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REPUBLIC OF ZIMBABWE



FIRST FIVE-YEAR

NATIONAL DEVELOPMENT PLAN

1986-1990

VOLUME 1

APRIL, 1986



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FOREWORD

In prosecution of our national revolution and socialist transformation and for the second time since independence, my Government is giving the people of Zimbabwe a national development plan covering the whole spectrum of our economy.

This plan, the First Five-Year National Development Plan, is different in a number of ways from the Transitional National Development Plan which has just ended. First, the Five-Year Plan has been formulated after our nation had settled to peaceful conditions and after the infrastructure which had been damaged during the war of liberation had been repaired, upgraded and expanded. Second, this has been done after our people had gained greater insight into the problems and internal workings of our economy and greater appreciation of the international economic and political setting which, more often than not, greatly influences the outcome of events in the complex process of development, especially in a developing country such as ours.

This invaluable experience gained in the domestic and international economic and political spheres has, I believe, contributed to the relevancy and realism of the Plan in the context of our circumstances and aspirations.

The third, and perhaps the most important, development in the preparation of the Plan has been the involvement of the Ruling Party in the planning process. As the first step in plan formulation, the Party assumed its rightful role as the guiding light. For the first time and following the Second People's Congress held in August, 1984, the Party and the Government and the people of Zimbabwe have combined their efforts in formulating the Plan, with each playing its proper role in the process.

I am, therefore, confident that this Plan will serve as a most powerful vehicle in the prosecution of our second revolution that began at independence, namely the "*War for Economic Liberation*". It should also serve as a key instrument in the continuing overall transformation of our society, from the old order to a socialist society.

In moving from the old to the new social order, Government will continue to observe the delicate balance that exists in the process, especially as it relates to choice of priorities and use of available resources. In this regard also, the Plan provides ample room in the transformation process for interaction between the public and the private sectors under the general umbrella and aegis of the former.

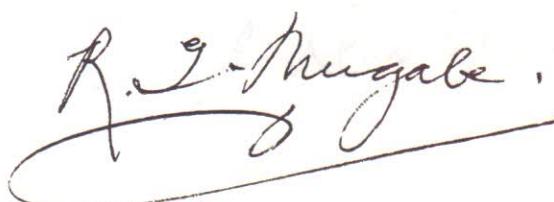
Like Zimbabwe, many developing countries have elaborated elegant, realistic and relevant plans but, more often than not, these plans have ended up as mere curios of their history, with little or no influence on the historical period they supposedly represent. In other words, plan formulation, which is itself a gruelling exercise, has often turned into an exercise in futility.

The reasons for such dismal endings are not far to seek and yet they only become apparent with the benefit of hindsight. The causes of failure to implement the Plan are either incongruent forces that enter the system from outside or lack of imagination and commitment on the part of policy-makers, or both.

These remarks are not only words of caution but also an attempt to emphasise the fact that success in planning hinges largely on implementation. Theory and practice must intertwine.

In this connection, therefore, I call upon the nation to rally behind this Plan as we enter its practical or implementation stage, for its implementation requires the conscious mobilisation of both the people of Zimbabwe and its material and financial resources.

While this is not a humble task, it is my firm conviction that the people of Zimbabwe will rise to the occasion as they have done in the past under more difficult circumstances. We have no choice but to work for progress.

A handwritten signature in black ink, appearing to read "R. G. Mugabe". The signature is fluid and cursive, with a large, stylized initial "R" and "G". A horizontal line or flourish extends from the end of the "e" in "Mugabe" towards the right.

R. G. MUGABE,
Prime Minister of Zimbabwe.

PREFACE

At Independence, Zimbabwe initiated development planning as an instrument for achieving rapid socio-economic development and transformation. The type of planning introduced was adapted to Zimbabwe's social and economic conditions, notably bearing in mind the predominance of private capital in the material production sectors of the economy and the need for change in the ownership structure and control of the means of production in order to make them more responsive to the new development requirements of the country.

The Transitional National Development Plan which was published in November, 1982, was Government's first attempt at planning. In its preparatory stage, and during the short history of development planning since then, many problems related to the organisation of planning, including notably shortage of skilled and experienced personnel and inadequacy of statistical information were experienced and these will be an essential part of the task of Government to try and solve in the course of the Five-Year Plan period. For these reasons, and also because the country was still in the process of settling to peaceful conditions, the resulting Plan was a transitional one; it was a holding operation which would be in effect until the First Five-Year Development Plan was formulated. With the new Plan, therefore, Zimbabwe is entering an era of Five-Year Development Plans which are closer to a realistic translation of the aspirations of the people and the Government of Zimbabwe.

One of the main tasks which Government will undertake during the plan period is the establishment of a broadly based planning machinery which is intended to facilitate plan formulation and plan implementation and, most important, to make possible direct involvement of the broad masses in the planning process.

The National Planning Machinery, which has been approved by the Central Committee of the Ruling Party and by Cabinet, will consist of Cabinet and its Committee on Development, Planning Commission, Sectoral Planning Committees, Provincial Councils and Provincial Planning Committees, District Councils and District Planning Committees, Village Development Committees and Ward Development Committees. Cabinet is the highest executive and administrative body in the planning process; it makes certain that development plans are prepared in accordance with Government development objectives, approves draft plans and supervises their implementation through the various arms of the Planning Machinery of Government.

Although the details of the composition and operational modalities of the planning machinery are still being refined and the machinery is not yet completely in situ, it should be noted that in the formulation of the present First Five-Year National Development Plan there has been a comprehensive co-operative effort in which the Ruling Party, Government and its various arms and the people from village committees to provincial committees have, in one way or another, participated.

Also in the preparatory process considerable technical work was carried out over a period of three years, including the construction of input-output tables. In this regard, appreciation must be placed on record for sustained advisory support given, notably by a number of United Nations agencies and by Statistics Sweden as well as by the University of Zimbabwe.

In implementing the First Five-Year National Development Plan there will be annual plans with annual public sector investment programmes which will coincide with annual national budgets and thus ensure effective matching of programmes and projects with resources actually available in any given year and in this way also ensure consistency between Government policies and availability of resources on the one hand, and the objectives of the Plan on the other.



B. T. G. CHIDZERO,
*Minister of Finance, Economic
Planning and Development.*

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INTRODUCTION*

The First Five-Year National Development Plan which covers the period 1986 to 1990 was formulated after a comprehensive and detailed review of the performance of the economy during the first five years of independence and an in depth analysis of the present state of social and economic development. Most important, the Plan was elaborated in line with the Economic Programme of the Central Committee of ZANU (PF) which itself emanated from the decisions of the Second Congress of the Ruling Party, ZANU (PF).

Over the past five years, the economy experienced many set-backs as well as important advances. The set-backs, in particular, slowed the pace of socio-economic transformation as well as the planned steady movement towards attainment of the goal of raising the standards of living of the masses. Thus, for instance, the programme of land reform and resettlement which were some of the cornerstones of the Transitional National Development Plan (TNDP) fell far short of resettling 162 000 families as had been envisaged in that only one fifth of the target was achieved. Budget deficits and balance of payments disequilibria nearly reached unmanageable levels, while overall growth of the economy fell far short of the planned target growth rate of 8,0 per cent. All these set-backs and others were largely the result of the prolonged and intense world economic recession and the severe drought, both of which occurred during most of the TNDP period.

One significant development related to public expenditure was the rapid expansion of social sectors. This was predicated on the need to rectify the failures of past regimes and on the imperative of the new dispensation inherent in the attainment of National Independence.

In view of limited resources, the rate of expansion of these services was far in excess of the growth rate of productive sectors with consequential fiscal deficits and distortions in the pattern of Government expenditure.

Even so, major advances were made in the fields of social and infrastructural development, reconstruction, legal reforms, income levels and in the degree of participation of the masses in the development process.

The reconstruction programme was completed in record time—long before the end of the TNDP period; infrastructural development, notably road construction and water development programmes, progressed as planned; major achievements were made in legal reforms especially changes in laws that affect the conditions of workers, the status of women and in other laws that influence socio-economic development in general.

Of equal significance are efforts that have been made to involve the masses in the planning process, a timely development that should enable the people not only to participate in the planning process but also to contribute to the development of the planning system which itself is still in its formative stages.

In line with pronouncements of the Ruling Party and Government, the first five years of Independence saw a significant movement forward in the transformation of communal areas, especially in the fields of education, health, extension work and financial assistance to peasant farmers in spite of the economic difficulties which prevailed.

These efforts by Government, combined with the determination of our peasants, are already producing visible results. For instance, peasants now account for nearly half of total maize and cotton production.

