in strengthening the underlying analytics into the ongoing policy and reform debates (e.g., through public expenditure notes and the payroll study).** The Bank also advised several ministries to help them better understand the policy underpinnings

[25] Of the 12 principles, development partners of Zimbabwe agreed to focus on five: take context as the starting point; move from reaction to prevention; focus on institutional development of state institutions as the central objective; align with local priorities and/or systems; and agree on practical co-ordination mechanisms between international actors.

[26] AusAID. CIDA. DANIDA. DFID. DGIS. EU. FINNIDA. BMZ (GIZ). NORAD. SIDA. USAID, and the World Bank (through LICUS).

of the sectors. As part of the process the Bank produced a series of public expenditure notes which are informing policy discussions.

55. **The ISN FY08-09 period was marked by a dramatic turnaround of events in Zimbabwe**, from political crisis and economic free-fall to a new phase of stabilization and swift rebound. Flexibility in the ISN design allowed the Bank to adapt its engagement to the changing environment, with a major re-design of the A-MDTF after the 2010 Mid-Term Review, at which time areas of focus were reduced and management structures streamlined.

56. **The quality and depth of World Bank dialogue and engagement with Government has also improved.** Before the formation of the current Government, dialogue was difficult, which affected implementation of the Bank's strategy. Afterwards, the enhanced policy discussions and the assistance from the Bank increased demand for such services. Freer information flows have helped the Bank to carry out critical work in such areas as payroll and skills audit, public financial management systems (PFMS) and support to budget preparation. As explained below, the Bank has also been called upon to facilitate technical discussions between the Government and development partners, especially within the A-MDTF context.

57. **The Bank has provided analysis in a number of areas,** among them economic management, private sector development, social protection, basic services, governance, agriculture, and infrastructure. The Bank also seized opportunities to provide analysis to support budget preparation and to enhance dialogue, including support for two successful Cabinet retreats. The latter produced the STERP-based 100-day plan of action and the Government Work Plan for 2010. With Norwegian funding, the Bank also supported the first annual plans for the education sector. A Norwegian trust fund also financed a Bank assessment of the potential to improve income opportunities for women, including economic empowerment in tourism and agriculture.

58. **The A-MDTF is having significant impact in informing government policy**; building up technical knowledge (through studies and workshops) related to Zimbabwe's development issues; supporting government capacity improvement; establishing the basis for transparency and accountability; and informing the public debate on international best practices in specific areas. Although initially it had a broad remit, after the mid-term review it was decided that the A-MDTF would focus on (i) economic management and governance; (ii) agrarian issues; and (iii) infrastructure, mainly water, and that it would be better aligned with the AfDB-managed Zim-Fund. These activities coupled with support for transparency, the CAADP, advisory services in budget planning and policy, and notes on specific sectors are expected to have transformative impact. However, in some cases (e.g. land reform and managing the wage bill) political economy factors have slowed progress.

59. **In addition to the A-MDTF, the Bank is supporting a number of other important initiatives** (see Table 5), which are funded by trust funds. Their objectives were primarily to respond to crises that threatened the livelihoods of the poor and to test service delivery systems for eventual adoption and scaling up.

Table 5: Trust-Funded Initiatives in Support of Service Delivery in Zimbabwe		
Initiative (TF and project name)	**Summary**	**Amount (US$ m)**
MDTF-HRITF: Health Sector Development Support Project	Improve the availability of prioritized maternal and child health services especially in rural districts.	15.0
SPF: Beitbridge Emergency Water Supply and Sanitation Project	Improve water supply/ sanitation in Beitbridge, the epicentre of the 2009 cholera outbreak.	2.65
MDTF for FPCRC: Zimbabwe Emergency Agricultural Input Project SPF: Zimbabwe Agricultural Input Project)	Supply seed and fertilizer to poor farmers. Agriculture inputs	7.0 4.9
LICUS: Strengthening Health Care Service Delivery Capacity, M&E and Accountability in Mission Hospitals Project	Improve the capacity of a Zimbabwean NGO to provide HIV/AIDS care.	1.0
GEF: Hwange-Sanyati Biological Corridor Environment Management and Conservation Project	In preparation. It will deal with (i) conserving biodiversity, (ii) identifying alternative livelihoods, (iii) addressing land degradation; and (iv) managing the forest sustainably.	6.4
Rapid Social Response Fund: Productive Safety Net – Pilot Public Works Project	Assist the Ministry of Labour and Social Services to implement a labor-intensive public works pilot program; and provide technical assistance for drafting a public works policy framework and operational guidelines and compiling lessons learned from the pilot. Includes recipient- and Bank-executed activities	1.0
Education Program Development Fund: Grant for Strengthening of Education System in Zimbabwe	Grant to UNESCO to strengthen Zimbabwe's Education Management Information System (US$249,000) and another application for analytical work to the Global Partnership for Education (US$250,000).	0.25

60. **Lessons have been learned from the ISN FY08-09 experience.** During the ISN FY08-09 period the Bank remained agile, adapting its strategy and activities to changes in the country context. During the process it learned four major lessons:

1. **The ISN framework needs to be adaptable and allow space for dialogue and engagement with the Government and other stakeholders**. Funding needs to be flexible to allow for responsiveness as opportunities emerge. The Bank was responsive over the past year to unanticipated requests, but from the outset, the ambitions of ISN FY13-15 should be realistic. In delivering ISN FY08-09, there were delays and bottlenecks due to the volatility of the context. This has been factored into the design of the ISN FY13-15.
2. **Whenever possible, simplify approval processes** (as is being done with the A-MDTF); clarifying the Bank's operational policies in relation to both Government and development partners. Staff field presence will be central to success.
3. **Limited flexibility with the A-MDTF Administrative Agreement** to cover staff costs for the time spent on A-MDTF activities – this has been addressed subsequently in A-MDTF.
4. **The process of activating suitable funding mechanisms when opportunities arise is long and drawn-out.** This is an important lesson for the post A-MDTF program of support.

V. SCENARIOS

61. **Design of this ISN was informed by three scenarios** (see Table 6). The objective of this ISN will be to strengthen the World Bank Group operational readiness to re-engage with Zimbabwe.

Table 6: ISN Scenarios

Scenario	Main Features	Likelihood	Bank Group Response
Status Quo	Current pace of reform maintained without the significant breakthroughs that would allow an SMP to be agreed.	High	Continue support for reform and recovery through dialogue, analytical and advisory work, trust fund pilots, private and financial sector development, IFC advisory services, and work on an infrastructure and investment framework, and have suitable instruments in readiness for the SMP, including successor to the A-MDTF.
Enhanced Re-engagement	Faster pace of reform, as evidenced by, inter alia, the ability to agree to an IMF SMP.	Moderate	Brief the Board and work with the IMF and donors in helping the government to develop a track record of implementation of a social and economic reform program needed to move towards arrears clearance and full re-engagement (pre-arrears clearance grant, preparation of investment projects, more extensive IFC advisory services).
Deterioration	Political economy deteriorates to the point where most analytical work and technical assistance no longer have a receptive audience.	Low	Scale back on the work program and staffing to minimum AAA to facilitate pre-engagement dialogue when circumstances permit; IFC would maintain minimum advisory work.

Status Quo Scenario

62. **The World Bank Group would continue to support reform and recovery through dialogue and analytical work and financing for pilot initiatives, including for the private sector**. The approach would include IFC advisory services to build knowledge and policy consensus and identify instruments to facilitate a quick response when conditions permit. More specifically, the approach would provide:

- *Continued Dialogue.* The Bank's approach would reflect the 2011 WDR and the Africa Strategy by (i) closely monitoring the political economy; (ii) providing just-in-time economic and policy advice to Government in close collaboration with development partners; (iii) fostering stronger Government systems and institutions and demand-side approaches and supporting governance objectives; (iv) enhancing the focus on gender; and (v) engaging the private sector in multi-stakeholder dialogue.
- *Analytical and Advisory Work.* The focus would be on increasing Bank knowledge to prepare for effective re-engagement when conditions permit and on conducting AAA designed to inform the Government's efforts at (i) fostering socioeconomic recovery and growth prospects; (ii) reducing vulnerabilities and improving resilience; (iii) analyzing data (with gender disaggregation) to support an Interim Poverty Reduction Strategy Paper (I-PRSP); (iv) improving governance and supporting local delivery mechanisms; and (v) increasing the efficiency of social protection programs.

- *Strategic Use of Programmatic Trust Fund.* With limited financing available to support investments, programmatic trust funds with a recipient-executed window will be sought to support the ISN priorities and to complement the AAA funded by the A-MDTF so that the World Bank is able to support the Government in these activities. These trust funds will be used to pilot ISN-aligned recipient-executed initiatives that may eventually be scaled up with re-engagement and future IDA financing. For example, the State and Peace-building Fund (SPF) might finance pilot projects in line with ISN priorities. The World Bank would also continue to access trust funds to finance small-scale projects that are critical for poverty alleviation, addressing environmental vulnerabilities and socioeconomic recovery and that yield lessons for eventual scaling-up. The Government may also seek to join the Global Partnership for Education (GPE), which has allocated US$23.6 million to Zimbabwe.[27] Bank execution of activities financed by TFs will be limited to advisory activities permitted by Bank policy.[28] To this end, an advisory Bank team has been established to advise staff on particular proposals to the A-MDTF and serve as a resource during implementation. Since Zimbabwe is in arrears, management will, in accordance with Bank policy, continue to seek prior approval of the Executive Directors for TF grants to or for the benefit of Zimbabwe.[29]
- *Private and Financial Sector Development.* Given the crucial role of the private sector in promoting economic recovery and socioeconomic transformation, the World Bank Group would mainstream support for private sector development across all sectors. IFC would provide investment climate advisory services and policy advice contributing to dialogue in these areas. Opportunities for efficient and productive private sector involvement would be sought and advice provided as requested. The WBG would, through its AAA work, continue to facilitate dialogue on private sector development and improving the environment for doing business.
- *Infrastructure Investment Assistance Strategy Frameworks.* A priority for the Government is to restore core productive infrastructure—energy, transport, water and ICT. While the Bank may not be able to finance infrastructure investment under the Status Quo Scenario, investments are being made from the Government's own sources (the Public Sector Investment Program [PSIP]), and other financiers. The World Bank will continue, at Government request, to conduct research and analytical work and make recommendations for making optimal investment choices.
- *Successor to A-MDTF.* The A-MDTF Administration Agreements have been revised to extend the closing date to June 2014. What replaces it will depend largely on the pace of reform and the degree of engagement by the World Bank and other development partners in 2013. If the ISN is still in the Status Quo scenario in late 2013, Bank-administered analytical work would slow down and would be funded through other dedicated trust funds.

Activities under the Status Quo scenario are elaborated in Section VI and Annex 4.

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[27] Government and development partners asked the Bank to help manage the analytical work for this. Who will manage the potential project has yet to be determined, but the Bank would be ready if requested and certain readiness conditions are met

[28] The World Bank does not execute project implementation-related activities or selected policy and technical design functions because participation might conflict with the need for an independent World Bank view during appraisal or supervision of future financing, or cause liability for the World Bank. Among activities which the World Bank does not execute are detailed engineering; design of laws and regulations; design or negotiation of programs for the privatization of state-owned enterprises; project implementation plans; design, planning and implementation of environmental or social impact assessments and action plans to comply with other Bank safeguard policies; exploratory drilling for petroleum and water; preparation of bid specifications; and bid evaluation.

[29] See BP14.40 (*Trust Funds*), footnote 8.

