

## COOPERATION WITH ZIMBABWE

Anne WALRAET

*Third World Seminar (RUG)  
Universiteitsstraat 4  
9000 Gent*

Following last year's decision by the Belgian Ministry of Development Cooperation to streamline all bilateral aid programmes to the countries of Southern Africa in order to take account of the new regional emphasis, it makes sense now to reflect on cooperation with Zimbabwe in the context of cooperation with the SADCC. The above decision was preceded by the allocation of a regional budget of BEF 600 million for SADCC projects and is accompanied by the setting up in Harare of a field office serving as headquarters for the whole region (except Tanzania). All these innovations must be welcomed; they imply the recognition of the SADCC and are congruent with the recommendations of a joint study by the SADCC and the OECD Development Centre, dating back to 1987.

There are however some points that need further explanation... First of all, it remains uncertain whether the announced streamlining of the bilateral aid programmes will be accompanied by a merging of bilateral funds into the regional budget. Indeed, if the announced regional budget of 600 million BF should replace the current bilateral budget, or imply a drastic decrease in the level of bilateral aid, then the SADCC region would not be gaining that much in financial terms. This would be particularly alarming since the level of Belgian support for the SADCC countries has turned out to be very modest.

A linked issue of concern is the long delays between the programming of aid and actual implementation. In extreme cases, aid promised or planned is never executed. This is particularly true for Zimbabwe. The initial Belgian pledges at the ZIMCORD

Conference in 1981 were nevertheless very promising. Yet, after nine years of development cooperation with Zimbabwe, the amount of direct Belgian aid - that part of aid for which the Ministry of Development Cooperation is the sole originator (in contrast to indirect aid, in which NGO's play a decisive role) - stands at the disappointing level of BEF 112 million; BEF 12,5 million on annual basis, or US \$ 360.000. The same applies to the SADCC region as a whole. In this case, the difference between programmed and actual aid transfers amounts to 100 million BF per year (not even including the programmed 600 million BF). BEF 100 million indeed makes a significant difference since the actual aid on annual basis to the nine countries of Southern Africa stands at the meagre level of approx. BF 330 million. This is not persuasive evidence of a Belgian policy strongly in favour of the SADCC.

My major point of concern, however, is the extent to which Belgium, and other donors, will be prepared to go along with the SADCC's aim of developing the productive sectors of the economy. The SADCC has set towards the goal of increasing its productive capacity and diversifying its economies, in a regional integrated manner. This is a challenging objective both for the SADCC states themselves and for the donor community.

Especially critical for the SADCC governments themselves will be an agreement on an industrial priority and location plan with an associated intra-regional trade system, which could provide a framework for channelling the activities of their own national institutions and those of aid institutions, foreign private investors and not at least Transnational Corporations.

Inherent in this debate is the concern of the SADCC about the dominance of Zimbabwe. More precisely, will Zimbabwe consider the costs of allocating industries according to equilibrium criteria (such as the loss of foreign investment) to be too high. More challenges will have to be faced when a politically acceptable South Africa enables cooperation with the SADCC states within or outside the SADCC framework.

It is logical that, within the objective of developing the region's institutional and productive capacity, the SADCC has urged its donors to make better use of regional experts, contractors and suppliers in the execution of the projects, be they in the transport and communications, energy, agricultural or industrial sector. This is a major challenge to the donors. As is the case with the majority of the donors, Belgian aid is tied to the procurement of goods and linked services. The commercial benefits for the Belgian economy have gained importance as factors affecting the decisions on aid proposals, particularly in the years of recession. Yet in many cases the result is counterproductive as it frustrates local productive and manpower capacity. The maintenance of the 100% tied aid formula is therefore incompatible with praising

the efforts of the SADCC states to develop their own productive and manpower capacities.

A move in the right direction could be to open up tenders for local producers. The global EC provision to allow procurement of aid goods or components within the recipient country or region can serve as a model. A more modest alternative could be to allow a certain percentage of the aid package to be supplied by local producers.

Better use of local component production potential would contribute to the aim of standardizing spare parts and decreasing dependence on foreign imports which need to be paid for in scarce hard currency.

A clearly defined industrial strategy would of course help to avoid counter-productive aid.

