



11th European Development Fund

National Indicative Programme
(2014 – 2020)

For co-operation between the

**European Union
and the Republic of Zimbabwe**

Directorate-General for International
Cooperation and Development

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GENERAL CLAUSES

The European Commission and the Government of The Republic of Zimbabwe hereby agree as follows:

- (1) The European Commission, (represented by Philippe Van Damme, Head of the European Union Delegation to Zimbabwe) and the Government of The Republic of Zimbabwe, (represented by Willard L. Manungo, Secretary of the Treasury) hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-2020.

These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of The Republic of Zimbabwe and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010.

The National Indicative Programme is annexed to the present document.

- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to The Republic of Zimbabwe for the period 2014-20, an amount of EUR 234 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover health, agricultural based economic development, governance and institutional building, measures in support of civil society and support measures, sectorial policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which The Republic of Zimbabwe benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of The Republic of Zimbabwe within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds de-committed from projects or programmes under those EDFs. The respective projects and programmes shall be implemented according to the rules and procedures of the 10th EDF until the entry into force of the 11th EDF implementing rules and financial regulation.

- 6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

Signatures

For the European Commission

A handwritten signature in black ink, consisting of a stylized 'P' followed by a long horizontal stroke.

Philippe Van Damme
Head of the European Union Delegation
to Zimbabwe

**For the Government of the
Republic of Zimbabwe**

A handwritten signature in black ink, featuring a large, stylized 'W' followed by a series of loops and a final flourish.

Willard L. Manungo
Secretary to the Treasury

LIST OF ACRONYMS

ACP	Africa Caribbean and Pacific	MoJLA	Ministry of Justice and Legal Affairs
CAADP	Comprehensive African Agriculture Development Programme	MNCH	Maternal New-born and Child Health
CCM	Country Coordination Mechanism	MSME	Micro Small and Medium Enterprises
CIFA	Country Integrated Fiduciary Assessment	MT	Metric Tonne
CPAR	Country Procurement Assessment Report	NAO	National Authorising Officer
CSP	Country Strategy Paper	NCD	Non communicable Diseases
EC	European Commission	NHP	National Health Policy
EDF	European Development Fund	NHS	National Health Strategy
EIA	Environmental Impact Assessment	NIP	National Indicative Programme
EIB	European Investment Bank	NRM	Natural Resource Management
EMA	Environmental Management Agency	PEFA	Public Expenditure and Financial Accountability
ESA	Eastern and Southern Africa	PHE	Provincial Health Executives
EU	European Union	PFM	Public Finance Management
EUD	European Union Delegation	PICES	Poverty, Income, Consumption and Expenditure Survey
FDI	Foreign Direct Investment	RBF	Results Based Financing
FNC	Food and Nutrition Council	SADC	Southern African Development Community
FNS	Food and Nutrition Security	SAZ	Standard Association of Zimbabwe
GDP	Gross Domestic Product	SME	Small to Medium Enterprises
GFATM	Global Fund Against Tuberculosis and Malaria	SMP	Staff Monitored Programme
HDPCG	Health Development Partners Coordination Group	TCF	Technical Cooperation Facility
HRH	Human Resources for Health	TIZ	Transparency International Zimbabwe
HTF	Health Transition Fund	UNDP	United Nations Development Programme
i-EPA	Interim Economic Partnership Agreement	USD	United States Dollar
IFI	International Finance Institution	WHO	World Health Organisation
IMF	International Monetary Fund	ZAADDs	Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy
IOM	International Organisation for Migration	ZAIP	Zimbabwe Agriculture Investment Plan
LRRD	Link between Relief, Rehabilitation and Development	ZDHS	Zimbabwe Demographic and Health Survey
MDGs	Millennium Development Goals	Zim Asset	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
MIC	Ministry of Industry and Commerce	ZMTRI	Zimbabwe Mining Revenue Transparency Initiative
MoAMID	Ministry of Agriculture, Mechanisation and Irrigation Development	ZUNDAF	Zimbabwe United Nations Development Assistance Framework
MoHCC	Ministry of Health and Child Care		

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NATIONAL INDICATIVE PROGRAMME (NIP)

1. THE OVERALL LINES OF EU RESPONSE

1.1 Strategic Objectives of the EU's Relationship with Zimbabwe

The EU's ultimate objective is the full normalisation of relations with Zimbabwe in the attainment of the country's aspirations which include consolidation of democracy, peace and stability, prosperity and sustainable development. When the Council of the European Union expressed concern over the violation of essential elements of Article 9 of the ACP-EC Partnership, appropriate measures were taken in February 2002 within the meaning of its Article 96, reorienting development finance cooperation towards direct support of the population, in particular in the social sectors, democratisation, respect for human rights and the rule of law¹. Similarly the Council of the European Union adopted restrictive measures against a limited number of persons and entities of Zimbabwe.

In recent times, there has been an incremental partnership especially in areas of trade and dual cooperation. The new Constitution, which came into effect in August 2013, offers a framework for further deepening the EU's engagement with a large number of Zimbabwean stakeholders, including the State, its institutions, as well as civil society. The values and principles contained in the Constitution represent progressive elements upon which the EU's future support will be built.