Enhanced Re-engagement Scenario

63. **In the event that the pace of reform accelerates sufficiently, including as evidenced by the successful negotiation of an IMF Staff Monitored Program that is approved by the IMF Board**, the World Bank Group could, in coordination with the IMF and development partners, increase its support to Zimbabwe. This would include identifying a process towards full re-engagement. The Bank's Global Center on Conflict, Security and Development is helping the country team to prepare a contingency plan so that the Bank can move rapidly once an SMP gains traction. As new areas of reform unfold, the World Bank would adjust its analytical work accordingly. In this scenario, Bank assistance would increasingly consist of financing recipient-executed activities.

64. **The first step in enhanced Bank support would be to work with the Government in implementing the SMP**. While the specifics depend on the precise nature of the SMP and on discussions with the Government, the IMF, and development partners, the World Bank sees enhancing human capacity and other services as a priority to ensure that reforms generated by the SMP provide maximum benefits to the entire population.

65. **The World Bank's support for enhancing service capacity would likely focus on four main areas:**

a. **Improving the enabling environment for the private sector**, with support for PPPs, more responsive regulation, more efficient and transparent procurement, and a better functioning financial sector. The World Bank Group would provide extensive support, primarily though the PPIAF; the IFC Investment Climate, Sustainable Business and Access to Finance Advisory Programs; and the A-MDTF. The Group, through the Financial Sector Reform and Strengthening Initiative (FIRST), the A-MDTF, and IFC, would provide advice to improving the functioning, liquidity and capacity of the financial sector. Additionally, a financial sector assessment would be performed under the Financial Sector Assessment Program (FSAP) which would bring financial sector analysis to the core of economic policy making. IFC Advisory Services would prepare the ground for an eventual resumption of investment needed in the financial sector.
b. **Improving governance and basic service delivery** at all levels is a need that has been articulated consistently by the Finance Ministry and others. Under an Enhanced Re-engagement Scenario, such support would be accelerated in the following areas: Public Financial Management System (PFM)/procurement; civil service reform; and reform in key line ministries and public agencies, particularly those dealing with education, health, and water.
c. **Infrastructure and energy:** Though the bulk of financing for rehabilitating Zimbabwe's infrastructure would come from the private sector through PPPs, there is a clear need for capacity building at all stages of investment development and regulation, and for specific support in power, water and telecoms sectors. As resources become available to finance recipient-executed activities, World Bank assistance, as requested by Government, could cover capacity-building to help Government achieve (i) higher rates of capital budget utilization and fewer delays in project implementation; (ii) higher quality of and preparedness for new capital projects; (iii) improved services; and (iv) enhanced transparency and equity in mobilizing the private sector to implement public investment. Assistance would then go to the power, water, and telecoms areas: (i) development of investment frameworks; (ii) TA (in close collaboration with AfDB) for rehabilitation of the Hwange and Kariba power stations; and (iii) development of a renewable energy program.

d. **Revenues:** Revenue enhancement and better revenue management is also a Government priority. While the IMF and AusAID provide most of the support in this area, the Bank could finance measures to improve (i) transparency, through the Zimbabwe Mineral Revenue Transparency (ZMRT) initiative, and (ii) the mineral fiscal regime, which could lead to a more competitive extractive industries sector, higher revenue collections, and closer linkages with the rest of the economy.

66. **A critical element of preparation for full re-engagement** would be addressing the arrears and debt overhangs. Following established guidelines for debt reduction, the guiding principles would be those set forth in paragraphs 19 through 23.

67. **The World Bank Group would also begin to re-engage operationally:**

- As part of the process towards an IDA arrears clearance operation, IDA could prepare a pre-arrears clearance grant (subject to Zimbabwe meeting the pre-arrears clearance grants requirements noted above) that would focus on enhancing capacity to provide human services in the areas mentioned in the paragraph 65 above.
- IDA would identify investment projects for post-reengagement funding from IDA and TF resources; close collaboration with the AfDB would be maintained. Projects could include the activities identified in paragraph 65 above.
- IFC would scale-up its advisory services.

68. **MIGA will continue to keep a watch on the private sector context in Zimbabwe,** and look at giving new guarantees once the arrears have been cleared.

Deterioration Scenario

69. **If the political economy deteriorates to the point where most analytical work no longer has a receptive audience, the World Bank would scale back its work and staff,** focusing on the minimal AAA needed to maintain a readiness to re-engage. IFC would only maintain advisory programs to the degree they could operate effectively.

VI. PROPOSED PROGRAM UNDER STATUS QUO SCENARIO

70. **This ISN, to cover April 2013 to March 2015, has been drafted in consultation with Government, development partners, the private sector and civil society.** ISN prioritizes activities aimed to ensure the Bank's readiness for eventual re-engagement, providing technical assistance and piloting initiatives that could be scaled up when conditions warrant (see Table 7).

Table 7: ISN FY13-15 Priority Matrix	
Priority	**Main Elements**
1. Fostering private sector-led growth	Improving overall growth conditions as related to: - Business environment, especially financial markets - Infrastructure development, especially water and sanitation, and energy - Support to a comprehensive agrarian reform program
2. Fostering an enabling environment for strengthening public sector core management systems	- Improved public sector management, especially on accountability and implementation
3. Fostering an enabling environment for reducing societal vulnerabilities while improving human capacity	Priority areas: - Human Development - Safety nets and temporary employment, with special focus on gender and climate change impacts - Community-level dimensions of fragility and conflict

71. **Selectivity, which will be central to the ISN design, would be achieved**, in line with the strategic direction outlined in Section I - by AAA and if TF resources permit, financing recipient-executed pilots[30] that

(a) demonstrate early gains for citizens and businesses (through enhanced service delivery and private sector opportunities) and build incremental institutions (through catalytic/ demonstrative interventions in core management systems);
(b) promote multi-sector interventions that foster a holistic approach to prioritizing and managing public spending;
(c) support and complement private efforts to grow the economy (e.g., in energy, transport, other infrastructure, and investment climate); and
(d) strengthen efforts by all stakeholders to tackle poverty (e.g., human development governance to help rebuild human capacities and service delivery).

72. **The ISN is aligned with the World Bank's Africa Regional Strategy.** The regional strategy is based on (i) competitiveness and employment, and (ii) vulnerability and resilience, with a foundation of governance and public sector capacity. Regional solutions feature as one of its special themes, which the Zimbabwe ISN mirrors. The first priority of the ISN, fostering private sector-led growth, addresses competitiveness and employment by working to improve Zimbabwe's business environment and the agriculture sector, easing infrastructure constraints, and improving overall growth conditions. The second ISN priority addresses governance and public sector capacity, the foundation for the regional strategy, by strengthening core public systems and focusing on the demand side of good governance. The third ISN priority is to enhance human capacity and reduce vulnerability, with a special focus on gender, which addresses the second pillar of the regional strategy. The ISN is also concerned with regional integration of transport and energy, an emerging issue in southern Africa. In terms of the choice of instruments, given the arrears situation, the ISN focuses on knowledge as the main instrument, and heavily emphasizes partnership, as demonstrated by the current MDTF and close collaboration with development partners.

[30] The Bank will limit the scope of its own activities to those that are consistent with its TF operational policies. See footnote 28 for examples of activities it will not execute.

73. **The ISN will foster a closer working relationship with the private sector and civil society.** In particular, the World Bank Group will:

- promote the use of national think tanks as platforms for disseminating Bank analytical work.
- package A-MDTF outputs in more accessible forms, including use of multi-media.
- discuss with stakeholders options for an Investment Advisory Council. Such a forum would bring together as needed industry practitioners, Government representatives and non-state actors, with the World Bank perhaps serving as a technical resource providing AAA services to the council.
- work more closely with the National Association of NGOs (NANGO), especially its working groups on mining sector accountability, public service delivery and youth and employment.
- build on the community verification role of community-based organizations (CBOs) and nongovernmental organizations (NGOs) as part of the Health Sector Development Support Project, and support CBOs/ NGOs in reporting on community health service delivery, which in turn can inform Government health policy.
- strengthen partnerships with the media, e.g. through a "development series" aired on local radio that discusses development issues.

1. Fostering an Enabling Environment for Private Sector Development and Job Creation

74. **The ISN would support Government's efforts to improve the business climate and prospects for employment creation** through AAA designed to identify ways to reduce barriers to investment, strengthen economic management, ease infrastructure bottlenecks, and make agriculture more productive. This is in line with WDR 2013 on *Jobs* showing the strong correlation between private sector-led growth and job creation in order to reduce poverty.[31] The ISN proposes to use A-MDTF, Bank budget, and other resources for this purpose (see also Box 3). Priority would be given to advice that can facilitate quick wins, such as improving liquidity and enhancing public sector management in the next budget cycle. The following are some priority areas (further details are in Annex 4).

- **Growth, trade and competitiveness conditions.** Building on the Zimbabwe Growth Recovery Notes, the World Bank will complete core diagnostic analysis in support to a new agenda of economic reforms. It would provide on-time advice on strengthening governance systems, mineral revenues transparency, financial oversight of parastatals, and rebuilding the public investment management system. Building on the 2011–2015 framework laid out in the Medium-Term Plan, the Bank would respond if the Government requests assistance in drafting an Interim Poverty Reduction Strategy (I-PRSP), e.g. by analyzing updated poverty data (2011 PICES[32]) and sharing the experiences of other countries.
- **Business Environment.** The World Bank Group would focus on constraints to business investment, such as those faced by women entrepreneurs. The Bank has carried out a 2011

[31] WDR 2013 emphasized the need for solid fundamentals, appropriate labour policies, and country context in the selection of suitable jobs. Zimbabwe has established macro-economic stability, but has challenges in business environment, rebuilding human capital, re-establishing rule of law, revising labour laws, and implementing the Cluster-Based Development strategy to stimulate private sector development.
[32] Poverty, Income, Consumption, Expenditure, Survey.

Enterprise Survey and a Supplemental ES Survey – Competitiveness Module in 2012. A survey of small and medium businesses now underway could lead to a Government program for improving the business climate. The Bank is also working with the Government on the Finscope Financial Consumer Survey (launched in May 2012), which identifies challenges in the financial sector and has been widely accepted as useful to the design of business strategies and future policy making.

Box 3: Proposed Support for Fostering an Enabling Environment for Private Sector Development and Job Creation

Outputs:

- Cross-cutting analysis funded from Bank Budget and BNPP: Zimbabwe Growth Recovery Note, including agriculture, manufacturing and mining – with a special focus on job creation, to foster both technical and policy dialogue among all stakeholders in Zimbabwe.
- Focused Policy Notes and just-in-time advice for dialogue with Government, building on lessons learnt worldwide.
- Policy Notes and other analytical studies, mostly funded from A-MDTF, focussing on economic management, financial sector assessment, investment climate, public expenditures and service delivery, infrastructure, agrarian reform, regional integration and trade, indigenization and economic empowerment.
- Further enterprise surveys to build on the 2011 Enterprise Survey.
- Policy options to inform energy, and water sector strategies– national and regional.
- Major cross-cutting analysis funded from Bank Budget and FIRST: *Financial Sector Reform, Support to Budget Preparation, and I-PRSP*
- IFC completion of: (i) Investment Climate Advisory Services; and (ii) advisory support to the financial sector, in preparation for eventual investment operations.

Outcomes:

- Increased credit to the private sector and improved job creation, especially for women, from private sector activities
- Increased country competitiveness, agricultural productivity and Regional Integration
- Better investment allocations in infrastructure

Inputs:

- Analytical and advisory services for Government on financial sector, economic management (stabilization, mining, indigenization, barriers to women's entrepreneurship etc.), infrastructure, especially energy, and agrarian and land reforms – within regional and global contexts
- IFC design and implementation of: (i) Investment Climate Advisory Services; and (ii) advisory support to the financial markets.