In the light of the shift in emphasis by the SADCC from infrastructural to productive sector development, requests to donors have been expanded by calls to local and foreign private enterprises. Underlying this development is an acceptance of the need for private foreign capital; aid will not continue indefinitely and low commodity prices and deteriorated terms of trade make it impossible to generate investable surpluses. The present situation, however, represents a dramatic fall in the flow of non-concessional resources from the OECD countries to the SADCC region. Moreover, the rapid reduction in private foreign involvement has not been compensated by a similar increase in official assistance.

After a successful campaign of promoting 'regional thinking' at government level, the SADCC is now working on persuading the enterprise sector. The role of the foreign enterprise sector, as envisaged by the SADCC, is to enter into joint-ventures with local partners. Joint-ventures are not seen solely as a mechanism for securing investment capital, but also as a vehicle for promoting the transfer of technology and know-how to the region. Donors are explicitly asked to support this aim with their aid funds, particularly by funding the newly established Export Pre-Financing Revolving Funds (EPRFs) to cover the foreign exchange component of export-oriented enterprises. EPRFs are a kind of selective import support mechanism. In addition, they are a mechanism of rapid aid disbursement. In their attempts to diversify the SADCC economies, they can be compared with the second window of the Common Fund, on the agenda of the UNCTAD Conference of 1976 in Nairobi, and agreed upon in 1979, but never begun.

Linking of aid funds with commercial interests has been much criticised in the past. Many inquiries into the nature of development cooperation have revealed a correla-

tion between aid and the foreign trade and investment interests of the donor countries, including their concern to guarantee the supply of raw materials. The newly established EPRFs involve a compromise between the profit motives of the enterprise sector (local and foreign), the moral obligations of aid institutions and the needs of the SADCC economies. Again, the effective implementation of such funding programmes requires careful attention to forward planning priorities. The SADCC member states will have to explain the range of items they propose to cover under their respective EPRF schemes.

Of course it is up to the SADCC to initiate discussions with cooperating partners on EPRF programmes. Some of the latter are already involved in this field, notably the Nordic countries who have recently agreed on the creation of the Norsad Fund, to provide forex loans to joint SADCC/Nordic ventures for the purchase of production inputs. With increasing emphasis now being placed by the SADCC on investment in production, the time may have come for Belgium also to consider re-aligning assistance in this new direction.

## **Discussion PANEL**

### **Sam MOYO**

I agree with Mrs. Pierson-Mathy that Zimbabwe has to be discussed as a Frontline state and as a member of the SADCC, in the context of resistance against apartheid and aggression from South Africa. There is sufficient information on the costs and losses caused by the destabilisation by South Africa. As far as cooperation is concerned, we must be clear about these costs. When we were discussing the budget deficit and the explanations for an attempted liberalisation, the linkage in the expenditure to the geo-political context is important. The development of some parastatals and thus the creation of new jobs, is greatly hindered by the transportation problems, caused by the destabilisation.

Not only does this call for certain types of humanitarian assistance, e.g. in concessional flows of finance to very specific sectors that are affected, it also calls for a new study of future developments. What will happen when the war machinery of South Africa can be dismantled? What kind of reconstruction will take place? Cooperation should be seen in view of a greater future socio-political and economic integration in the region.

We should also fight chauvinism in SADCC member states and come to a greater outward looking economic orientation in the different countries, not just for cooperation among themselves but in the future also with South Africa. We also need institutions that can study and develop the regional cooperation. We should discuss with Belgian and European companies a more integrated approach within the framework of Southern Africa. This requires a lot of research and a lot of work by organisations like this Friendship Association.

What will happen to the Frontline states in the future? In reality the economies of the Frontline states are to a large extent integrated in the South African economy, and even in the SADCC the links, if not formal direct trade with South Africa, have expanded via the different links of the South African economy within the region.

The SADCC machinery has only moved recently out of the very formal and limited government bureaucracy. In the approach of donors, there has only been lip service to the use of local expertise, e.g. in the field of energy. There are regional institutions

calling for the promotion of local expertise, for creative ways of absorbing aid. These are institutional problems, it is an orientation problem.