Unlike the first two years of the TNDP, 1985 was a good year in that there was a significant upswing in economic activity, with gross domestic product growing at about 4,0 per cent. compared to approximately 1,1 per cent. in the previous year. This is a most encouraging and auspicious development since this growth is close to the target growth rate for the Five-Year Plan period.

But one of the most disturbing issues is the fact that in spite of the good performance of the economy in 1985, unemployment has remained at an unacceptably high level. This is so because the backlog of unemployment that resulted from the three-year recession and the drought was too large to be absorbed into the work force in a single good year. The other cause of the persistent and growing unemployment problem is the large number of school leavers who now enter the labour market each

*All data for 1985 in the Plan are based on preliminary estimates for the first six months of 1985.

year. Owing to the high population growth rate, the number of new entrants to the labour market will continue to grow throughout the Plan period. Indeed, the problem of unemployment is a major national issue and it looms as one of the most socially destabilising problems throughout the Plan period.

The manpower development programmes carried out during the Three-Year TNDP period were on balance a creditable success. Hundreds of students and civil servants completed study programmes ranging from short-term courses to degree programmes, covering several disciplines in which there is great demand in the economy. Yet, the demand for skilled personnel which was "hidden" by the recession could become a major constraint as the economy attains and sustains high levels of growth. It is also likely that the development of science and technology which is to be intensified during the Plan period could be constrained by shortages of high level personnel needed to man the relevant institutions and enterprises.

Of greater significance is lack of meaningful progress in transforming and controlling the economy. At present the degree of state and local participation, particularly in manufacturing and mining as well as in financial institutions is low, as measured in terms of the number of industries and the proportion of state and local ownership in the economy as a whole. Furthermore, most of the capital budget is still used primarily in areas in which governments traditionally invest such as development of the infrastructure.

The Economic Programme of the Central Committee of ZANU (PF) emphasises the Party's overall goal of the establishment of a socialist society and the major objectives contained in the Programme are intended to contribute towards attainment of this goal, while recognising that the process of socio-economic transformation from the present system to a socialist one must take into account prevailing conditions and features that are unique to Zimbabwe.

The Party's Programme, therefore, emphasises socio-economic development which is directed towards the restructuring and modernisation of the economy, development of human resources and alteration of the structure of ownership. Attainment of these objectives would lead to economic liberation and advancement which are cornerstones of a socialist society.

Five years after Independence, the proportion of the strategic means of production owned by Zimbabweans is still relatively low. This should be increased progressively over the next five years and beyond. Attainment of this objective would give the state great latitude in directing socio-economic development. Ownership by Zimbabweans can be in the form of ownership by the State, local authorities, co-operatives as well as by private companies or individuals.

It is noted that one of the factors that could slow down the pace of altering the ownership structure of the means of production is shortage of high-level manpower. In this connection, the programme lays emphasis on the development of manpower to spearhead the restructuring process in all sectors. The issue of manpower development is the most crucial variable in the field of technological progress and modernisation of all sectors of the economy. Related and integral to it is the issue of productivity which is important in increasing the wealth of the nation.

Critical also, it is recognised, will be the systematic and sustained mobilisation of domestic resources—human, material and financial—to achieve the desired rates of growth and effect transformation. Similarly, the role of foreign investment is underscored, with a view to expanding the economy and acquiring technology, and such investment is to be deliberately encouraged on conditions to be defined by Government and consonant with development objectives.

Recognising that since independence, creation of additional employment opportunities has been progressing at a slow pace, relative to population growth, the Party and Government view this problem with great concern, especially since the victims of this state of affairs are largely the youth.

In this connection, the Plan is expected to serve as a dynamic instrument for reviving the economy in such a way that economic expansion leads to an increase in employment opportunities. This requires a great deal of foresight and concerted effort on the part of Government.

The Party Programme, within the general framework outlined above, articulates sectoral development objectives and these have been incorporated or reflected in the appropriate sections in part III of the Plan.

In line with that Programme, which in essence constituted the guidelines in the formulation of the Plan, Government has elaborated six major development objectives which are summarised below:

- (a) Transformation and control of the economy as well as economic expansion;
- (b) Land reform and efficient utilisation of land;
- (c) Raising the standards of living of the entire population and, in particular, the peasant population;
- (d) Enlargement of employment opportunities and manpower development;
- (e) Development of science and technology; and
- (f) Maintenance of a correct balance between the environment and development.

Transformation and control of the economy implies changes in the present ownership structure along the lines already mentioned above. Economic expansion calls for increased investment which should lead to restructuring and sustained high growth rates of the economy.

Land reform will involve, inter alia, equitable distribution of land in order to establish viable resettlement schemes and increase agricultural productivity. The Land Acquisition Bill of 1985 will enable Government to accelerate land reform.

Raising the standards of living of the population is the central objective, especially as it relates to the uplifting of the standards of living of the masses. At the core of this objective is the issue of equity in the distribution of the benefits of development.

Creation of additional employment opportunities is a major objective of the Plan. Attainment of this objective depends largely on economic expansion.

At the core of economic development and economic liberation is technological progress. The nation's ability to produce goods and services is dependent on its technological development.

The Plan seeks to promote the introduction and strengthening of measures that aim at maintaining a correct balance between the environment and the development process.

Targets for the key economic and social indicators of the Plan such as GDP, exports, investment and employment have been determined on the basis of realistic analyses and assessment of prevailing social, economic and political conditions.

The First Five-Year National Development Plan aims at an average annual growth rate of 5,1 per cent. in real terms. In other words, the economy will grow by about 28,0 per cent. over the Plan period.

In order to attain and sustain the planned economic growth rate of 5,1 per cent., an investment programme amounting to \$7 126 million is required, of which 63,5 per cent., or \$4 513 million, will be Public Sector Investment. The main thrust of Public Investment will be on structural changes with a view to strengthening the development of productive sectors. It is only through expansion of these sectors that the country can achieve high and sustained growth rates in GDP, employment and exports. Successful implementation of this strategy would lead to an export growth of 7,0 per cent. per year, with growth in import averaging 6,0 per cent. per year. This level of growth in exports accompanied by import substitution would not only help solve the balance of payments problem, but would also increase the amount of foreign currency needed for expansion of the productive sectors.

Formal employment is expected to increase at an annual rate of 2,7 per cent., which means an additional 144 000 jobs will be generated over the Plan period.

During the Plan period, 15 000 families with about 100 000 dependents will be resettled each year. Establishment and development of small-scale industries in growth points and rural areas, as well as general encouragement of co-operatives and self-employment schemes will provide additional gainful employment.

In elaborating this Plan, planners have assumed sustained reasonable growth and stability in the international community, and good rainfall in the country.

It must be emphasized that this Plan would remain an idle exercise unless there is wide mobilisation of human and financial resources, directed towards the main tasks of the Plan.

PART I: THE ECONOMY

1.1 MAIN CHARACTERISTICS

The main characteristics of the Zimbabwe economy include heavy reliance on export of raw materials, a high degree of technological dependence on the outside world and a relatively high rate of population growth which was 3,06 per cent. between 1969 and 1982.

The state has control in infrastructural sectors such as energy, railway transport, civil aviation, health and education. However, strategic sectors of the economy are dominated by foreign private investment. It is estimated that over two-thirds of capital invested in the economy is foreign owned. This is indicative of lack of control of the economy by locals and by the state.

Zimbabwe's technological dependence is borne out by the fact that 84,0 per cent. of its total imports consist of intermediate and capital goods with the remaining 16,0 per cent. being accounted for by import of consumer goods (see Table III). The capital goods which account for over 30,0 per cent. of total imports range from light and heavy-duty machinery to precision instruments, while intermediate goods include, among others, simple implements such as screws, bolts, plate glass and explosives whose production in fact involves relatively simple processes, most of which are readily available in Zimbabwe.

Thus, the type and quantity of intermediate and capital goods imported demonstrate beyond doubt that the manufacturing industry does not provide the country with a sound base for self-reliant and self-sustained economic development. Thus, as a first step in transforming the economy, the physical structure of the manufacturing sector needs to be changed in order to make it more responsive to the development requirements of the country.

In addition to its technological dependence and dominance by foreign capital, the economy depends, to a large extent, on the export of agricultural and mineral raw materials to earn the foreign exchange for importing industrial raw materials and capital goods needed for the production of goods and services. Two of the dominant sectors of the economy namely, agriculture and mining, account for over two thirds of total exports. It is also important to note that total merchandise exports of Zimbabwe constitute over 27,0 per cent. of GDP, and this underlines the country's dependence on international markets.