- **IFC Investment Climate Advisory Services** would seek to build on the preliminary Doing Business reform and investment promotion work it conducted with the Zimbabwe Investment Authority. IFC realizes that there is no consensus on the desirability of a broad reform program and that passage of proposed measures is not guaranteed. However, by engaging on these issues now, IFC would be able to inform the debates and position measures for rapid enactment should circumstances warrant. Advisory program content would be subject to the normal program design and approval processes. The anticipated cost of a two-year engagement would not exceed US$1 million. IFC would coordinate with the IDA advisory work on indigenization and empowerment options.

- **Infrastructure Development.** Infrastructure is cited in business surveys as the third most important constraint on investment. The Bank would continue, at Government request, to provide advice on setting priorities and making optimal investment choices. This would include strengthening the policy framework for PPPs. The Bank is also planning to conduct research and analytical work that will provide the strategic underpinnings to

inform the Government's development of investment plans for the energy and water sectors, and to improve the knowledge base in urban development, environment and ICT.

- **Improve understanding of Priority Land Reform Issues.** Government land reform strategies are underpinned by the twin goals of (i) conducting a Land Audit (as per Global Political Agreement) and which requires a sound Land Administration System, and (ii) issuance of Secure Land Title (as demanded by those who benefitted from the Fast Track Land Reform Program) and which requires that a sound Land Compensation Framework is in place. During this ISN period, the World Bank, in close collaboration with development partners and the Government, would continue to analyze options for equitable, transparent, and efficient distribution of rural land resources.

- **Agricultural Production.** Under the A-MDTF, the Bank would continue to conduct analytical work on ways to enhance agricultural production, in order to inform (i) policy options to strengthen market linkages to help small-holder farmers, including women and other vulnerable groups, to transition from subsistence to more commercially oriented agriculture (e.g. contract farming); (ii) options for improving the efficiency, productivity and sustainability of agricultural investments (irrigation, livestock, horticulture, etc.); and (iii) ways to close the gender gap in agricultural productivity.

2. Fostering an Enabling Environment for Public Sector Management and Service Delivery

75. **The ISN would support reforms to improve management of fiscal and human resources and to strengthen service delivery capacity** by scaling up collaboration with Government on its management and institutional reforms programs. Particular attention would be given to institutional reform, enhancing the efficiency and cost-effectiveness of public services and enhancing partnerships with non-state actors and local governments. AAA would focus on (i) promoting better management systems and institutional reform within the central public administration; (ii) strengthening accountability and more effective use of public resources, with emphasis on demand-side approaches; and (iii) laying the analytical foundation for transformational governance agendas.

76. Under the "status quo" scenario, support in this area would mainly focus on (see also Box 4) the following (these are further elaborated in Annex 4):

- **Public Financial Management and Procurement.** Government's procurement capacity has withered. The World Bank would continue to advise the Government on ensuring that the electronic Public Financial Management System (PFMS) improves fiduciary control and informs expenditure policy and helping the Government to make public procurement systems more efficient and build capacity in procurement units

- **Public Expenditure Management.** Multi-sector AAA work to inform Government budget preparation and public expenditure management would continue to be a priority. The efficiency of public spending is undermined by low capacity and weak institutional systems across the entire public investment management value chain.

Box 4: Strengthening Core Systems for Public Management and Service Delivery

Outputs:
- Advisory services to inform Government's efforts to improve public sector management, including improved procurement practices, enhanced economic planning and execution capacity, and improved fiduciary control for financial and human management, and mining sector transparency
- Analytical studies and policy notes on the effectiveness of public spending and service delivery and strengthening core government management systems

Outcomes:
- Improved management of fiscal and human resources in the public sector
- Enhanced accountability through demand- and supply-side interventions (e.g., citizens' report cards)
- More efficient medium-term use of government resources, and better policy reform frameworks
- Analytical foundation for targeted transformational governance reform agendas

Inputs:
- Knowledge drawn from leading experts to leverage national, regional, and international knowledge and good practices
- Advisory services on ways to strengthen core systems of government
- Financing pilots of social accountability mechanisms and tools to strengthen citizens' voices

- **Human Resources and Wage Bill Management.** Critical capital and recurrent expenditures are crowded out by large Government employment costs, which account for nearly two-thirds of public spending. Following the payroll and skills audit, the World Bank AAA would inform the Government on the development of a human resource management information system (HRMIS) integrated with the PFMS and payroll for the health sector.

- **Analytical Foundation and Pilots for a Transformational Good Governance Agenda.** During the ISN period, the World Bank would conduct AAA to inform transformational governance initiatives in such vital sectors of the economy as economic and financial management, transparency and accountability, service delivery, PFM, and civil service reform.

3. Fostering an Enabling Environment for Reducing Vulnerabilities, Improving Resilience and Strengthening Human Development

77. **The ISN proposes a broad based pro-poor growth strategy**, with support for social protection and other mechanisms to provide a safety net for the poor and vulnerable and for improving the availability and utilization of basic services for the poor. There is relatively little direct support from development partners related to policies for and provision of basic services and social safety nets (although there is significant funding outside Government for humanitarian projects and support through NGOs and UN agencies in basic service delivery – these are being increasingly aligned with Government programs). The World Bank has therefore been working to strengthen and monitor core systems. During the ISN period, the World Bank would give priority to early wins; if resources permit, it would help finance recipient-executed projects to build on the highly successful pilot in health and to extend and expand the public works programs.

78. **In social sectors the World Bank proposes** (see also Box 5) to provide advisory services, in close collaboration with other agencies like UNICEF, and where resources permit financing for health, education and social protection projects. These are further elaborated in Annex 4.

Box 5: Reducing Vulnerabilities, Improving Resilience and Strengthening Human Development

Outputs:

- Gender mainstreaming progress report
- Policy Notes and technical assistance in education, health and social protection, agriculture, water supply, disaster risk management and climate change, environment management and conservation, and community-level fragility/conflict
- Major cross-cutting analysis: *Human Development Report*, focusing on human development needs and potential poverty reduction and women's empowerment approaches; Social Protection Sector Review Report; Health Financing Strategy Note; AAA to inform Education Ministry's Medium-Term Sector Plan and Budget; Water Sector Investment Framework.
- Policy framework and operational guidelines for productive community works
- Human Resources for Health Management Modules
- Global Partnership for Education program grant

Outcomes:

- Reduced vulnerability (targeted at rural and peri-urban populations), including improved health and social safety net coverage and increased coordination and harmonization of social protection related activities
- Improved service delivery (focusing on the very poor).
- Improved access to prioritized health services in targeted rural districts
- Better adaption to climate change, and adoption of tools for managing country-level fragility and conflict

Inputs:

- Analytical products, including Policy Notes, using national, regional, and international knowledge
- Assessment and documentation of evidence from innovative Human Development interventions
- Cross-cutting thematic analyses on improved governance in human development
- Advice on climate change and analysis of community level fragility and conflict
- Advice on gender mainstreaming approaches
- Financing of TA in health and education

- **Health.** The World Bank will continue to support the Ministry of Health and Child Welfare (MOHCW). The US$15 million MDTF-HRI-funded Health Sector Development Support Project is moving rapidly beyond its pilot phase to cover 18 rural districts throughout Zimbabwe, with a discernible impact on the access of women and infants to health care. This project has provided platforms for the World Bank and the MOHCW to engage on health financing, health management information systems and human resources management.

- **Education.** In education, the Bank would continue to provide advisory services to improve the information base needed for the Ministry to develop a sound policy framework and strengthen its Medium-Term Sector Plan and Budget. Continue to explore opportunities for financing education programs through Trust Funds.

- **Safety Nets.** Zimbabwe lacks a comprehensive social protection strategy; social protection interventions are ad hoc and highly uncoordinated. During the ISN period, the World Bank would build on its previous AAA and, resources permitting, conduct a review of the social protection sector. Resources permitting, the World Bank could finance a scaling up of the

Pilot Public Works Project being funded by the Rapid Social Response MDTF which has been testing labor-intensive public works programs.

- **Water Systems and Sanitation Improvements.** Given the public health risks from unclean water and poor sanitation systems, the World Bank would continue to support improved water supply, in collaboration with the ZimFund program, such as (i) the SPF-funded Beitbridge Water and Sanitation Project; (ii) continuing AAA to lay the strategic foundation to inform the Government's water sector investment framework and strategy for improving water quality; and (iii) advising on building the capacity of the City of Harare to improve its water services.

- **Food security and environmental vulnerabilities.** Once the primary constraints on agricultural growth and food security are analyzed and strategic pillars identified through the CAADP, the next priority would be AAA to help inform the Government's development of a responsive national agricultural growth and food security strategy. The Bank would explore AAA options to underpin Government's development of a national strategy for disaster risk management and through proposed GEF funding support efforts to counter land degradation and promote sustainable forest management.

- **Fragility and Conflict.** In line with WDR 2011 on conflict and development, the Bank will carry out AAA on dimensions of community-level conflict and fragility so as to better understand the impact on service delivery and accountability for development results.

- **Gender Mainstreaming.** In line with WDR 2012 on *Gender Equality and Development,* the World Bank has supported analyses by the Ministry of Women Affairs, Gender and Community Development of women's economic empowerment in selected sectors in order to improve access to economic opportunities for women and reduce both earnings and productivity gaps between men and women.[33] During the ISN period, the Bank would focus on four recommendations in the 2012 WDR for closing gender gaps (see also Annex 5):

  - *Reduce high female mortality and close remaining education gaps*. The Bank plans to finance activities to further this goal through the MDTF-HRI and the GPE.
  - *Improve equitable access to economic opportunities for women*. The Bank would follow up, through its dialogue with Government, on the recommendations of the studies on tourism, mining, and agriculture, especially in relation to improving direct access to financial services for women. This would not only improve their entrepreneurial prospects and income but also reflect greater female participation in family and community decision-making.
  - *Increase women's voice and agency in the household and in society*. The Bank would ensure that all studies that it conducts, such as the Human Development Report, or finances disaggregate data based on gender and location so as to identify opportunities for policies and strategies to tackle gender-related poverty and exclusion (see Annex 4

[33] WDR 2012 identified priority actions needed in maternal mortality, education gaps, economic opportunities, increasing women's voice and reducing inter-generational gender inequalities as important for countries to remove obstacles to the development of women and girls.

for summary of recent work on women's economic empowerment in the mining, agriculture and tourism sectors).

- *Limit replication of gender inequality across generations.* The Bank would, through HRI-TF and GPE financing, work to open up education opportunities for women and improve mother and child health care, especially for women receiving antenatal care in rural districts.

Implementation of the ISN Program

79. **The proposed program will build on the Bank's current analytical work,** its credibility in economic dialogue with the Government, and its recognized power to convene development partners to support Zimbabwe's recovery. The World Bank Group will continue to serve as a catalyst to mobilize resources for priority activities that demonstrably improve governance and responsiveness.

80. **Throughout the ISN FY13-15 period, the Bank will continue to partner with Government and development partners on both strategic coordination and joint initiatives.** The Bank will participate in Government-donor working groups, especially in the areas of economic management, infrastructure development, building human capacity, private sector development, education, and public sector management. It will also be active in all aid coordination mechanisms set up between Government and development partners, coordinate its work with development partners and consult regularly with civil society on preparing and implementing programs.