### **Colin STONEMAN**

The main advantage of the SADCC to its member countries is to provide a forum to promote increased aid and investment flows to particular projects. They might have gone to individual countries if the SADCC wouldn't have existed, but the existence of the SADCC has provided a forum whereby projects could be identified. If we want to promote the SADCC as a reality in the region, we should attempt to promote two things:

1. promote joint ventures between firms in two or more SADCC countries. There are some joint ventures between European and SADCC companies, but very few joint ventures exist between companies of two member states of the SADCC. How could Europe promote the integration of the SADCC itself? As investment has to a large extent gone through private capital, it might be difficult to find advantages for the European side if companies from two SADCC countries are involved but it could be studied.
2. promotion of triangular trade. Tanzania wants to buy Zimbabwean goods, but hasn't got foreign exchange. Similarly Zimbabwe wants to buy European goods, but doesn't have the foreign exchange. Aid from Europe to Tanzania could complete that triangle. This kind of solution has to be seen within the SADCC context, not just in bilateral arrangements from European countries to a SADCC country. This triangular dimension should be brought in. Here we can't expect too much from private firms, thus the question is how the aid budget can possibly be used.

### **Bruno ROEYEN**

Mrs Walraet made a mea culpa concerning Belgian aid. I would like to stress, however, that one of the basic rules regarding aid, as well in the form of grants as in the form of soft loans, is that the receiving country must come forward with a precise project. A large share of the Belgian soft loans to Zimbabwe has never been taken up because there was no project.

As far as joint ventures are concerned - and I am very much in favour, because I have once set up one myself - I came to the conclusion that Zimbabwe has a very efficient industry, but one of the first forms of development aid to be given to Zimbabwe, is training in the field of marketing. In our case, the Zimbabwean partner was very well able to produce our products, but he couldn't sell them, not even in the neighbouring countries.

Where the Belgian aid to Zimbabwe has failed dramatically, is that our authorities didn't realise that Zimbabwe is a relatively well industrialised country and that therefore Belgian aid should not be given only for turnkey projects and complete equipments, but should be given for components in order to help their industry to function properly.

#### **Bogdan VAN DONINCK**

The identification of projects for Belgian-Zimbabwean cooperation was indeed one of the main problems in the underutilisation of the state-to-state loan and in the slow disbursement of the Belgian aid pledged at ZIMCORD. The willingness to cooperate between the two countries was not sufficiently put into practice, because for one reason or another they didn't succeed in clarifying concrete projects and the procedures to implement them.

Marketing is one field where Zimbabwean potential, there is no doubt present, should be upgraded and there Belgium could play a role. Marketing, prospection, organisation of reliable supplies and similar activities to support export, require a technology that is available in Belgium and that could be transferred to Zimbabwe.

The nature of the Zimbabwean industry requires that the criteria and procedures for government financing of Belgian supplies should be made more flexible. This matter has certainly to be taken up with our authorities.

#### **Bruno ROEYEN**

Just one example on what I mentioned earlier. Zisco are manufacturing certain types of products that are not exportable because the industry - even the local industry - requires more sophisticated types of steel products. Could Belgian financing not be used to study the possibilities of upgrading the Zisco production, especially as the technology is available in Belgium?

**Colin STONEMAN**

A large rehabilitation programme for Zisco is under way. The total budget is in the order of ZW\$ 1 billion and there are different aspects - a sinter mill, renovating the blast furnaces, installing new flat rolling capability etc. - so that there are probably fields where Belgian cooperation would be welcome.

**Ann SNOECKS**

Will the European integration affect Zimbabwean industry and Zimbabwean exports?

**Colin STONEMAN**

The European integration, 1992, is obviously of great importance. As far as Zimbabwe is concerned, the European integration will have to be one of the considerations in the way it liberalises - if indeed it is going to liberalise - and the phasing of it. The changing situation within Europe will have to be taken into account, as Europe represents several of Zimbabwe's major trading partners.

**D.C. FABER**

What are the prospects of the longevity of the SADCC, that is celebrating its tenth anniversary this year?

The apartheid regime, one of the reasons of being of the SADCC, is now being dismantled.

The international donor community would like the SADCC to have more deciding power, more independence from the member states, and I have not seen any member country yet, willing to yield any power to the SADCC.

**Sam MOYO**

This is the problem I referred to when I was talking about restructuring the war machinery in the region. I have the impression that the dependence from South Africa has not decreased, although the result of the SADCC has been a strengthening of the links between the member states.

During the last SADCC meeting the need for greater political integration was put forward, but we have to give more substance into defining in which fields this cooperation is possible. There should be more research to define areas where cooperation is possible and what is required to achieve it.

The SADCC should enable the member countries to decide how they will spread the benefits of SADCC integration among them. So far, the different orientations in the countries have not allowed to overcome a certain degree of chauvinism and to build new institutions and come to cooperative arrangements.