At present, the country's debt service ratio is approximately 28,0 per cent. of the total value of exports of goods and services, a very high percentage which has contributed to the country's balance of payments problems, in turn exacerbated by fluctuations in interest rates and foreign exchange rates.

The characteristics of the economy described above have led to serious development problems. For instance, the main exports (agricultural products and minerals) are vulnerable to exogenously determined forces such as fluctuations in prices on the world market and world economic recessions. In addition, the capacity of the agricultural sector to generate surplus for export decreases significantly during years of drought.

The problem is compounded by the fact that prices of minerals and agricultural commodities on world markets have been falling, relative to those of manufactured goods. This has, therefore, reduced the Zimbabwe economy's capacity to earn sufficient foreign currency needed for the importation of industrial raw materials and capital goods.

1.2 GROSS DOMESTIC PRODUCT

During the first two years of Independence, the economy experienced rapid rates of growth primarily due to the favourable international environment, particularly the lifting of economic sanctions and the end of the war of liberation. In 1980 and 1981, Gross Domestic Product, in real terms, grew by 11,0 per cent. and 13,0 per cent., respectively. At the beginning of 1982, however, the economy entered a period of decline which lasted approximately three years, with 1982 and 1983 registering growth rates of -2,0 per cent. and -3,0 per cent. respectively. The main causes of the decline were the world recession and the drought. The economy began to recover in 1984 and the recovery continued into 1985.

The table below shows the Gross Domestic Product by industrial sectors, average sectoral growth rates and sectoral contribution to GDP for 1980-1985.

TABLE I
GROSS DOMESTIC PRODUCT BY INDUSTRIAL SECTOR, 1980-1985
(\$ million, 1980 prices)

| Sector | GDP | | Average annual growth rate | Percentage share in GDP | |
|---|-------|-------|----------------------------|-------------------------|------|
| | 1980 | 1985 | | 1980 | 1985 |
| 1. Agriculture and Forestry | 458 | 593 | 5,3 | 14 | 16 |
| 2. Mining and Quarrying | 285 | 295 | 0,7 | 9 | 8 |
| 3. Manufacturing | 802 | 847 | 1,1 | 25 | 23 |
| (1-3) Productive sectors | 1 545 | 1 735 | 2,4 | 48 | 47 |
| 4. Electricity and Water | 70 | 74 | 1,1 | 2 | 2 |
| 5. Construction | 87 | 91 | 0,9 | 3 | 2 |
| 6. Distribution, Hotels and Restaurants | 451 | 389 | -3,0 | 14 | 11 |
| 7. Transport and Communications | 211 | 223 | 1,1 | 6 | 6 |
| (1-7) Material production | 2 364 | 2 512 | 1,4 | 73 | 60 |
| 8. Non-material production | 970 | 1 310 | 6,2 | 30 | 35 |
| Less imputed bank charges | -108 | -129 | 5,0 | -3 | -3 |
| GDP at Factor Cost | 3 226 | 3 693 | 2,7 | 100 | 100 |

One of the most disturbing development over the past period, 1980-1985, is that the output of the material production sectors increased by 6,2 per cent while the volume of the non-material sectors as a group increased by 35,0 per cent. This has contributed to increased public expenditure which has led to budget deficits and external instability. Reversal of these trends is a prerequisite for stable growth and development during the next five years and beyond.

1.3 GROSS FIXED CAPITAL FORMATION

Shortly after Independence, the reconstruction programme as well as general political and economic climate led to high levels of investment. In 1980 and 1981, gross fixed capital formation in real terms, increased by 20,0 per cent. and 37,0 per cent., respectively. The value of imported capital goods also increased substantially, reaching its peak of over US\$500 million in 1980, compared to only US\$200 million in 1979.

Although welcome initially, this rapid increase in investment led to problems in the balance of payments and external liquidity. Investment declined significantly during most of the three-year plan period. By 1985, the volume of investment in fixed capital was one fifth below its 1982 level. The decline in investment is one of the main reasons for lack of growth in the economy and in employment opportunities over the plan period.

During the period of economic recession, investment in productive sectors and in housing shrank drastically and this led to a worsening of the capital formation structure. Before Independence, investment in the three productive sectors, agriculture, mining and manufacturing, accounted for 42,0 to 44,0 per cent. of total investment. As already stated, during the economic recession which followed, the share of these sectors fell below 40,0 per cent. Investment in the housing sector declined even more sharply. By 1985, the volume of investment in the sector had declined to one third of its 1974 level and its share in total investment declined from 11,0 per cent. in 1974 to 5,0 per cent. in 1985. These structural imbalances in investment have led to serious implications on the development of the economy and on employment in particular.

1.4 WAGE EMPLOYMENT

The decline in economic activity which occurred during the first two years of the Transitional National Development Plan period inevitably led to a decrease in total wage employment, with most of the decrease occurring in productive sectors. The average annual decline in employment in the productive sectors for the two-year period was -1,2 per cent. In the social sectors, however, employment continued to grow at the rate of 2,9 per cent. annually during the two years under consideration. This was one of the most destabilising factors in the economy since expenditure on social sectors increased during a period when the economy was not generating additional wealth.

Economic decline also affected employment levels in the informal sector, but the magnitude of this decline cannot be accurately assessed due to the fact that there are no accurate data on the sector.

The problem of unemployment was aggravated by the fact that more than 85 000 youths entered the labour force each year as a result of population growth. Therefore, in the absence of growth in employment, in particular in productive sectors, over the last three years, a larger number of the 255 000 new entrants to the labour force have been added to the unemployed category.

In summary, therefore, the primary causes of growth in unemployment were: the decline in the economy's labour-absorptive capacity which resulted from the economic difficulties of three successive years of drought and recession and the tendency among enterprises to shift from labour-intensive to capital-intensive techniques of production on account of wage increases. Rapid population growth also aggravated the problem.

1.5 INFLATION

The rate of inflation which was 15,0 per cent. at the beginning of the Transitional National Development Plan period had risen to 17,0 per cent. by the end of the period and had declined to about 10,0 per cent. by the end of 1985. Amongst the factors that contributed to the rise in the inflation level were: the increase in the prices of oil, the depreciation of the Zimbabwe dollar, the rise in the level of indirect taxes and the increase in wages and other costs. The growing budget deficits and money supply also added considerably to inflation during the period under consideration.

Low-income urban families were affected more by the rise in prices than the high-income group. Thus, inflation during the plan period tended to widen the incomes gap between the low and high income groups, a problem which Government sought to redress. The situation was ameliorated by the introduction of free primary education for all, free health services for people earning less than \$150 a month and minimum wage laws.

1.6 INTERNATIONAL ECONOMIC RELATIONS

During the first five years of Independence, Zimbabwe made great strides in the area of international economic relations. Of significance is its membership in the Organisation of African Unity (O.A.U.), the Southern African Development Co-ordination Conference (SADCC), the Preferential Trade Area for Southern and Eastern African countries (PTA) and the United Nations Organisation. As a member of the Organisation of African Unity, Zimbabwe is committed to the Lagos Plan of Action whose main objective is to attain self-reliant and self-sustained development.

The main objectives of SADCC include reduction of external economic dependence and the forging of links among member states in order to create equitable regional integration. In line with the economic development objectives of SADCC, Zimbabwe has been charged with the task of preparing and promoting the SADCC food security programme.

It should be noted that in 1983, about 13,0 per cent. of Zimbabwe's total exports went to PTA countries and during the same period, about 8,0 per cent. of its total imports came from PTA countries. The Reserve Bank of Zimbabwe was chosen as the PTA Clearing House. In addition, ZISCO has been designated a key industry in the region and has been requested to provide technical assistance to iron and steel industries in PTA countries.

Zimbabwe is a member of the African Development Bank and its agency the African Development Fund, the World Bank, the International Monetary Fund (IMF) and the Commonwealth of Nations. It is also signatory to the Lome Convention. Because of its membership in these organisations, Zimbabwe has increased its borrowing capacity significantly.

Another area of significant growth has been the signing of a number of bilateral and multi-lateral trade and other economic agreements, all of which have helped in diversifying Zimbabwe's trade activities. In 1980, Zimbabwe had only 4 bilateral trade agreements; the number has now risen to over 25.

Zimbabwe joined the Accession Agreement to the ACP/EEC Convention in 1980. As a result Zimbabwe's exports to the EEC rose from about Z\$153 million in 1980 to about Z\$418 million in 1984 and her imports from the EEC rose from about Z\$165 million in 1980 to nearly Z\$353 million in 1984.