81. **The World Bank will place significant effort into widely disseminating reports of its AAA**, through concise and accessible summaries of Bank-managed work (e.g. "Findings" notes), workshops, pamphlets, and web-links.

VII. FINANCING, MONITORING & EVALUATION AND RISKS

ISN Financing

82. **Under the "status quo" scenario, the majority of the proposed ISN work program would be financed from the A-MDTF and other trust funds.** The Bank would explore ways to better utilize the Trust Funds, including SPF, GPOBA and the MDTF, and prepare for modifications to the A-MDTF especially if Zimbabwe is in an accelerated phase of re-engagement with the international community – when issues of staffing and operational budgets could seriously constrain Bank support to Zimbabwe during the early phase of re-engagement.

83. **Once the SMP process is initiated, the World Bank could be called upon by both the Government and donors to provide targeted TA and advisory services.** The A-MDTF should therefore be flexible enough to adjust to changing circumstances and demand. Since the A-MDTF is by design a Bank-executed TF, the activities it finances would be limited to advisory activities. To ensure that the activities financed comply with Bank guidelines, an advisory Bank team has been established to advise staff on proposals as they enter the pipeline. Where the Government asks the Bank, in writing, to execute a certain activity on its behalf, the same review team would advise staff on whether the activity complies with Bank TF policies. With development partners, and in light of experience gained from recipient-executed grants made under other TFs, the Bank will also explore the possibility of opening a recipient-executed window within the A-MDTF, with proper fiduciary controls. For each recipient-executed grant, the financial and procurement

capacity of the recipient entity will be assessed before the project is prepared and necessary capacity improvement provided to make the recipient comply fully with Bank's fiduciary due diligence.

84. **IFC would finance advisory operations** from its current regional budget and from a regional program, Conflict Affected States in Africa.

Risk Analysis

85. **Table 8 identifies risks that could hinder implementation of the ISN.** For instance, uncertainty in the political environment exacerbated by the election planned in 2013 is a significant risk to the success of the ISN FY13-15. There may also be delays caused by the difficulties of dialogue in some sectors. In the past, the insistence of donors that recipient-executed activities be precluded from A-MDTF has undermined its effectiveness. The Bank has proposed actions to mitigate risks (see Table 8).

Table 8: Risks and Remedial Measures

RISK	LIKELIHOOD	IMPACT	REMEDIAL MEASURES
Increased political uncertainty with risk of election violence, leading to civil conflict and political paralysis	High	Extremely constrained operating environment, including dialogue with partners	Implement as outlined under Deterioration Scenario. Maintain minimal AAA for knowledge to support recovery
Continued uncertainties on economic policy, which might affect private capital inflows	Substantial	Reduced effectiveness of interventions to support competitive-ness and employment	Implement as outlined under Deterioration Scenario
A slowdown of economic recovery driven by the lack of liquidity and financing, which would affect tax revenues	Moderate	Less scope to support interventions to im-prove service delivery and governance	At this stage, support will be designed to rely very little on direct Government financing
The difficulties of dialogue in some sectors may impede progress in proposed activities	High	Slow implementation	Thorough discussions with stakeholders before an activity begins
Some policy advice may not be accepted and thus not utilized	Moderate	No implementation	Careful assessment of gover-nance and political economy issues—and risks—before an activity is initiated
Donor reluctance to consider recipient-executed trust funds under Bank management.	Moderate	Strain World Bank's ability to support Zimbabwe in a manner consistent with its Board-approved operational policies.	Establish a recipient-executed window under the A-MDTF or any successor with appropriate fiduciary safeguards to ensure that activities are executed properly.

Annex 1: Progress Towards the Millennium Development Goals
(Source: UN MDG Report 2011)

Goal	Target	Status
1: Eradicate extreme poverty and hunger	a) Halve, between 2002 and 2015, the proportion of people whose income is less than the total consumption poverty line b) Halve, between 2000 and 2015, the proportion of people in poverty, as measured by the Human Poverty Index (HPI), c) Achieve full and productive employment and decent work for all, including women and young people. d) Halve, between 2002 and 2015, the proportion of people who suffer from hunger. Reduce by two-thirds, between 2002 and 2015, the proportion of under-5 children who are malnourished.	Population living below the total consumption poverty line was at 72 percent in 2003 and may have increased since the crisis. HPI stood at 24 percent in 1995; and 34 percent in 2009 The percentage of underweight under-5s increased from 13 percent in 1999 to 18 percent in 2003 but dropped to 17 percent in 2005. In 2010 it stood at 15 percent.
2: Achieve universal primary education completion	a) Ensure that between 2000 and 2015, all Zimbabwean children, boys and girls alike, will be able to complete a full program of primary education.	National enrolment declined from 91 percent in 2005 to 87 percent in 2010/11. For 15–24 year-olds the literacy rate in 2009 was 99 percent – an increase of 14 percent since 1994 (85 percent), but declined in 2010–11 to 95.3 percent.
3: Promote gender equality and empower women	a) Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015. b) Increase the participation of women in decision making in all sectors and at all levels to 50:50 by 2015.	There is near parity in enrolment by gender in lower secondary school by gender. However, currently girls comprise only 35 percent of students in upper secondary education. The completion rate for secondary school is also higher for boys. The percentage of women in public service decision making stands at about 18 percent.
4: Reduce child mortality	a) Reduce by two thirds, between 2000 and 2015, the under-5 mortality rate.	The under-5 mortality rate increased from 79 per 1,000 in 1990 to 84 per 1,000 in 2010.
5: Improve maternal health	a) Reduce by three-quarters, between 2000 and 2015, the maternal mortality rate.	Maternal mortality increased from 283 per 100,000 in 1994 to 725 in 2009. The target is 174.

Goal	Target	Status
6: Combat HIV and AIDS, malaria and other diseases	a) Halt, by 2015, and begin to reverse the spread of HIV and AIDS **b)** Halt by 2015, and begin to reverse the increasing incidence of malaria, TB, and diarrheal diseases	HIV and Aids prevalence rates in adults aged 15–49 declined from 23.7 percent in 2001 to 18.1 percent in 2005. Current estimates are at 15 percent for 2010–11. Globally, Zimbabwe ranks 17th of 22 high-burden TB countries. Incidence increased from 97 per 100,000 in 2000 to 782 in 2007.
7: Ensure environmental sustainability	a) Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. b) Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. **c)** By 2020, achieve a significant improvement in the housing condition of at least 1,000,000 slum dwellers and peri-urban and high-density lodgers.	Deforestation has seen an annual estimated loss of 100,000–320,000 ha forest cover and increasing uncontrolled veldt fires. Zimbabwe is a net carbon sink. Deterioration of water supply and sanitation services has resulted in a higher incidence of cholera and typhoid. Shortage of housing units is estimated at 1 million and is likely to increase because of urbanization. There has been a significant decrease in public and private funding for low-cost housing.
8: Develop a global partnership for development	a) Further develop an open, rule-based, predictable, non-discriminatory trading and financial system. b) Deal comprehensively with debt problems. c) In cooperation with strategic partners, put in place strategies for decent and productive work for everyone. d) In cooperation with pharmaceutical companies, provide access to affordable essential drugs. e) In cooperation with the private sector, make available the benefits of new technologies, especially information and communications. f) Work with the Ministry of Education, Sports, Arts and Culture (MOESAC) and development partners on the GPE membership and program implementation.	There have been a number of macroeconomic changes: price liberalization, removal of quasi-fiscal expenditures, introduction of cash budgeting and tax reforms. Consensus on how to handle debt is growing, but there has been considerable deterioration in the management of external debt - between 2005 and 2010 it grew by 30.3 percent. Employment creation strategies are inadequate. Zimbabwe has several good-quality pharmaceutical companies that can supply essential drugs to 60 percent of the population. Access to new technologies is increasing. The penetration rate for mobile phones is now at 40 percent. The number of Internet users has risen to 14.2 per 100 people. Zimbabwe had fiber optic connectivity to the major undersea cables by 2011.

Annex 2: Bilateral Donors Consolidated Financial Report

Donor	Actual Total program Cost	Projected Expenditure			Actual Disbursement			
		2011	2012	2013	2009	2010	2011	2012
AUSTRALIA	139,441,168	50,000,000	50,000,000	50,000,000	40,790,244	41,029,377	54,193,949	3,427,598
CANADA (CIDA)	45,323,678	15,019,479	2,443,826	393,600	27,807,219	6,189,977	11,326,482	-
DENMARK	21,059,660	18,109,075	22,817,029	TBA	-	-	19,786,205	1,273,455
European Commission	375,993,737	85,944,498	77,766,939	95,222,097	137,179,362	141,306,651	85,944,498	11,563,226
FINLAND	11,049,866	8,241,000	5,362,000	5,320,000	199,000	9,110,866	1,740,000	-
FRANCE	5,784,874	TBA	TBA	TBA	2,879,000	1,310,000	1,595,874	-
GERMANY	61,376,142	38,940,000	18,020,000	19,690,000	4,600,000	18,103,142	33,450,400	5,222,600
IRELAND	12,502,746	5,962,500	TBA	-	-	4,265,335	8,237,411	-
JAPAN	47,406,132	15,759,269	TBA	TBA	10,735,184	30,704,400	5,966,548	-
NETHERLANDS	75,207,662	22,150,619	18,155,892	TBA	28,584,866	20,229,962	22,943,423	3,449,411
NORWAY	71,858,127	13,620,000	18,483,000	TBA	26,000,000	29,400,000	16,458,127	-
SWEDEN	92,544,000	32,250,000	34,500,000	34,000,000	25,914,000	30,200,000	32,890,000	3,540,000
SWITZERLAND (SDC)	21,052,625	11,817,000	5,137,000	4,221,000	4,371,930	1,595,370	11,739,477	3,345,848
UKAID	370,282,728	85,877,000	134,400,000	150,400,000	102,454,728	99,991,000	68,690,000	99,147,000
USAID	528,273,277	133,099,200	131,662,000	TBA	239,233,097	154,000,563	86,838,230	48,201,387
	-							
TOTAL	**1,877,516,420**	**536,789,641**	**518,747,685**	**359,246,697**	**650,748,630**	**587,436,642**	**460,160,624**	**179,170,524**

Notes:
1. The actual disbursements for 2012 are as of 31 March, 2012.
2. Countries with blank figures are yet to submit their contributions for 2012.

Annex 3: Sectoral Focus of the Donors in Zimbabwe (excludes A-MDTF)

Name of Donor	Sectors in which Engaged
AfDB	Water and sanitation, energy
AUSAID	Health, food, education, agriculture, water and sanitation, economic reform, GPA, infrastructure
China	Health, education, agriculture, economic reform, water and sanitation, infrastructure
CIDA	Health, food, water and sanitation, displaced persons
Denmark	Education, food, agriculture, infrastructure, judicial reform
EU	Health, education, OVC, food, agriculture, water and sanitation, displaced persons, economic reform, GPA
Finland	Economic Reform
France	Health, food, agriculture
Germany	Health, food, water and sanitation, infrastructure, education
Ireland	Health, food
Japan	Health, education, food, water and sanitation, displaced persons
Netherlands	Health, education, OVC, food, agriculture, water & sanitation, displaced persons
Norway	Health, education, agriculture, GPA, infrastructure
SIDA	Health, education, OVC, food, agriculture, water and sanitation, displaced persons, infrastructure
Spain	Health, food, agriculture
Switzerland	Health, food, agriculture, water and sanitation
UK	Health, education, OVC, food, agriculture, water and sanitation, displaced persons, economic reform, GPA, infrastructure
USAID	Health, education, OVC, food, agriculture, water and sanitation

Annex 4: Elaboration of Status Quo Scenario

Fostering an Enabling Environment for Private Sector Development and Job Creation

1. **The ISN would support Government's efforts to improve the business climate and prospects for employment creation** through AAA designed to identify ways to reduce barriers to investment, strengthen economic management, ease infrastructure bottlenecks, and make agriculture more productive. This is in line with WDR 2013 on *Jobs* showing the strong correlation between private sector-led growth and job creation in order to reduce poverty.[34] The ISN proposes to use A-MDTF, Bank budget, and other resources for this purpose. Priority would be given to advice that can facilitate quick wins, such as improving liquidity and enhancing public sector management in the next budget cycle.