Zimbabwe re-joined the General Agreement on Trade and Tariffs (GATT), in 1980 and a number of developed countries have made Zimbabwe a beneficiary of their respective Generalised System of Preferences (GSP). Under these GSPs, many of Zimbabwe's manufactured goods and some of her agricultural products are admitted into the GSP-giving countries duty-free or at preferential tariff rates. Zimbabwe has also joined a number of international commodity agreements, notably International Sugar Agreement and the International Coffee Agreement.

1.7 FOREIGN TRADE AND BALANCE OF PAYMENTS

As shown in Table II below, Zimbabwe's exports, in real terms, grew considerably in 1980 and 1981 but declined significantly in 1982-83. Although there was a significant improvement in export performance in 1984, the increase was not sufficient to enable the country to meet its import requirements. As a result, Government resorted to various measures in an attempt to solve the problem. Some of these measures included use of Commodity Import Programmes, loans from international money markets and barter trade. Also Zimbabwe has concluded several barter and counter trade deals worth about Z\$217 million, mostly with socialist countries.

The balance of payments situation had been worsening over time. The end of 1983 was a very difficult period not only because the overall deficit had grown to \$150 million, but also because it became necessary for the Reserve Bank to increase utilisation of stand-by borrowings to about \$370 million. This meant that net reserves declined to -\$160 million.

However, the economic recovery which began in 1984 enabled the country to produce a surplus in the balance of payments of about \$250 million in 1984, and use of standby credits decreased to \$140 million.

TABLE II
ZIMBABWE'S FOREIGN TRADE 1979-1985
(\$ million)

| | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| Export FOB | 1 080 | 1 446 | 1 451 | 1 312 | 1 154 | 1 174 | 1 243 |
| Import FOB | 875 | 1 339 | 1 534 | 1 472 | 1 070 | 989 | 1 033 |
| <i>Exchange rates:</i> | | | | | | | |
| US\$ per Z\$ | 1,47 | 1,56 | 1,45 | 1,32 | 0,99 | 0,80 | 0,62 |

Improvement in foreign trade and in the balance of payments continued into 1985 and net reserves increased to about \$270 million. As a result, Government increased import allocations and relaxed some of the foreign exchange restrictions. However, the country's external liquidity is still under pressure because of the high debt service ratio and miscellaneous remittances, including dividends and profits as well as pensions. The foreign indebtedness and heavy reliance of the Zimbabwe economy on the import of liquid fuel, chemicals and capital goods do not permit a further significant relaxation of restrictions on foreign exchange in the near future. The next five years should see further improvements in the development of international trade. There are, however, a number of constraints. Because of Zimbabwe's geographical location, its transport system remains a major constraint to the growth of external trade because all key sectors such as mining, manufacturing and agriculture that are key to the growth of the economy depend on the availability of imports. In this connection, any major transport bottlenecks, inefficiency or disruption of normal trade routes will result in serious disruption of our foreign trade which would destabilise the growth of the economy.

TABLE III
STRUCTURE OF FOREIGN TRADE IN 1984 BY INDUSTRY OF ORIGIN

| Exports | Per cent. | Imports | Per cent. |
|---------------------------------------|-----------|---|-----------|
| AGRICULTURE | 41,0 | AGRICULTURE | 7,9 |
| Tobacco | 20,1 | MINING | 1,5 |
| Cotton | 8,2 | INDUSTRY | 90,6 |
| Sugar | 3,9 | Energy (oil products and electricity) | 20,9 |
| Coffee and Tea | 3,8 | Chemicals | 16,8 |
| Meat and Hides | 3,5 | Metal products | 4,8 |
| Other agricultural products | 0,5 | Textiles, Wood and Paper | 4,7 |
| MINING | 26,9 | Iron and Steel | 3,4 |
| Gold | 11,2 | Other intermediates | 0,8 |
| Asbestos | 5,2 | Cables, Screws, Tools and Engine spares | 4,0 |
| Nickel | 4,4 | Machinery and Equipment | 27,1 |
| Copper | 3,0 | Consumer goods | 8,1 |
| Coal and Coke | 1,1 | | |
| Other Mining products | 2,0 | | |
| INDUSTRY | 32,1 | | |
| Ferro-alloys | 10,8 | | |
| Iron and Steel | 4,0 | | |
| Textiles | 3,5 | | |
| Chemicals | 1,8 | | |
| Machinery and Equipment | 1,5 | | |
| Other Manufactures | 10,5 | | |
| TOTAL | 100,0 | TOTAL | 100,0 |

1.8 SCIENCE AND TECHNOLOGY

All sectors of the economy are greatly short of personnel with scientific and technological know-how, particularly those who can man research and development establishments as well as those who can teach science subjects at secondary and university levels.

The University of Zimbabwe is responsible for producing science and technology graduates. Between 1980 and 1984, about 25 per cent. of the students were enrolled in the faculties of science and technology. During the same period, there were about 436 Zimbabwean students abroad who completed their training in the field of science and technology. For a country which needs to create an endogenous scientific and technological capability the number of students who enrolled in the faculties of science and technology and those who completed their studies abroad falls far short of demand. One of the serious problems faced by the University of Zimbabwe in expanding the production of science and technology personnel is the lack of laboratory facilities. These cannot be obtained because the country is running short of foreign exchange.

Technical colleges are responsible for the training of technicians. There are seven Government technical colleges in the country. The problem faced by the technical colleges is the shortage of teaching staff because the remuneration package cannot attract skilled professionals.

At present, science and practical subjects are being given a leading role in secondary schools in order to provide the students with a sound base for technological training. The Ministry of Education introduced Zimbabwe-Science Programme in 1981 in order to solve the problems of manpower shortage and equipment in the teaching of science. This programme has enabled science to reach all secondary school pupils.

Zimbabwe has a fairly developed scientific and research infrastructure, especially in the agricultural sector. Some of the establishments which make up this infrastructure include Agricultural Research Council, Institute of Mining Research, Blair Research Laboratory, Zimbabwe Institution of Engineers and the Scientific Council of Zimbabwe.

The Scientific Council of Zimbabwe co-ordinates research activities carried out by research councils and institutions within various Ministries. In addition to the task of co-ordination, the Council initiates and promotes scientific and technological research in the country. It also collects, publishes and disseminates scientific information. The Zimbabwe Institution of Engineers which is a statutory body provides a forum for exchange of views in all matters related to engineering. Besides the above mentioned institutions, there is also the Standards Association of Central Africa which in future can play a vital role in the field of standardisation and quality control.

In the area of industrial technology, the country has a fairly developed chemical, metallurgical and engineering base, but this base is not sufficiently diversified to meet the technological requirements of the country. Most of the equipment which constitutes this base is imported. The industrial sector also lacks an industrial Research and Development establishment. In view of this there is a need to set up an industrial R and D establishment which will deal with problems of the manufacturing industry.

1.9 DEMOGRAPHIC CHARACTERISTICS

The population of Zimbabwe which was recorded at 7 546 071 in 1982 census was projected to be 8 175 000 in 1985. The rate of population growth which was 3,06 per cent. between 1969 and 1982 censuses was estimated to be 2,84 per cent. between 1982 and 1985. As per projections carried out by CSO, the population growth rate during the Plan period is estimated to be yet lower at 2,76 per cent. These growth rates clearly show a declining trend.

Zimbabwe, however, has a high dependence ratio with the younger age population (0-14 years) constituting about 47,3 per cent. of the total population. This proportion is considerably high relative to 37,2 per cent. average for less developed regions of the world. This percentage is estimated to be lower at 44,3 in the year 1990 when Zimbabwe's total population is projected to be 9 369 000.

The total fertility rate estimated at 5,6 is high by world standards.

Thus, as time progresses, efforts at raising the standards of living of the population will require relatively larger amounts of resources and the burden of providing the necessary resources will be borne by the work force which is small, relative to total population.

The infant mortality rate which is 60 per 1 000 is high. Crude birth rate is high too at 39 per 1 000. Crude death rate is 10,8 per 1 000. However, there are indications of falling infant and child (1-4) mortality from 1969 for all age groups.

The average life expectancy at birth for males is at 55,7 and that for females 59,1 years, reflecting greater resilience on the part of the female population. The sex ratio is in favour of females, accounting for 104 females per 100 males.

Indications are that life expectancy would rise during the Plan period. If the declining level of fertility continues, the proportion of the working age population would tend to increase, and the dependency ratio would decline.

Zimbabwe's literacy rate is high, relative to other developing countries. The 1982 census puts the literacy rate for the whole population at 74,6 per cent. and this high literacy is attributed to Government policy of universal and free education at primary level, followed after Independence.

Population density of Zimbabwe in 1982 was recorded at 19,3 persons per km², the total geographical area being 390 759 km². This population density is slightly higher than the average of 16,5 persons per square km for countries in Africa.

About 56,0 per cent. of Zimbabwe's population consists of peasants who live in communal areas, while 23,0 per cent. live in urban areas. Communal areas account for 42,0 per cent. of total land area. Only 25,0 per cent. of this land is suitable for intensive cultivation; the rest is in natural regions IV and V which are suitable only for livestock grazing.

The population problem in communal areas is aggravated by the fact that population exceeds the carrying capacity of land. In fact, most communal areas reached their critical density decades ago. This underlines proper land use and a balance between population and land.

PART II: OVERALL ECONOMIC DEVELOPMENT, 1986-1990

2.1 OBJECTIVES

The development objectives of the Plan outlined below derive from Government's socio-economic goal which states that "the fundamental goal and aspirations of the people of Zimbabwe is the establishment and development of a democratic, egalitarian and socialist society" whose main aim is the development and enhancement of the mental and cultural faculties as well as efficient production and distribution of goods and services in order to raise the living standards of all Zimbabweans.

Briefly stated, the broad objectives are as follows—

- (a) Transformation and control of the economy and economic expansion;
- (b) Land reform and efficient utilization of land;
- (c) Raising the standards of living of the entire population, in particular, the peasant population;
- (d) Enlargement of employment opportunities and manpower development;
- (e) Development of science and technology; and
- (f) Maintenance of a correct balance between the environment and development.

While it is important to emphasise that these objectives are of a long term nature, it is no less important to underline that the performance of the Five-Year Development Plan will be assessed, not only on the basis of the extent to which it measures up to these objectives, but also and primarily, on the extent to which it attains the plan targets set for the period.

(a) *Transformation and Control of the Economy and Economic Expansion*

The economic structure of Zimbabwe is a legacy inherited from past colonial regimes. As such, it still exhibits the key features of a colonial economy. For instance, the dominant sectors of the economy, such as the financial sector which is the life-blood of the economy, the manufacturing and mining sectors are dominated by foreign capital. From 1980 to 1983, total dividends and profits remitted abroad amounted to \$330 million and this reduced considerably the amount of investible surplus as well as the amount of foreign currency available to the economy.

In this connection, Government aims at transforming the economy so that a greater proportion of it is owned and controlled by Zimbabweans through state investment, investment by local authorities, co-operatives and private local capital. Furthermore, Government will promote active worker participation and involvement of workers in decision making in the enterprises.

In order to achieve sustained economic expansion, there should be an increase in productive investment. Such investment which will be locally or foreign owned will be channelled to new areas of economic activity providing employment opportunities and additional exports.

Pursuant to the objectives of creating a dynamic economy, all Ministries representing economic sectors in which there is a private sector component are required to transform their sector by increasing the degree of ownership and control of the means of production in the sector by the state and local authorities through—

- (i) establishment by the state of new enterprises in strategic industries;
- (ii) state participation in existing strategic enterprises with the role of the state gradually increasing until majority or full ownership is attained by the state;
- (iii) joint ventures between the state and private capital on terms which allow for eventual ownership and control by the state;
- (iv) establishment of co-operative ventures in industry, commerce, trade and agriculture as well as participation of local authorities in the economy;
- (v) workers' education in management, technical skills and ideology in order to increase the efficiency of workers and their ability to participate in the running of enterprises as well as increase their ideological consciousness; and
- (vi) encouragement and acceptance of private local investment and foreign investment on terms conducive to, or consistent with socialist transformation.

(b) *Land Reform and Efficient Utilization of Land*

Land ownership in Zimbabwe is characterised by four types of ownership relations, and these are private, communal, state and co-operative. Private and communal ownership relations are the dominant ones. Private ownership accounts for about 44 per cent. of total land area. This land is in natural regions I, II and III which are suitable for all agricultural activities. About 42,0 per cent of the total land area is under communal ownership relations and occupies natural regions IV and V which are only suitable for grazing. These lands carry about 56 per cent. of Zimbabwe's population. Natural regions IV and V are overcrowded and suffer from degradation as a result of over exploitation of the land and land mismanagement.

During the Plan period, Government will give priority to land reform and proper land utilization in order to change the present ownership relations as well as promote proper land management. The measures will include increasing the number of state farms, promotion of co-operatives and intensification of land resettlement schemes. In addition to these measures, Government will continue to provide back-up services such as credit facilities, extension services and training of peasant farmers in proper land management methods. Government will also support improvement of marketing facilities in these areas.

(c) *Raising the Standards of Living of the Population*

Government has made great strides in improving the welfare of the masses since independence. This has been done through provision of social services to communities where such services were either non-existent or too expensive, relative to the level of incomes of the masses. Sustained efforts will be made during the Plan period to increase and expand social and economic services and at the same time efforts will be made to raise incomes in line with growth in productivity in the economy. In order to raise the living standards of the peasant population, special efforts will be made to raise their incomes through increasing agricultural productivity and by extending social and economic services to all the rural areas. In this connection Government will intensify teaching of communal farmers in the use of modern agricultural inputs such as improved seeds, fertilisers, pesticides and modern agricultural implements. The road network in communal farming areas will be improved in order to facilitate the marketing of produce.

Irrigation schemes will be prepared for communal areas and this should also help in enlarging employment opportunities. In areas with little rainfall, where viable irrigation schemes are not feasible, farmers will be encouraged to grow drought resistant crops. Proper land management methods will also be taught.

Industries that produce agricultural inputs will be given priority in industrial development plans in order to accelerate agricultural development.

Programmes in areas such as housing, health care services, education and working conditions will be further expanded as part of the strategy for raising the standards of living.

(d) *Enlargement of Employment Opportunities and Manpower Development*

The creation of additional employment opportunities is intended to provide the majority of able-bodied Zimbabweans with gainful employment. Detailed survey of the economy shows that the issue of unemployment could continue to be one of the major problems during the Plan period. Inspite of the resumption of economic growth in 1984, and the Plan target of overall growth rate of 5,1 per cent., unemployment could remain unacceptably high unless Government makes concerted efforts in channelling investment into areas that have potential for generating employment opportunities. In this connection, Government will divert about 47,0 per cent. of total investment into productive sectors of the economy.

It is, however, important that creation of employment opportunities be matched with the development of manpower with relevant skills. Thus, the overall objective of manpower development programmes is to develop human resources so that they may engage in meaningful employment and at the same time provide the various sectors of the economy with the requisite skills. In this regard, Government will promote the development of the country's human resources through education and training. This will be complemented by programmes intended to make workers and potential workers conscious of their role in socio-economic development. In order to make this possible, Government will expand the infrastructure and institutions necessary for a well co-ordinated national training programme.

(e) *Development of Science and Technology*

Attainment of the objectives outlined above can be accelerated through development of an endogenous scientific and technological capability. The major components of this capability include appropriate scientific and technological personnel, research and development establishments and natural resources. In order to create an environment necessary for the development of endogenous technology, Government will follow a co-ordinated approach in the development of these components.

Of critical importance is the fact that technological advancement would make possible establishment of an integrated national economy by linking the raw material producing sectors such as agriculture, forestry and mining with the manufacturing sector thus reducing Zimbabwe's technological dependence on the outside world.

It must be acknowledged, however, that Zimbabwe already has an embryonic foundation for the development of science and technology. In order to further develop and strengthen this foundation, priority will be given to the development of manpower for science and technology, research and development establishments as well as information collection and its dissemination.

(f) *Maintenance of a Correct Balance between Development and the Environment*

The Natural resources have not been managed properly in many parts of the country. As a result, a significant proportion of non-renewable resources has been depleted and degradation of soil has occurred at an alarming rate. Use of wood for fuel and building has led to deforestation in communal areas. The deforestation, over-crowding and overgrazing have, in turn, led to severe soil erosion. Cultivation of river banks has also contributed to soil erosion and siltation.

The average soil loss in communal areas which results from these activities is estimated at 50 tonnes per hectare per year. This implies an average life of 50 to 60 years for the top soil in the affected areas. Government and the Conservation Trust of Zimbabwe are taking measures to redress the situation. Resettlement of people on under-utilised land is one of such measures because degradation of the environment in communal areas has also resulted from over-population in communal areas.

As a long term measure for environmental preservation, Government has proclaimed National Tree Planting Day in an effort to encourage people to establish woodlots that will provide poles and fuel wood to supplement dwindling indigenous forests. So far about two million, trees have been planted under this project.