- **Improving growth, trade and competitiveness conditions.** The World Bank would finalize its growth studies, covering manufacturing, agriculture, mining, finance, and services, to highlight major trade-offs in growth policy. It might also support improved trade dynamics through a diagnostic trade integration study (DTIS) and advice on trade facilitation and logistic reforms. The World Bank would continue to conduct targeted AAA to assist the Government in key economic management and governance areas. It would provide on-time advice on strengthening governance systems, mineral revenues transparency, financial oversight of parastatals, making expenditure more effective, enhancing women's equitable access to economic resources and opportunities, and rebuilding the public investment management system. The Bank would also continue, upon request, to share best-practice and international experience with Government on economic aspects of indigenization and empowerment. Building on the 2011–2015 framework laid out in the Medium-Term Plan, the Bank would respond if the Government requests assistance in drafting an Interim Poverty Reduction Strategy (I-PRSP) by, e.g., analyzing updated poverty data (2011 PICES[35]) and sharing the experiences of other countries.
- **Business Environment.** The World Bank Group would focus on constraints to business investment, such as those faced by women entrepreneurs. A survey of small and medium businesses now underway could lead to a Government program for improving the business climate. The Bank is also working with the Government on the Finscope Financial Consumer Survey (launched in May 2012), which identifies challenges in the financial sector and has been widely accepted as useful to the design of business strategies and future policy making. Given the lack of reliable business data in Zimbabwe, further surveys would be scheduled to inform Government policy making.
- **IFC Investment Climate Advisory Services** would seek to build on the preliminary Doing Business reform and investment promotion work it conducted with the Zimbabwe Investment Authority. IFC realizes that there is no consensus on the desirability of a broad reform program and that passage of proposed measures is not guaranteed. However, by engaging on these issues now, IFC would be able to inform the debates and position measures for rapid enactment should circumstances warrant. Advisory program content would be subject to the normal program design and approval processes. The anticipated

[34] WDR 2013 emphasized the need for solid fundamentals, appropriate labour policies, and country context in the selection of suitable jobs. Zimbabwe has established macro-economic stability, but has challenges in business environment, rebuilding human capital, re-establishing rule of law, revising labour laws, and implementing the Cluster-Based Development strategy to stimulate private sector development.

[35] Poverty, Income, Consumption, Expenditure, Survey.

cost of a two-year engagement would not exceed US$1 million. IFC would coordinate with the IDA advisory work on indigenization and empowerment options.

- **Infrastructure Development.** Infrastructure is cited in business surveys as the third most important constraint on investment. The Bank would continue, at Government request, to advise Government on setting priorities and making optimal investment choices. This would include the current rapid needs assessment that would serve as an input for the development of an institutional framework for private public partnerships, to strengthen the policy framework for PPPs. The Bank is also planning to conduct research and analytical work that will provide the strategic underpinning to inform the Government's development of investment plans for the energy, and water sectors, and to improve the knowledge base in urban development, environment and ICT.
- **Improve understanding of Priority Land Reform Issues.** Government land reform strategies are underpinned by the twin goals of (i) conducting a Land Audit (as per Global Political Agreement) and which requires a sound Land Administration System, and (ii) issuance of Secure Land Title (as demanded by those who benefitted from the Fast Track Land Reform Program) and which requires that a sound Land Compensation Framework is in place. During the ISN3 period, the World Bank, in close collaboration with development partners and the Government, would continue to analyze options for equitable, transparent, and efficient distribution of rural land resources. The analytical work would outline options and best practices relating to land tenure, land valuation and compensation, land conflict/dispute resolution systems, land administration, and land use planning and productivity. It would also look at gender differentials in access to land. This would encourage emergence of a more comprehensive approach to the land debate, enhance the Bank's understanding of land issues, consolidate lessons learned, and define areas where future policy dialogue could be usefully targeted.
- **Improving Agricultural Production.** Under the A-MDTF, the Bank would continue to conduct analytical work on ways to enhance agricultural production, in order to inform (i) policy options to strengthen market linkages to help small-holder farmers, including women and other vulnerable groups, to transition from subsistence to more commercially oriented agriculture (e.g., contract farming); (ii) options for improving the efficiency, productivity and sustainability of agricultural investments (irrigation, livestock, horticulture, etc.); and (iii) ways to close the gender gap in agricultural productivity.

Fostering an Enabling Environment for Strengthening Core Systems for Public Sector Management and Service Delivery

2. **The ISN would support reforms to improve management of fiscal and human resources and to strengthen service delivery capacity** by scaling up collaboration with Government on its management and institutional reforms programs. Particular attention would be given to institutional reform, enhancing the efficiency and cost-effectiveness of public services, and enhancing partnerships with non-state actors and local governments. AAA would focus on (i) promoting better management systems and institutional reform within the central public administration; (ii) strengthening accountability and more effective use of public resources, with emphasis on demand-side approaches; and (iii) laying the analytical foundation for transformational governance agendas.

3. Under the "status quo" scenario, support in this area would mainly focus on:

- **Public Financial Management and Procurement.** Government's procurement capacity has withered. The World Bank would continue to advise the Government on ensuring that the

electronic Public Financial Management System (PFMS) improves fiduciary control and informs expenditure policy and helping the Government to make public procurement systems more efficient and build capacity in procurement units so that they become more efficient and transparent. There would be an emphasis on advising Government on how to use the private sector to provide public services where it can do so efficiently and effectively.36

- **Public Expenditure Management.** Multi-sector AAA work to inform Government budget preparation and public expenditure management would continue to be a priority. The efficiency of public expenditure is undermined by low capacity and weak institutional systems across the entire public investment management value chain.
- **Human Resources and Wage Bill Management.** Critical capital and recurrent expenditures are crowded out by large Government employment costs, which account for nearly two-thirds of public spending. Following the payroll and skills audit, the World Bank AAA would inform the Government on the development of a human resource management information system (HRMIS) integrated with the PFMS and payroll for the health sector. In addressing the broader challenge of wage bill management, the World Bank would continue to assist in building an analytical foundation for a medium-term approach to ensure both competitive remuneration to attract and retain qualified civil servants and maintaining employment cost sustainability. The World Bank would also focus on the skills gaps that are likely to remain even after return of many in the diaspora.
- **Analytical Foundation and Pilots for a Transformational Good Governance Agenda.** During the ISN period, the World Bank would conduct AAA to inform transformational governance initiatives in such vital sectors of the economy as economic and financial management, transparency and accountability, service delivery, PFM, and civil service reform. Financing would also be sought to pilot recipient-executed social accountability mechanisms to enhance the participation of non-state actors in government programs and demand for good governance.

Fostering an Enabling Environment for Reducing Vulnerabilities, Improving Resilience, and Strengthening Human Development

4. **The ISN proposes a broad based pro-poor growth strategy**, with support for social protection and other mechanisms to provide a safety net for the poor and vulnerable, and for improving the availability, cost, and utilization of basic services for the poor. There is relatively little direct support from development partners related to policies for and provision of basic services and social safety nets (although there is significant funding outside Government for humanitarian projects and support through NGOs and UN agencies in basic service delivery – these are increasingly aligned with Government programs). The World Bank has therefore been working to strengthen and monitor core systems. During the ISN period, the World Bank would give priority to early wins; if resources permit, it would help finance recipient-executed projects to build on the highly successful pilot in health and to extend and expand the public works programs.

[36] For example in audit: the Audit Office Act increases the mandate of the Auditor General to include local authorities, and the Auditor General would thus likely need to engage private audit firms to undertake most of the audits given the capacity constraints that the Office of the Auditor General faces. The limited staff of the Audit office would concentrate on audit coordination, and also on auditing institutions that national policy or security concerns preclude from private audit. The Bank would provide advice to the Auditor General on contracting and supervisory issues.

5. **In social sectors the World Bank proposes** to provide advisory services, in close collaboration with other agencies like UNICEF, and where resources permit financing for health, education, and social protection projects:

- **Health.** The World Bank will continue to support the Ministry of Health and Child Welfare (MOHCW). The US$15 million MDTF-HRI-funded Health Sector Development Support Project is moving rapidly beyond its pilot phase to cover 18 rural districts throughout Zimbabwe, with a discernible impact on the access of women and infants to health care. Implementation arrangements include mechanisms to strengthen demand-side accountability by civil society organizations on quality of health services received by beneficiaries. This project has provided platforms for the World Bank and the MOHCW to engage on health financing, health management information systems, and human resources management. Subject to funding availability, technical assistance in the health sector would be directed to (i) conducting AAA to inform Government's development of a medium-term health financing strategy; (ii) strengthening capacity for health financing and expenditure tracking in the MOHCW; (iii) analysis of the health facility assessment to inform decision making[37], and (iv) analysis to inform the planning and management of human resources for health, followed by financing of recipient-executed technical assistance. Opportunities to work with the private sector, particularly to improve health service delivery, will be explored with the Government.

- **Education.** In education, the Bank would continue to provide advisory services to improve the information base needed for the Ministry to develop a sound policy framework and strengthen its Medium-Term Sector Plan and Budget, which was approved by the Ministerial Economic Committee in March 2012. Analytical work would review teacher conditions and incentives, assess equity and gender issues, measure learning achievement, and review infrastructure rehabilitation needs. TA to strengthen the Education Management Information System (with development partners) is being provided through an Education Program Development Fund grant and another Global Partnership for Education (GPE) grant for additional AAA, with a focus on gender, is being considered. This will allow for key reforms and improve planning and management, which is especially critical as the education sector slowly rebuilds after near-collapse. The Bank is prepared to develop and manage the US$23.6 million GPE program grant should conditions allow and the Bank is requested by the Government and development partners.

- **Safety Nets.** Zimbabwe lacks a comprehensive social protection strategy; social protection interventions are ad hoc and highly uncoordinated. During the ISN period, the World Bank would build on its previous AAA and, resources permitting, conduct a review of the social protection sector.

- **Temporary Employment.** Resources permitting, the World Bank could finance a scaling up of the Pilot Public Works Project being funded by the Rapid Social Response MDTF which has been testing labor-intensive public works programs. These help increase temporary employment, improve community assets supportive of productive activities, and represent a direct injection of cash into rural and sometimes remote areas. The pilot will provide practical lessons to support the Government's finalization of a public works policy and operational guidelines. In the expanded program, PPP opportunities would be explored,

[37] The Bank will provide technical support to analyze data from the Equity and Quality of Care component of the National Integrated Health Facility Assessment. This support builds on technical and financial support which the Bank and other donors provided to the Government in collecting high-quality data to inform underpin planning in the health sector.

especially with regard to enhancing efficiency in the delivery of services and making more effective operational aspects like electronic delivery of cash to beneficiaries. Also to be explored with the private sector are options for improving access to financial services for poor, vulnerable, and female-headed households. Using technology to enhance community feedback and strengthen accountability would also be explored.