Another problem that relates to our natural resources is the increase in poaching. So far, Government efforts at reducing poaching have been in vain due to financial constraints. Hopefully additional financial resources will be made available to the implementing agency during the Plan period.

Government will attempt to repair the damage that has been done to the environment and will take steps to maintain the correct balance between development and the environment. In this regard, programmes of the Natural Resources Conservation Committee and the Natural Resources Board will be strengthened and expanded.

Attainment of this objective is dependent upon the degree of awareness of the population to environmental issues and their importance in the development process. In addition, legislation related to environmental preservation will be strengthened and all key institutions dealing with environmental problems will be strengthened to enable Government to react appropriately to situations that could lead to the degradation of the environment.

2.2 DEVELOPMENT STRATEGY

The Development strategy of the First Five-Year National Development Plan is based on the prevailing concrete situation of the Zimbabwe society, the country's geopolitical position and available resources. The strategy aims at expanding and restructuring the economy as well as improving internal and external economic stability. In order to achieve economic expansion, expand export potential and substitute the imports which are vital for sustained growth, Government intends to distribute its investment in favour of material production sectors. This thrust is designed to expand the country's economic base, particularly in rural areas and growth points, and also to enlarge employment opportunities, especially for new entrants to the labour market.

Government will become increasingly involved in productive sectors, either on its own or jointly with local private or foreign partners under specified conditions. This will require continuation and acceleration of the development of the institutional base essential for increasing the number of personnel with advanced technological knowledge. In addition, Government will participate in existing foreign owned enterprises which are of critical importance to the country.

It is of paramount importance that the three main productive sectors (agriculture, mining and manufacturing) increase their share in investment. The three productive sectors account for 47,0 per cent. of the total investment of \$7 126 million planned for the five year period compared to less than 40,0 per cent. in the recent past. During the Five Year period the PSIP which is Government's main instrument for guiding investment activity will include investment in productive sectors amounting to nearly \$1 600 million. It is important to emphasise that the industrialisation strategy favours an approach which relies primarily on local financial resources and domestically produced raw materials. Also, the planned structural changes recognise the development principle of balanced growth which requires continuous growth of the country's economic and social infrastructure, particularly in the fields of energy, transport and communication, housing, and education.

Government is determined to continue its policy for redressing the gross imbalance between the urban and rural peasant sectors by emphasising rural development and land resettlement schemes. This policy has already proved to be not only the right solution to social development in rural areas but also the only choice for the sustained growth of Zimbabwe's agriculture.

2.3 GROSS DOMESTIC PRODUCT

The Five-Year Plan is based on an average annual growth in GDP of about 5,1 per cent. This relatively high average growth can only be attained if agriculture, manufacturing, mining and exports all grow significantly. The projected growth in GDP would not only help reverse the downward trend which has characterised the period 1982-1984; it will also help stabilise the economy as well as lay a sound foundation for achieving long-term development objectives.

TABLE IV
GROSS DOMESTIC PRODUCT (GDP) BY INDUSTRIAL SECTORS
(\$ million, constant 1985 prices)

| Sector | Gross domestic product | | Average annual growth 1985-1990 | Percentage share | |
|---|------------------------|--------|---------------------------------|------------------|-----------|
| | 1985 | 1990 | | 1985-1990 | 1985-1990 |
| 1. Agriculture and forestry . . . | 966 | 12 232 | 5,0 | 15,0 | 14,9 |
| 2. Mining and quarrying . . . | 380 | 520 | 6,5 | 5,9 | 6,3 |
| 3. Manufacturing | 1 797 | 2 762 | 6,5 | 20,0 | 29,9 |
| (1-3) PRODUCTIVE SECTORS . . . | 3 143 | 4 214 | 6,1 | 48,9 | 51,1 |
| 4. Electricity and water | 187 | 250 | 6,0 | 2,9 | 3,0 |
| 5. Construction | 239 | 307 | 5,2 | 3,7 | 3,7 |
| 6. Distribution, hotels and restaurants | 840 | 1 047 | 4,5 | 13,1 | 12,7 |
| 7. Transport and communication . | 417 | 532 | 5,0 | 6,5 | 6,7 |
| (1-7) MATERIAL PRODUCTION . . . | 4 826 | 6 350 | 5,7 | 75,1 | 77,2 |
| 8. NON-MATERIAL PRODUCTION . . | 1 830 | 2 183 | 3,6 | 28,5 | 26,5 |
| Less imputed banking charges . | -227 | -290 | 5,0 | -3,5 | -3,5 |
| GDP at factor cost | 6 429 | 8 243 | 5,1 | 100,0 | 100,0 |

The 5,1 per cent. growth in GDP hinges on the following assumptions—

- (i) that the three key productive sectors—agriculture, mining and manufacturing—will receive 47,0 per cent. of total investment;
- (ii) that rainfall will remain normal during most of the Plan period;
- (iii) that transport will not be a constraint to development; and
- (iv) that the world economic environment will continue to improve.

It is also assumed that the OECD countries will grow at the rate of 3,0 per cent. This assumption is crucial in that these countries consume over 50,0 per cent. of Zimbabwe's exports.

It must be recognised that the assumptions on rainfall, state of the world economy, and indeed, transport as it relates to surface transport and ports outside the boundaries of Zimbabwe can be easily violated by circumstances beyond Zimbabwe's control. In the event that this happens, economic growth and, consequently the rate at which the investment strategy can be implemented would be slowed down considerably. In other words, GDP would grow at a slower rate and the other variables such as employment would be affected in the same manner.

This statement is more than a word of caution or a fall-back position; it is an acknowledgement of human limitation at predicting the outcome of events in the far future, in particular those that are exogenously determined.

It is envisaged that in the first half of the Plan period, the economy will grow at a slower pace because during that period, emphasis will be placed on stabilisation of the economy's finances and balance of payments.

2.4 INVESTMENT STRATEGY

In order to attain and sustain the planned annual growth in GDP of 5,1 per cent., a total of about \$7 126 million is required in the form of gross fixed capital formation for the five-year period. About \$4 513 of this amount will be realised through the Public Sector Investment Programme (P.S.I.P., see Table V and Table VI). This is equivalent to 63,0 per cent. of gross fixed capital formation and about 52,0 per cent. of gross capital formation planned for the period. The proportion of the P.S.I.P. in total investment is indicative of the important role assigned to it in the investment strategy. This is more so as the P.S.I.P. is the main instrument at Government's disposal for transforming the structure of the economy and for influencing rapid and sustained rates of economic growth.

One of the main aspects of the investment strategy is that, in addition to the P.S.I.P.'s large size in total investment, about one third of P.S.I.P. will be allocated to the development of productive sectors (see Table VI). This entails restructuring of P.S.I.P. in such a way that it will not impede Government's long-term commitment in the fields of energy and water development, transport and communications, housing and social services.

It is estimated that during the Plan period, the private sector will invest about \$2 600 million in fixed capital formation and about \$1 500 million in stocks. The private sector is also expected to collaborate with Government in the implementation of the development and investment policies. In this regard, private investors are expected to undertake projects for expansion of existing productive capacity as well as for the establishment of new production facilities.

Although Government will intensify its investment in productive sectors of the economy, the private sector will continue to play an important role in the development of agriculture, mining and manufacturing. It is expected that private investment in these sectors will total \$1 808 million over the five-year period.

Government will design and implement an adequate tax policy and import allocation system which will give additional stimulus to new investment. Investment in export oriented projects will be given high priority and will be encouraged through various economic measures, particularly where such projects use locally produced raw materials.

TABLE V

GROSS CAPITAL FORMATION BY INDUSTRIAL SECTOR, 1986-1990
(Cumulative in \$ million, 1985 prices)

| Sector | Cumulative 1986-1990 | Percentage share in Cumulative GFCF |
|---|-------------------------|--|
| 1. Agriculture and forestry | 998 | 14,0 |
| 2. Mining and quarrying | 962 | 13,5 |
| 3. Manufacturing | 1 390 | 19,5 |
| (1-3) PRODUCTIVE SECTORS | 3 350 | 47,0 |
| 4. Electricity and water | 581 | 8,2 |
| 5. Construction | 185 | 2,6 |
| 6. Distribution, Hotels and Restaurants | 320 | 4,5 |
| 7. Transport and communication | 855 | 12,0 |
| (1-7) MATERIAL PRODUCTION SECTORS | 5 291 | 74,3 |
| 8. Housing* | 1 040 | 14,6 |
| 9. Education | 206 | 2,9 |
| 10. Health | 185 | 2,6 |
| 11. Other sectors and unallocable | 404 | 5,6 |
| (1-11) Total Gross Fixed Capital Formation (GFCF) | 7 126 | 100,0 |
| Increase in stocks | 1 532 | |
| TOTAL GROSS CAPITAL FORMATION | 8 658 | |

* Includes urban development and general purpose investment by Government.