- **Water Systems and Sanitation Improvements.** Given the public health risks from unclean water and poor sanitation systems, the World Bank would continue to support improved water supply, in collaboration with the ZimFund program, such as (i) the SPF-funded Beitbridge Water and Sanitation Project; (ii) continuing AAA to lay the strategic foundation to inform the Government's water sector investment framework and strategy for water quality; and (iii) advising on building the capacity of the City of Harare to improve its water services.
- **Agricultural Development and Food Security.** Once the primary constraints on agricultural growth and food security are analyzed and strategic pillars identified through the CAADP, the next major challenge would be AAA to help inform the Government's development of a responsive national agricultural growth and food security strategy. The goal would be to assist Government have a better and more inclusive design and implementation of an evidence-based, pro-poor, gender-sensitive, and consistent agricultural growth strategy. The World Bank would undertake a comprehensive analysis of Zimbabwe's food security programs, policies, and strategies to identify options for Government and other stakeholders to increase efficiency.
- **Climate Change.** The Bank would explore AAA options to underpin Government's development of a national strategy for disaster risk management as a contribution to climate change adaptation. Given the frequency of droughts, AAA would be conducted on groundwater management to analyze changes in drought effects and support the country as it adapts to climate change. Identification of incentives for private investment in renewable energy and sustainable timber production and use would also be pursued.
- **Natural Resources Management.** Natural resource management is the bedrock of sustainable recovery of the economy and enhancing the livelihoods of the poor. Zimbabwe had been a pioneer in community-based natural resource management (CBNRM), and despite recent setbacks CBNRM has improved wildlife habitats and biodiversity, enhanced forest management, protected watershed areas, and reduced veldt fires and over-harvesting through the work of CBOs and NGOs. The innovative aspect of CBNRM in Zimbabwe is its goal of improving the livelihoods of rural communities. During the ISN period, the World Bank plans, through proposed GEF funding, to finance efforts to counter land degradation and improve both sustainable forest management and management of protected areas where they will also have direct employment and poverty reduction impacts. It will also support building capacity to cope with vulnerability and reduce disaster risk.
- **Fragility and Conflict.** In line with WDR 2011 on conflict and development, the Bank will carry out AAA on dimensions of community-level conflict and fragility so as to better understand the impact on service delivery and accountability for development results.
- **Gender Mainstreaming.** In line with WDR 2012 on *Gender Equality and Development,* the World Bank has supported analyses by the Ministry of Women Affairs, Gender and Community Development of women's economic empowerment in selected sectors in order to improve access to economic opportunities for women and reduce both earnings and

productivity gaps between men and women.[38] As a follow-up, WBI supported development of a five-year plan for broad-based economic empowerment for women and communities (BBWEE). The BBWEE identified four strategic interventions: (i) enhancing female entrepreneurship; (ii) facilitating the participation of women in economic decision-making; (iii) ensuring employment equity; and (iv) and assisting women from disadvantaged backgrounds to participate in and benefit from viable livelihood activities, formal and informal. During the ISN period the Bank would focus on four recommendations in the 2012 WDR for closing gender gaps:

- *Reduce high female mortality and close any education gaps*. The Bank plans to finance activities to further this goal through the MDTF-HRI and the GPE.
- *Improve equitable access to economic opportunities for women*. The Bank would follow up, through its dialogue with Government, on the recommendations of the studies on tourism, mining, and agriculture (Table 9), especially in relation to improving direct access to financial services for women. This would not only improve their entrepreneurial prospects and income but also reflect greater female participation in family and community decision-making.
- *Increase women's voice and agency in the household and in society*. The Bank would ensure that all studies that it conducts, such as the Human Development Report, or finances disaggregate data based on gender and location so as to identify opportunities for policies and strategies to tackle gender-related poverty and exclusion (see Table 9 for a summary of recent work on women's economic empowerment in the mining, agriculture, and tourism sectors).

[38] WDR 2012 identified priority actions needed in maternal mortality, education gaps, economic opportunities, increasing women's voice and reducing inter-generational gender inequalities as important for countries to remove obstacles to the development of women and girls.

Table 9: Examples of Gender Disaggregation of Policy Issues in Mining, Agriculture and Tourism			
	Urban	**Rural**	**Rural & Urban**
Women	- Provide urban market places for trade. - Support agro-processing and marketing to address rural-urban imbalances. - Review practices that deprive women of assets, especially outside the rural traditional setting.	- Engender mining and tourism and policies/regulations. - Use security of tenure reforms to protect women's land rights. - Strengthen institutions for credit, marketing, extension, etc. - Review traditional practices within the rural setting that disadvantage women.	- Support projects and initiatives that have equal gender participation. - Enhance Business Ownership Entrepreneurship - Increase participation equity in Economic Decision Making Positions - Ensure employment equity - Increase benefits from Viable Informal & Informal Livelihoods Activities. - Promote and disseminate gender-sensitive technologies.
Men	- Raise awareness on impact of unbalanced rural-urban migration on families. - Support measures to assist working women with child care.	- Highlight positive impact of women's economic empowerment on the family and community. - Support child care measures for women farmers and miners.	
Men & Women	- Increase access to capital, skills training, and markets. - Revive Community-Based Tourism Programs and initiatives. - Provide support for projects that increase rural-urban linkages. - Facilitate mentoring of youth entrepreneurs. - Support environmentally sustainable artisanal mining. - Link women SMEs with large private sector operations. - Strengthen agro-supply chains.		- Develop a Zimbabwe Gender Audit/ Framework (ZiGAF) for use by private and public sectors. - Develop materials and tools to guide actions by policy makers and entrepreneurs.

Annex 5: Gender Policy in Zimbabwe

I. BACKGROUND

Although it had been on the books since late 1999 to 2002, the National Gender Policy for Zimbabwe was only officially launched in 2004. The policy provides guidelines and an operational framework for addressing issues of gender mainstreaming of sectoral policies, programs, and activities at all societal levels. The National Gender Policy is directed to promoting equality between women and men in society, with equity and equality being anchored in the protection of and respect for the rights of the individual. This Annex has been prepared based on some recent analysis by the Bank on gender issues in Zimbabwe, including reports on economic empowerment of women in agriculture, mining and tourism sectors.

The National Gender Policy and Weaknesses

The lead organization, the Ministry of Women Affairs, Gender and Community Development (MWAGCD), has too few resources, human and financial, to follow through with the national gender mainstreaming strategy. Some of the major constraints are

- The absence of a comprehensive cross-sectoral implementation program that is internalized in all relevant ministries;
- Noncompliance by decision-making sectors tasked with the responsibility of implementing gender-related policies and programs;
- Limited political will and commitment, especially by decision-makers, who are mostly men who regard women's issues as a non-priority;
- Lack of investment in human resources for operating gender programs and projects, and
- Absence of mechanisms for serious monitoring and evaluation of action plans and programs.

Cognizant of this fact, the Government of Zimbabwe through MWAGCD sought to draw up a strategy that create spaces for women entrepreneurs and enhances their competitiveness. The MWAGCD identified as priorities three sectors: agriculture, tourism and mining. The World Bank, through the Norwegian Trust Fund supported sectoral studies on economic empowerment of women in the three sectors; the purpose was to explore the options for empowering women and to provide action-oriented policy and strategy recommendations. The Bank, through WBI, also supported the MWAGCD in drafting the (i) Framework for Broad-Based Economic Empowerment for Women and Communities; (ii) case studies on women in mining; and (iii) the capacity development module.

The studies revealed that there has been considerable effort, and success, put into securing and protecting the legal rights of women especially rights related to ownership of assets and protection against discrimination of all forms. However, the policy and institutional framework for economic empowerment of women still trails. In all three targeted sectors (see below), while the importance of women's economic empowerment is recognized in general, there are no specific strategies and time-bound action plans spelled out.

II. TOURISM

Although there has been a marked improvement in the last 10 years or so, general employment patterns still reflect traditional gender roles. Very few women are employed in the wildlife, adventure safaris, and transport sectors that support tourism. Very few women own large tourism

enterprises, such as hotels, luxury lodges, or wildlife concessions for hunting and eco-tourism. Rather, women dominate the small, medium, and micro enterprises. These small supply chains operate in isolation from the global value chains and have limited potential for growth. The institutions and programs put in place to support these supply chains are not designed to promote their growth and enhance linkages to the global value chains, which will be necessary for competitiveness in the tourism sector.

Among the barriers to women attempting to enter these male-dominated supply chains are (i) limited information on the sectors—there are no promotions that target domestic, local, or indigenous investors; (ii) lack of education for women about financing and investment strategies; (iii) the significant competitive advantages men have gained over the years by being early entrants into, e.g., the wildlife sector; (iv) limited opportunities for permit and lease-based investments; (v) restricted access to wildlife land for women; and (vi) complicated and bureaucratic business procedures.

The study identified a number of entry points for women, such as wildlife-based tourism value chains; luxury lodges on the Zambezi and in other scenic landscapes; crafts that are branded or patented; traditional and cultural villages linked to the large hotels and global value chains; organic farming; and the transport sector.

Recommendations relating to policy and institutional frameworks were to (i) spell out economic empowerment strategies for women in tourism policy and craft strategies to make tourism an avenue for contributing towards MDG3; (ii) facilitate cross-sectoral linkages; (iii) institute monitoring and evaluation to track the participation of women in the sector; (iv) simplify business procedures for registering and exporting consumable tourism products; (v) set aside a quota for business opportunities for women in hunting and other wildlife-based tourism investment; (vi) establish platforms for women in tourism networks and Women in Tourism; (vii) mobilize resources to support grass-roots tourism activities that involve women; (vii) support incubator programs for women in organic farming, hunting, branded crafts, and similar supply chains: (viii) develop an improved program for tourism SMMEs that emphasizes facilitating linkages to global value chains; (ix) promote pro-poor and responsible tourism ethics among local industry players, especially in linkages with grassroots and women-owned businesses in general; (x) encourage employee share ownership schemes among large industry players; and (xii) engender finance products in Zimbabwe and educating the finance sector about tourism economic development targets and strategies.

III. AGRICULTURE

Women farmers range from newly resettled farmers located in large-scale commercial farming areas to small scale commercial new and old resettlement schemes and communal areas. Among the challenges faced are:

(i) Access to inputs and credits: The problem is particularly acute for women farmers who are often marginalized in general schemes meant to support agriculture. Limited access to credit has been a major stumbling block for women farmers in virtually all the agricultural value chains.

(ii) Access to land: Women in some provinces and districts have been threatened by men with physical abuse, intimidated, and forced out of land previously allocated to them. Law enforcement seems to have failed to do anything about this—a situation which seems widespread.

(iii) Technological capability: Although there is an emphasis on the generic constraints facing both women and men engaged in agri-business, such as access to credit and markets, the real factor underlying these challenges is to a large extent explained by the absence of a comprehensive package of support services designed to benefit women farmers.

(iv) Inadequate extension services: The adequacy, availability, quality, and appropriateness of agricultural extension services remain questionable.

(v) Access to markets: There is a lack of reliable market information and intelligence on agricultural market opportunities and market trends. Cultural barriers mean women are unable to penetrate male-dominated social networks, thus limiting access to valuable program information.

The study went on to make the following recommendations:

i. **Change institutional structures** to allow women to participate in decision making at all levels.
ii. **Design interventions that explicitly target women** to catalyze change that will end both explicit and latent gender discrimination and secure women's access to needed resources.
iii. **Take measures to ensure that women's voice is heard;** promote collective action among women by through organizing networks and federations of networks that are large enough to effectively demand improved services and assert their land and water use rights.
iv. **Protect women's rights and control over economic gains** to ensure that their control over their resources and other assets is protected, and to avoid their possible marginalization.
v. **Strengthen investment in research and sound impact assessment** to measure progress and inform policy processes.
vi. **Ensure that women have access to land.** The necessary strategies will require a land audit and investigating land allocation by gender in all the land reform schemes, with a view to changing policies and implementation modalities.
vii. **Protect their security of tenure,** which will help women access capital and credit by using land as collateral.
viii. **Ensure that women farmers have water rights.** In view of the growing problems related to water rights, this issue needs to be addressed in a way that enhances the productivity of women farmers, possibly through new laws and regulations that guarantee their rights over key natural resources.
ix. **Design a value chain approach.** Support to agricultural value chains should ensure a comprehensive package of agricultural support services is considered through collaboration between the public and the private sectors, including international and national development partners.
x. **Formulate more effective schemes for supplying inputs.** Considering the current gaps in input supplies for the agricultural value chains in which women are engaged, innovative schemes are needed, with public and private sector partnerships.
xi. **Open up contract farming** to women. Women farmers need support to benefit from contract farming arrangements.
xii. **Build up the technological capabilities of women farmers:** Establishing women in the in Agri-Business Development Fund could help.
xiii. **Reinforce agricultural marketing capability.** A typical best practice example is the COMESA/ Government of Zimbabwe Ministry of Agriculture–supported agro-dealership

linkages program, which involves large numbers of women who are producing and selling small grains, groundnuts, and other agricultural commodities in the districts targeted by the program.

xiv. **Organize agribusiness networks and clusters.** Learning from networks and the cluster-based development approach as well as international best practices and innovative strategies, women in agribusiness can be organized into networks and clusters, which will make it easier for them to operate in particular geographical areas and sectors or subsectors and coordinate their marketing plans and strategies.

IV. MINING

Women are still only marginally represented in the sector and benefit little from it due to (i) lack of gender- sensitive mining policy and legislation; (ii) lack of funding, which makes it difficult for women to mechanize their mining operations; (iii) limited technical and business knowledge and skills among women in mining; (iv) limited access to information; and (v) cultural beliefs that discourage women's participation in mining.

The economic empowerment of women offers a number of opportunities in mining, such as (i) joint ventures in diamond mining; (ii) cutting and polishing of diamonds and colored gemstones; (iii) joint ventures in gold mining; (iv) service provision to Minerals Marketing Corporation of Zimbabwe (MMCZ); (v) establishment of greenfield gold mining projects in Matabeleland South and Mashonaland Central; (vi) indigenization of the mining sector; (vii) linkages with large mining companies for the benefit of small-scale miners, especially women; and (viii) financing from local commercial banks for mining projects.

i. To institutionalize women's economic empowerment in mining, the study made a number of recommendations**:** Move immediately to mainstream gender in mining legislation and policies.
ii. Train women in mining in technical, environmental, and business skills, including gender sensitization.
iii. Set up special financing schemes, such as a Women in Mining Fund, through collaboration of the ministries of Mines and Mining Development, Women Affairs, Gender and Community Development, and Finance and national and regional commercial and development banks.
iv. Establish credit guarantee schemes with the support of development partners and the Central Bank and other commercial financial institutions to provide security for loans to women in mining.
v. Establish a gold loan mechanization scheme with the private sector.
vi. Organize financial and technical support for coordination of national women in mining organizations.
vii. Establish links with large-scale mining companies to garner technical and financial support.
viii. Design and implement a Five Year National Plan of Action for the Economic Empowerment of Women in Mining.
ix. Contribute to the drafting of mining policy and legislation that provides for gender mainstreaming and the empowerment of women in the mining industry. '
x. Help the Ministry of Mines and Mining Development to put in place a system that captures sex- disaggregated data on the mining industry.
xi. Undertake gender training for Ministry of Mines officials and other stakeholders, such as the Chamber of Mines.

xii. Produce gender-mainstreaming and women's empowerment materials, including gender monitoring indicators, for use by the Ministry of Mines and other stakeholders.

xiii. Set up a quota system in favor of women to access the Indigenization Fund to acquire shares in foreign- owned mining companies in Zimbabwe.

Building on the findings of its analytical work, the World Bank Institute (WBI) initiated a collaborative effort with MWAGCD to identify case studies to document women's actual experiences in mining. The case studies were designed to capture women's voices on the pertinent they face, how they have tried to overcome them, and what they learned. They identified

- lack of financial and technical capacity and challenges in accessing that capacity;
- living conditions in mining areas;
- the value of participating in women in mining associations;
- a need for skills to conduct due diligence and to negotiate with potential equity partners;
- a need for leadership and business management skills;
- inheritance of mining claims;
- women's roles in family mining businesses; and
- efforts to align women's enterprises around mineral processing rather than extraction.

The case studies identified four common issues:

1. *Ownership*: Women's ownership and control of mineral claims have surged in recent years, although a significant number of women are still in artisanal mining. Lobbying for support for the economic empowerment of small-scale miners in general has been beneficial.
2. *Structure of Business*: Most of the mining activities on women-owned claims are formally registered under the Companies Act. Though a few women operate as sole proprietors, most have opted for joint ventures of various forms, such as syndicates, equity partnerships with local or foreign investors, and tribute agreements. Though not always easy, joint ventures are still an attractive option given the limited opportunities to secure loans to capitalize business.
3. *Business Management*: Women claim owners, most of whom have limited management experience, act as manager and assign operational tasks and supervision of mineral extraction to men. Most of the men working on female-owned mines were formerly with large mining firms or are drawn from the gold panning community. Drawing on the pool of mine workers retrenched from large companies is an advantage because as experienced workers they do not need training; however, they are highly mobile because they are in constant search of better opportunities.
4. *Enabling conditions:* The women interviewed identified as enabling conditions.
   - the Mining Act, which opened up claims to all persons above 18 years; and
   - various funds set up to support women and youth entrepreneurs, e.g., a program of the Reserve Bank of Zimbabwe and the Zimbabwe Miner's Federation to support acquisition of equipment by small-scale miners.

These case studies provide additional evidence that the detailed recommendations in the original mining study are still relevant.

Annex B2: Selected Indicators of Bank Performance and Management

ISN Annex B2 - **Zimbabwe**

Selected Indicators* of Bank Portfolio Performance and Management

As Of 10/17/2012

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	30	0
Proj Eval by OED by Amt (US$ millions)	1,237.9	0.0
% of OED Projects Rated U or HU by Number	21.4	0.0
% of OED Projects Rated U or HU by Amt	16.0	0.0

Annex B6: Selected Economic Indicators

	2007	2008	2009	2010	Ave '00-10'	2011 Est	2012 Est
Income & Economic growth							
GDP Growth (annual %)	-3.7	-17.3	6.0	9.0	-4.5	9.3	5
GDP per capita growth (annual %)	-3.6	-13.0	5.8	8.2	-4.2	5.6	4.0
GDP per capita growth (US$)	402.1	354.7	467.9	594.5	469.3	698.2	746.8
GDP Per capita, PPP (current international)	..	..	..	..	..	..	..
Private consumption growth (annual %)	-3.5	0.0	8.1	2.0	0.6	1.5	..
Gross Fixed Investment (% of GDP)	1.4	0.3	0.8	5.6	6.0	5.7	..
Gross Fixed Investment- Public (% of GDP)	1.4	0.3	0.8	5.6	2.2	7.2	6.9
Gross Fixed Investment-Private (% of GDP)	0.0	0.0	0.0	0.0	3.7	0.0	..
Money and Prices 2/							
Inflation, consumer prices (annual %, end of year)	1.09E+05	5.56E+10	-7.7	3.2	5.E+09	4.9	2.9
Inflation, consumer prices (annual %, period ave)	4.86E+04	4.89E+11	6.9	3.0	4.E+10	3.5	3.7
Nominal Exchange Rate (End of Period)	6.57E+08	5.83E+28	1.0	1.0	5.E+27	1.0	1.0
Fiscal							
Revenues (%of GDP)	4.0	3.0	16.7	28.0	19.4	30.2	31
Expenditures (%of GDP)	24.3	31.5	19.6	30.6	33.4	32.3	10.0
Overall Fiscal Balance (% of GDP)	-20.3	-28.5	-2.9	-2.6	-14.0	-2.2	-2.1
Primary Fiscal Balance (%of GDP)	-17.9	-25.4	0.1	-0.1	-9.2	-0.1	-1.2
Total External Debt (% of GDP)	95.7	133.0	129.0	120.4	92.7	113.7	116.0
External Accounts							
Export Growth (%yoy)	-8.5	-24.3	-9.1	66.9	-1.9	24.4	-10.5
Import Growth (%yoy)	-16.8	14.1	36.6	34.8	3.5	46.5	-11
Merchandise Exports (current US$ millions)	1,801.5	1,662.5	1,615.5	3,383.1	..	4,475	4,024.0
Merchandise Imports (current US$ millions)	2113.4	2629.6	3213.1	5161.9	..	7,562	6,710.0
Workers remittances, net (current US$ millions)	439.9	625.0	879.4	974.5	430.2	1522.2	1383.4
Current Account balance (BoP, current US$ millions)	-379.3	-1,026.2	-1,426	-2,161	...	-3,330	-2,149
Current account balance (% of GDP)	-7.6	-23.2	-24.4	-28.9	-10.9	-30.2	-21.9
Foreign direct investment (current US$ millions)	62.9	43.6	105.0	123.0	47.9	162.2	280.1
External debt, total (% of GDP)	105.3	143.9	130.2	112.4	91.9	102.0	102.5
Of which external arrears (% of GDP)	66.1	100.0	90.6	75.6	51.9	66.0	63.1
Multilateral debt (% of external debt) 4/	30.5	31.6	31.5	22.2	31.9	18.7	16.5
Population, Employment and Poverty							
Population, total (millions)	12.5	12.5	12.5	12.6	12.5	12.8	13.0
Unemployment	..	..	..	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..	..	..	..
Inequality- Income Gini	..	..	..	..	..	..	..
Population growth (annual %)	-0.4	-0.2	0.2	0.8	0.1	2.2	2.2
Life Expectancy	43.4	..	..	..	..	..	..
Memo 3/							
GDP (current LCU, billions)	5.0	4.4	5.8	7.5	5.9	9.0	10.8
GDP (current US$, billions)	5.0	4.4	5.8	7.5	5.9	9.0	10.8
CPIA Rating	1.7	1.4	1.9	2.0	..	..	..
Ease of doing business ranking 5/	153	152	158	156	..	157	173
Days to start a business	96	96	96	96	..	90	90
HDI (Human Development Index) ranking 6/	151	151	..	169	..	173	

(p) indicates preliminary data; "…" indicates not available

1/ Data for Zimbabwe is presented in US$ since 2000.

2/ Until 2008, data on prices and exchange rates reflect national currency prices. Starting January 2009, multiple currencies were in use with the US$.