TABLE VI

PUBLIC SECTOR INVESTMENT PROGRAMME BY INDUSTRIAL SECTOR
 1986/1987-1990/1991
(\$ million, 1985 prices)

| Sector | Cumulative 1986/7- 1990/1 | Structure in % |
|---|---------------------------------|-------------------|
| 1. Agriculture and Forestry | 880 | 19,5 |
| 2. Mining and Quarrying | 257 | 5,7 |
| 3. Manufacturing | 415 | 9,2 |
| (1-3) PRODUCTIVE SECTORS | 1 552 | 34,4 |
| 4. Electricity and water | 541 | 12,0 |
| 5. Construction | 76 | 1,7 |
| 6. Distribution, Hotels and Restaurants | 165 | 3,7 |
| 7. Transport and Communications | 794 | 17,6 |
| (1-7) MATERIAL PRODUCTION SECTORS | 3 128 | 69,4 |
| 8. Housing* | 812 | 18,0 |
| 9. Education | 200 | 4,4 |
| 10. Health | 175 | 3,9 |
| 11. Public administration | 133 | 2,9 |
| 12. Other sectors and unallocable | 65 | 1,4 |
| TOTAL ECONOMY | 4 513 | 100,0 |

* Includes urban development and general purpose investment by Government.

In addition, import substitution will be encouraged, especially where production is based on local raw materials, since this would increase linkages among sectors and also generate additional employment. Investment in the housing sector will be stimulated and the building of low-cost houses, in particular, will be accorded high priority.

Investment in growth points will be given preferential treatment as part of the strategy for the urbanisation and industrialisation of rural areas. Similarly, development in hitherto neglected areas such as the Zambezi Valley will be deliberately encouraged and fostered.

It is estimated that during the Plan period foreign investment will amount to about \$200 million and most of it will be in the form of direct investment or joint-venture with Government and local industrialists (see Table XVIII). This would represent a significant increase of the current foreign investment activity which in the past has been low in comparison with the natural resources and development needs of the country. Foreign investment and technology, in particular, will be required in order to enable the country to exploit more fully its rich natural resources. In this regard, Zimbabwe will, for example, increase and diversify the use of its abundant coal resources with the intention of increasing coal export and processing coal into coke and ammonia. And, because of the importance of ammonia in the production of fertilisers, Government will enter into joint ventures with foreign investors in the production of ammonia and fertilisers. This is essential because of the huge capital outlays required and the advanced technology used in projects of this nature.

To provide a stable base for long-term co-operation with foreign partners, this requires a clear statement of policy on the foreign investment, joint-ventures and transfer of technology, including re-examination of legal issues involved.

A Zimbabwe Investment Register, the first document of its kind in the country, is to be completed during the early stages of Plan implementation. It will contain the country's investment policy for 1986-1990, a list of major development opportunities and projects, indicating the projects' preparedness, feasibility and priority. The register will primarily serve Government, but will also serve potential local and foreign investors.

The investment strategy during the Five-Year Plan is expected to generate dynamic construction activity, particularly in the second half of the Plan period when improved financial stability of the economy will enable increased capital spending and realisation of projects. This represents a chance for the capital goods sector to use its capacities fully and to develop further its technical capability.

Sustained national efforts to mobilise and increase domestic savings will be critical to the success of the Plan. Indeed the transformation of the economy will greatly depend on the degree of success in this regard. It is envisaged that by increasing domestic savings it would be possible to finance about 60,0 per cent. of the planned investment programme using domestic resources, with foreign sources providing the remaining 40,0 per cent. This would represent a reversal of past trends which are characterised by a heavy reliance on foreign borrowings which have increased the country's indebtedness considerably. The planned percentage of foreign sources for the financing the Plan is still relatively high by international standards. This therefore, underlines the need for the country to increase exports and to attract external resources such as direct investment and official development assistance. It is estimated that of the \$2 150 million total foreign loans in the Plan, about 30,0 to 40,0 per cent. is earmarked for import of capital goods through supplier credit, while \$1 300 to \$1 500 million represents new financial loans that are needed to complement domestic savings in financing the planned investment in fixed assets.

As elaborated in Part IV on the Financing of the Plan, an effective investment strategy will require not only mobilisation of domestic resources in general but also restructuring of expenditure in favour of capital development.

2.5 FOREIGN TRADE AND BALANCE OF PAYMENTS

In line with the aims of SADCC and PTA countries of industrial development, reduction of external economic dependence and promotion of trade among member countries in the regional groupings, Zimbabwe will examine possibilities of establishing industries that will produce intermediate, capital and consumer goods to meet its requirements and some of the requirements of SADCC and PTA member countries.

With respect to Zimbabwe, establishment of such industries would create additional employment opportunities as well as strengthen the country's technological base that is essential for self-sustained economic development.

During the Plan period, Zimbabwe will intensify promotion of exports. In this connection, industries that have export potential will be encouraged to expand production. Successful implementation of this strategy would lead to an export growth of 7,0 per cent. per year and this will make possible growth in imports averaging 6,0 per cent. per year. This level of growth in exports accompanied by import substitution will not only help solve the balance of payments problem but will also increase the amount of foreign currency needed for expansion of productive sectors. The export policy will continue to support export of traditional agricultural and mineral products especially where efforts are directed towards penetration of new markets. Government will also encourage and support production of new export products, especially those based on locally produced raw materials and intermediate goods. Export potential exists in the food manufacturing, textile, leather, wood and metal products subsectors. Unless an aggressive export policy is pursued, exports would grow at about 4,0 per cent. per year and this rate is not sufficient to meet the country's international obligations and to support the projected growth in GDP. The balance of payments position could deteriorate seriously in the middle of the Plan period when repayments of foreign loans will reach their peak.

The investment strategy outlined earlier and the import and export requirements discussed in this section could reduce the debt service ratio from the current 28,4 per cent. to about 18,4 per cent. by the end of the Plan period. Attainment of this target also requires discipline in the contracting of new loans.

The Plan will use foreign loans in the amount of US\$1 345 million of which 30,0 to 40,0 per cent. is for import of capital goods on supplier credit and the remaining 60,0 to 70,0 per cent. consisting of existing and new loans will complement domestic savings in financing the planned investment in fixed assets.

TABLE VII

EXPORTS BY INDUSTRIAL SECTOR
1984-1990 (\$ million)

| Sector | Current prices | 1985 prices, Z\$1,60/IUS\$ | | Average annual increase per cent. |
|------------------------------------|----------------|-------------------------------|-------|---|
| | | 1984 | 1985 | |
| 1 Merchandise exports | 1 431 | 1 742 | 2 479 | 7,3 |
| 1.1 Agriculture | 588 | 714 | 982 | 6,6 |
| 1.2 Mining | 385 | 468 | 668 | 7,4 |
| 1.3 Industry | 458 | 560 | 829 | 8,2 |
| 1.3.1 Intermediate goods | 289 | 353 | 516 | 7,9 |
| 1.3.2 Capital goods | 19 | 25 | 47 | 13,5 |
| 1.3.3 Consumer goods | 150 | 182 | 266 | 7,9 |
| 2 Export of services | 279 | 333 | 431 | 5,3 |
| TOTAL EXPORTS | 1 710 | 2 075 | 2 910 | 7,0 |

TABLE VIII
IMPORTS ACCORDING TO ORIGIN BY SECTORS, 1984-1990
(\$ million)

| Sector | Current prices | 1985 prices, Z\$1,60/US\$ | | Average annual increase % |
|-------------------------------------|----------------|------------------------------|-------|---------------------------|
| | | 1984 | 1985 | |
| 1. MERCHANTISE IMPORTS | 1 200 | 1 443 | 1 930 | 6,0 |
| 1.1. Agriculture | 95 | 60 | 70 | 3,1 |
| 1.2. Mining | 18 | 20 | 23 | 2,9 |
| 1.3. Industry | 1 087 | 1 363 | 1 837 | 6,2 |
| 1.3.1. Intermediate goods | 586 | 783 | 1 091 | 6,9 |
| 1.3.2. Capital goods | 404 | 465 | 600 | 5,2 |
| 1.3.3. Consumer goods | 97 | 115 | 140 | 4,0 |
| 2. IMPORT OF SERVICES | 528 | 634 | 849 | 6,0 |
| TOTAL IMPORTS | 1 728 | 2 077 | 2 779 | 6,0 |

TABLE IX
CURRENT BALANCE OF PAYMENTS, 1984-1990
(\$ million)

| | 1984 | 1985 | 1990 |
|---|-------|-------|-------|
| 1. Merchandise exports | 1 431 | 1 742 | 2 479 |
| 2. Merchandise imports | 1 200 | 1 443 | 1 930 |
| 3. Trade balance (1-2) | 231 | 299 | 549 |
| 4. Export of services | 279 | 333 | 431 |
| 5. Import of services | 528 | 634 | 849 |
| 6. Balance | -249 | -301 | -418 |
| 7. Balance of goods and services (3+6) | -18 | -2 | 131 |
| 8. Income payments and private transfers, net | -130 | -160 | -200 |
| 9. Current balance of payments (7-8) | -148 | -162 | -69 |

2.6 POPULATION AND EMPLOYMENT

As already outlined in Part I, the population of Zimbabwe was estimated at 8,4 million in 1985, with a projected average growth rate of 2,76 per cent. over the period. This growth rate implies a population of about 9,4 million at the end of the plan period (see Table XI).