3/ Only selected years are shown for ease of doing business, days to open a business and HDI

4/As percent of DoD excluding arrears

5/ This indicator is ranked out of 175 countries in 2007, 178 in 2008, 181 in 2009, 183 in 2010 and 2011, 185 in 2012

6/ The HDI ranking from 2007 to 2008 is in relation to 177 countries in 2009, to 181; in 2010 to 169; and 2011 to 187 countries

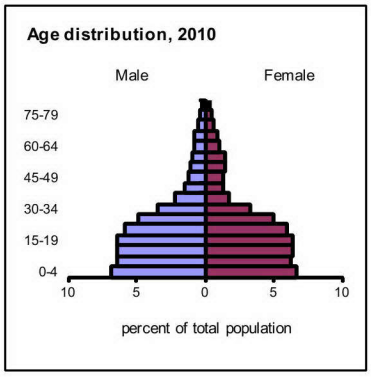
Sources: Zimbabwe Authorities, World bank, IMF and UN

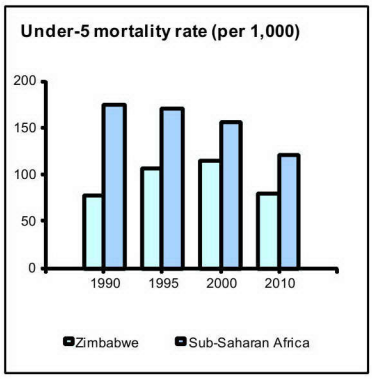
Annex A2: Zimbabwe At a Glance

Zimbabwe at a glance

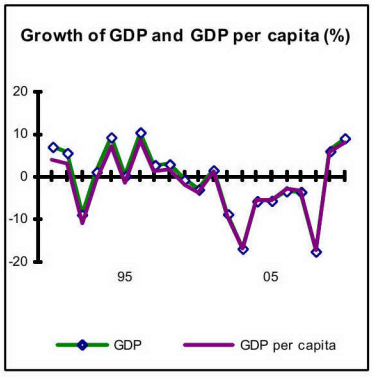
4/5/12

Key Development Indicators	Zimbabwe	Sub-Saharan Africa	Low income
(2010)			
Population, mid-year (millions)	12.6	853	796
Surface area (thousand sq. km)	391	24,243	15,551
Population growth (%)	0.8	2.5	2.1
Urban population (% of total population)	38	37	28
GNI (Atlas method, US$ billions)	5.8	1,004	421
GNI per capita (Atlas method, US$)	460	1,176	528
GNI per capita (PPP, international $)	..	2,148	1,307
GDP growth (%)	9.0	4.8	5.9
GDP per capita growth (%)	8.2	2.3	3.7
(most recent estimate, 2004–2010)			
Poverty headcount ratio at $1.25 a day (PPP, %)	..	48	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	69	..
Life expectancy at birth (years)	50	54	59
Infant mortality (per 1,000 live births)	51	76	70
Child malnutrition (% of children under 5)	14	22	23
Adult literacy, male (% of ages 15 and older)	95	71	69
Adult literacy, female (% of ages 15 and older)	89	54	54
Gross primary enrollment, male (% of age group)	..	104	108
Gross primary enrollment, female (% of age group)	..	95	101
Access to an improved water source (% of population)	80	61	65
Access to improved sanitation facilities (% of population)	40	31	37





Net Aid Flows	1980	1990	2000	2010
(US$ millions)				
Net ODA and official aid	161	334	176	738
Top 3 donors (in 2010):				
United States	24	15	13	175
European Union Institutions	10	12	-1	109
United Kingdom	48	23	20	108
Aid (% of GNI)	2.5	3.9	2.8	10.6
Aid per capita (US$)	22	32	14	59



Long-Term Economic Trends	1980	1990	2000	2010	1980–90	1990–2000	2000–10
					(average annual growth %)		
Consumer prices (annual % change)	13.5	5.4	3.4	3.0			
GDP implicit deflator (annual % change)	12.7	-0.9	0.6	17.5			
Exchange rate (annual average, local per US$)	1.0	1.0	1.0	1.0			
Terms of trade index (2000 = 100)	..	118	100	122			
Population, mid-year (millions)	7.3	10.5	12.5	12.6	3.6	1.8	0.0
GDP (US$ millions)	6,679	8,784	6,690	7,476	3.6	2.5	-6.3
		(% of GDP)					
Agriculture	15.7	16.5	18.5	17.4	3.1	4.3	-9.6
Industry	29.0	33.1	25.0	29.2	3.2	1.6	-4.6
Manufacturing	21.6	22.8	15.8	14.9	2.8	0.4	-5.9
Services	55.3	50.4	56.5	53.4	3.0	3.0	-4.3
Household final consumption expenditure	67.7	63.1	59.9	107.7	..	..	..
General gov't final consumption expenditure	18.5	19.4	24.3	19.1	..	..	..
Gross capital formation	16.9	17.4	13.6	3.0	..	..	..
Exports of goods and services	23.4	22.9	38.2	48.3	4.8	3.4	-8.5
Imports of goods and services	26.5	22.8	35.9	78.0	5.4	2.6	-2.2
Gross savings	..	14.3	13.3	-25.6			

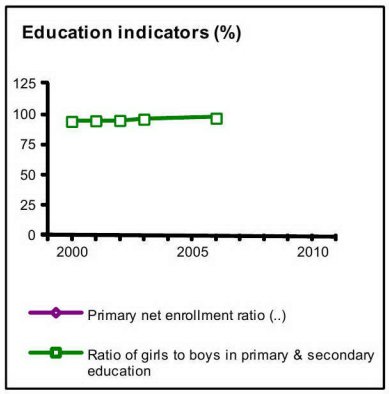
Note: Figures in italics are for years other than those specified. .. indicates data are not available.
Development Economics, Development Data Group (DECDG).

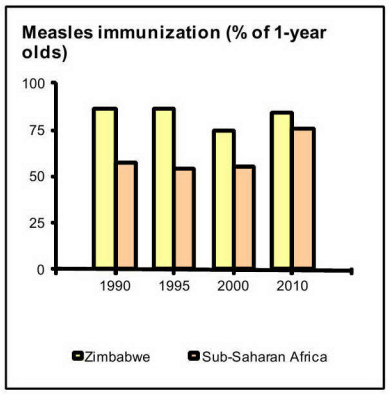
Millennium Development Goals

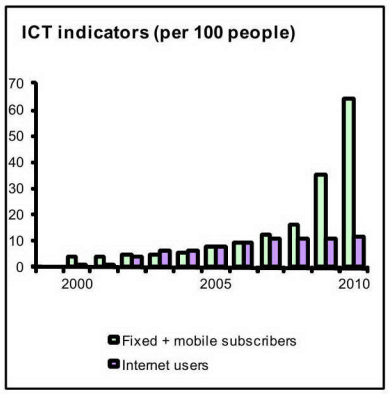
Zimbabwe

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Zimbabwe			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2010**
Poverty headcount ratio at $ 1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	42.0	*70.9*	..
Share of income or consumption to the poorest qunitile (%)	..	4.6	..	..
Prevalence of malnutrition (% of children under 5)	*8.0*	*11.7*	*11.5*	*14.0*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	..	..
Primary completion rate (% of relevant age group)	94	..	*90*	..
Secondary school enrollment (gross, %)	47	41	*45*	..
Youth literacy rate (% of people ages 15-24)	*95*	..	..	*99*
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	96	94	94	*97*
Women employed in the nonagricultural sector (% of nonagricultural employment)	15	17	20	..
Proportion of seats held by women in national parliament (%)	11	*15*	14	15
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	78	106	115	80
Infant mortality rate (per 1,000 live births)	52	66	69	51
Measles immunization (proportion of one-year olds immunized, %)	87	87	75	84
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	390	450	670	*790*
Births attended by skilled health staff (% of total)	*70*	*69*	*73*	*60*
Contraceptive prevalence (% of women ages 15-49)	*43*	*48*	*54*	*65*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	10.1	25.1	24.8	*14.3*
Incidence of tuberculosis (per 100,000 people)	296	483	726	633
Tuberculosis case detection rate (%, all forms)	29	55	56	56
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	79	79	80	80
Access to improved sanitation facilities (% of population)	41	41	40	40
Forest area (% of total land area)	57.3	..	48.8	40.4
Terrestrial protected areas (% of land area)	18.0	18.0	18.0	28.0
CO2 emissions (metric tons per capita)	1.5	1.3	1.1	*0.7*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	1.2	1.3	2.0	3.0
Mobile phone subscribers (per 100 people)	0.0	0.0	2.1	61.3
Internet users (per 100 people)	0.0	0.0	0.4	11.5
Computer users (per 100 people)	..	..	..	..







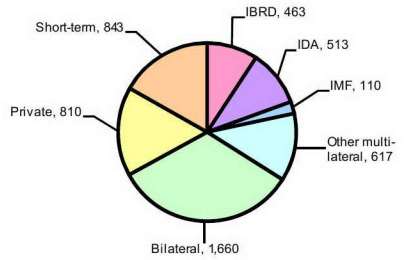
Note: Figures in italics are for years other than those specified. .. indicates data are not available. 4/5/12
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	**2000**	**2010**
(US$ millions)		
Total merchandise exports (fob)	1,588	6,214
Total merchandise imports (cif)	1,994	7,482
Net trade in goods and services	151	-2,223
Current account balance	-20	-1,743
as a % of GDP	-0.3	-23.3
Workers' remittances and compensation of employees (receipts)	..	..
Reserves, including gold	..	..

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	14.1	45.4
Tax revenue	13.6	42.4
Current expenditure	35.8	37.3
Overall surplus/deficit	-23.7	-2.7
Highest marginal tax rate (%)		
Individual	53	..
Corporate	*31*	*31*

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	3,807	5,016
Total debt service	421	109
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	56.9	67.1
Total debt service (% of exports)	16.5	3.6
Foreign direct investment (net inflows)	23	105
Portfolio equity (net inflows)	0	0

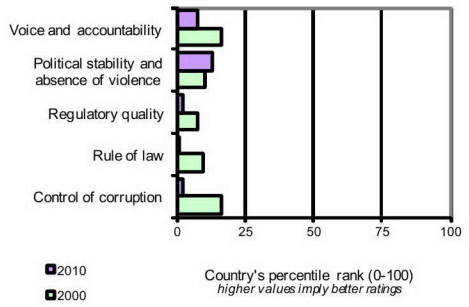
Composition of total external debt, 2010



US$ millions

Private Sector Development	**2000**	**2011**
Time required to start a business (days)	–	90
Cost to start a business (% of GNI per capita)	–	148.9
Time required to register property (days)	–	31
Ranked as a major constraint to business (% of managers surveyed who agreed)	**2000**	**2010**
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	36.4	153.5
Bank capital to asset ratio (%)	9.4	..

Governance indicators, 2000 and 2010



Source: Worldwide Governance Indicators (www.govindicators.org)

Technology and Infrastructure	**2000**	**2010**
Paved roads (% of total)	*47.4*	..
Fixed line and mobile phone subscribers (per 100 people)	4	64
High technology exports (% of manufactured exports)	1.7	0.8

Environment		
Agricultural land (% of land area)	39	*42*
Forest area (% of land area)	48.8	40.4
Terrestrial protected areas (% of land area)	18.0	28.0
Freshwater resources per capita (cu. meters)	*972*	*983*
Freshwater withdrawal (% of internal resources)	*210*	*210*
CO2 emissions per capita (mt)	1.1	*0.73*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	790	*763*

World Bank Group portfolio	**2000**	**2010**
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	416	463
Disbursements	19	0
Principal repayments	46	0
Interest payments	26	0
IDA		
Total debt outstanding and disbursed	437	513
Disbursements	8	0
Total debt service	2	0
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	62	3
of which IFC own account	62	3
Disbursements for IFC own account	25	0
Portfolio sales, prepayments and repayments for IFC own account	9	1
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified.
.. indicates data are not available. – indicates observation is not applicable.
Development Economics, Development Data Group (DECDG).

4/5/12

IBRD 33515

ZIMBABWE

SELECTED CITIES AND TOWNS
PROVINCE CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES

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