The population of working age (15-64) years is 4,2 million persons, or 50,0 per cent. of the total, and by 1990 this age group will account for 54,0 per cent., or about 5 million persons. This means Government has to attach high priority to the creation of new employment opportunities. In addition, this growing labour force demands continued growth in Government expenditure on social services such as education, health and other services.

Wage employment is expected to increase at an annual rate of 2,7 per cent., or by a total of 144 000 jobs over the Plan period (see Table XII).

Besides expanding wage employment, Government will encourage self-employment by formalising the informal sector and promoting the development of co-operatives in all sectors of the economy. For the formalised informal sector to contribute towards solving the problem of unemployment its members should be trained in relevant skills so that they can run their small enterprises efficiently. This will also enable them to formulate viable projects that can be funded by financial institutions. Government will also provide the sector with various incentives.

Government will continue to extend family planning services to all parts of the country in order to further reduce population growth to levels consistent with economic growth and the objective of raising the living standards of society.

TABLE X
ESTIMATED GROWTH OF ZIMBABWEAN POPULATION
(Average annual growth rate in per cent.)

| | 1982-1985 | 1985-1990 | 1990-1992 |
|------------------|-----------|-----------|-----------|
| Male | 2,86 | 2,79 | 2,67 |
| Female | 2,80 | 2,72 | 2,61 |
| Total | 2,84 | 2,76 | 2,64 |

TABLE XI
POPULATION BY BROAD AGE GROUPS, 1982-1992
(In thousands)

| Age group | 1982 | Per cent. | 1985 | 1990 | 1992 | Per cent. |
|-------------------|-------|-----------|-------|-------|-------|-----------|
| 0-14 years . . . | 3 553 | 47,3 | 3 745 | 4 027 | 4 130 | 41,8 |
| 15-64 years . . . | 3 733 | 49,7 | 4 197 | 5 097 | 5 488 | 55,6 |
| 65 + years . . . | 231 | 3,0 | 233 | 245 | 252 | 2,6 |
| TOTAL | 7 517 | 100,0 | 8 175 | 9 369 | 9 870 | 100,0 |

Sources: Population Projections, Medium Variant, C.S.O., December, 1985.

TABLE XII
EMPLOYEES BY INDUSTRIAL SECTORS, 1984-1990
(Wage earners only)

| Sector | '000 persons | | | Average annual increase 1985-90 % |
|---|--------------|--------------|--------------|-----------------------------------|
| | 1984 | 1985 | 1990 | |
| 1. Agriculture and forestry | 262 | 260 | 290 | 2,2 |
| 2. Mining and quarrying | 56 | 56 | 65 | 3,0 |
| 3. Manufacturing | 167 | 169 | 190 | 3,0 |
| 4. Electricity and water | 7 | 7 | 8 | 2,7 |
| 5. Construction | 45 | 45 | 52 | 2,9 |
| 6. Finance, insurance and real estate | 16 | 16 | 18 | 2,7 |
| 7. Distribution, hotels and restaurants | 80 | 83 | 99 | 3,6 |
| 8. Transport and communication | 50 | 50 | 61 | 4,1 |
| 9. Public administration | 88 | 88 | 100 | 2,6 |
| 10. Education | 82 | 82 | 97 | 3,7 |
| 11. Health | 19 | 19 | 23 | 3,9 |
| 12. Domestic services | 99 | 99 | 99 | 0,0 |
| 13. Other services | 55 | 55 | 65 | 3,4 |
| TOTAL | 1 026 | 1 029 | 1 173 | 2,7 |

2.7 NATURAL RESOURCES

As stated earlier, society has, in the past, attached less importance to environmental preservation. However, the degree of awareness about the importance of the environment has increased among our people and Government has also increased expenditure on environmental programmes but much more still needs to be done.

In order to arrest the deterioration of natural resources and to preserve and enhance those resources that are still in their original state, Government will take the following measures during the Plan period:

- (i) continue to increase people's awareness of the importance of conservation of natural resources;
- (ii) curb poaching by commercial hunters;
- (iii) study the effects of exotic plants on Zimbabwe's ecosystems;
- (iv) train manpower in environmental related subjects; and
- (vi) co-operate with SADCC countries in all environmental issues.

Government has launched a pilot Rural Afforestation Project under the Forestry Commission aimed at the establishment of woodlots by farmers, councils, schools and various other groups. Fifty-four nurseries have been established in 24 districts and 3 in urban areas. Research into multipurpose species suitable for arid and semi-arid areas will be encouraged and research infrastructure strengthened. Particular attention will be paid to the climatic and soil conditions in relevant communal areas.

In the field of conservation, major efforts will be directed towards strengthening of the scientific wing of the Natural Resources Board, including construction of a research laboratory. This will enable Government to establish an inventory of natural resources. In addition, the extension capacity of the department which is responsible for making the masses conservation conscious will be improved.

At present there are only 360 officers with a mileage of 300 kilometres per month. The goal is to increase the mileage per officer to 1 000 kilometres per month. Visual aids such as films and publications will be updated to keep up with the times and new publications and films on conservation will also be made. Transport facilities and personnel will be increased to meet this challenge. The relevant department is mapping out a strategy to improve its relations with communities that live along the boundaries of National Parks to ensure that these communities benefit financially from these estates.

There are now between 40 000 and 45 000 elephants in game parks and these ought to be culled to the ecologically acceptable levels of 33 000 herd. Game ranching in commercial and communal lands, especially in Matebeleland South and South-East Lowveld will be encouraged. The farming of special animals such as crocodiles, ostriches, buffaloes and the eland will be increased to maximise returns to foreign currency from the meat, hides and curios. The manufacture and marketing of game products will be improved to enhance the ivory carving industry as well as processing of hides, wood and stone and other curios to attain viable commercial levels. An appropriate marketing authority will be set up.

Another area which has not received adequate attention in the country's strategy for preserving and enhancing natural resources is the development of fish resources. During the Plan period, aquaculture research will be strengthened and fish breeding in reservoirs will be increased throughout the country.

2.8 REGIONAL DEVELOPMENT

As part of decentralisation as well as Government's deliberate effort to achieve balanced economic development during the Plan period, Government will promote regional development with a view to raising the living standards of the people in all regions. Regions which are seriously underdeveloped like the Zambezi Valley will be given priority in regional development. In promoting regional development maximum utilisation of each region's natural and human resources will be taken into account since they constitute the backbone of economic and social development

Therefore, in order to achieve balanced economic development of regions, an inventory of natural resources of each region will be taken in order to assess each region's economic development potential. Government will support the development of growth points through fiscal and investment policies.

The main problem in regional development is a balance between population and the region's natural resources. It is therefore of paramount importance to organise and create communities of viable human settlements for their fullest development. Resettlement programme is one such attempt and will be pursued with more vigour. However, such resettlement entails provision of several economic activities and enterprises to transform them into livable areas.

Since Zimbabwe's geographical regions are administratively divided into provinces, the task of planned development of the regions will be largely shouldered by Provincial authorities. This will, at the same time, offer adequate opportunities for popular participation in the entire development process.

Regional development plans will seek to redress imbalances such as differences in standards of living between urban and rural areas. In order to achieve this, regional plans will develop productive and social sectors as well as infrastructure. Raising the standard of living of the population and environment protection are two cardinal principles governing regional development.