The EU remains committed to further re-engagement with Zimbabwe and this commitment has been reflected in consecutive decisions to ease restrictive and appropriate measures since 2010. These decisions have been taken in direct response to deliberate actions of the Government of Zimbabwe. The Article 96 appropriate measures lapsed on the 1st of November 2014. Through the signing of the NIP, the European Union will be able to provide further support to the Government of Zimbabwe in its efforts to implement crucial political and economic reforms.

The economic recovery experienced from 2009 through to 2012 slowed down in 2013. GDP growth decelerated in 2013 to 3.3% from 10.6% in 2012. According to the IMF growth is expected to remain flat in the medium term. Key risks include lower than expected tax collections, financial sector stress and global commodity prices. Agriculture and mining are expected to continue to drive the limited growth. In the manufacturing sector, recovery has been hamstrung by liquidity shortages and the difficulties of the country to attract foreign direct investment (FDI). Zimbabwe is in arrears with all major international financial institutions including the European Investment Bank (EIB) and therefore does not have access to concessional loans.

Trade is an important catalyst for growth and poverty reduction. The EU is currently Zimbabwe's third major trading partner. Zimbabwe signed and ratified the interim Economic Partnership Agreement (i-EPA), under the ESA region. The i-EPA is a major stepping stone to a wider and more comprehensive deal that supports sustainable development and fosters regional integration.

¹ EU Council Common Position (2002/148/EC) of 18 February 2002. OJ L 50 of 21.2.2002, p. 64.

The poverty report on the 2011-2012 PICES Survey² reveals that 72.3% of Zimbabweans are poor, whilst 16.2 % of the households are in extreme poverty. Divorced or widowed women and child headed households are found among these extremities. The 2013 United Nations Human Development Index (HDI) ranks Zimbabwe among low human development countries: 172nd out of 186 countries compared to 1998, when it ranked 130th out of 174 countries.

Some social indicators have however improved in recent years, pointing to a revitalization of the delivery of health services at district and rural level and to an increase in pupils' early learning in primary schools. Still, the food security situation remains a matter of concern with high levels of social exclusion, vulnerability and poverty.

In October 2013, the Government of Zimbabwe released its new economic blueprint, the "Zimbabwe Agenda for Sustainable Socio-Economic Transformation October 2013-December 2018" (Zim Asset). The plan aims at accelerating growth and prosperity around four strategic clusters and two sub-clusters: Food Security and Nutrition; Social Services and Poverty Eradication; Infrastructure and Utilities; Value addition and Beneficiation; Fiscal Reform Measures; and Public Administration, Governance and Performance Management. The vision of the programme is "an empowered society, a growing economy" and the mission "to provide an enabling environment for sustainable economic empowerment and social transformation to the people of Zimbabwe".

Following the suspension of the application of Cotonou Agreement's Article 96 appropriate measures by the European Council Decision of 24 July 2012, Zimbabwe and the EU launched the 11th EDF programming exercise in August 2012. The exercise's first phase was completed in October 2012 with the submission of a draft Country Strategy Paper (CSP) 2014-2020 agreed by the EU Delegation and the National Authorising Officer (NAO). The CSP identified three focal sectors of concentration for the 11th EDF in Zimbabwe: health, agriculture-based economic development, and governance and institution building. The selection builds on results achieved through previous EU support. The cooperation between the EU and Zimbabwe dates back to 1981, and since the EU has been always present with humanitarian and development programmes. There is a strong EU technical expertise in all three sectors and as such the EU has the possibility to contribute to shape policies, processes and outcomes.

In line with the objectives of the Cotonou Agreement, the strategic objective of the EU's development cooperation with Zimbabwe is to reduce and eventually eradicate poverty and to support peace and stability, by supporting inclusive and sustainable growth and promoting human rights, democracy and rule of law.

Consistent with EU development policies and in particular the European Consensus on Development³ and the Communication on "Increasing the impact of the EU Development Policy"⁴, the EU will concentrate its cooperation on three sectors, which have been jointly selected with the Government of Zimbabwe taking into account Zim Asset's priorities and the EU's international commitments towards development assistance effectiveness, including the goals agreed at the Busan High Level Forum:

² Poverty, Income, Consumption and Expenditure Survey, ZimStat 2013.

³ 2006/C 46/01 - Joint statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus'.

⁴ COM(2011) 637 final – Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Increasing the impact of EU Development Policy: an Agenda for Change.

- The EU will aim at improving health outcomes for the population of Zimbabwe by supporting the National Health System and increasing equitable access to quality health services.
- The EU will support economic development based on sustainable agriculture in order to assure food security, increase resilience of the most vulnerable populations (most of whom are women and children), contribute to employment creation and income generation, improve the supply of raw materials for industry, and contribute to improved export earnings.
- Finally, the EU will focus on institutional strengthening, fostering good governance in order to contribute to Zimbabwe's economic recovery, and to the consolidation of the democratic process, as well as peace and stability.

Particular attention will be paid to gender, youth, vulnerable groups and migration, as they are cross cutting thematic areas. Additionally, taking into account the importance of the Information and Communication Technologies (ICT) and their applications as drivers of inclusive and sustainable growth, attention will be also given to the deployment of ICTs in all sectors of concentration where appropriate.

Complementarity and synergy with pan-African and regional programmes will be sought, particularly regarding infrastructure, trade, food security, peace and security, electoral support, and migration issues.

In line with its commitment towards the Development Assistance Effectiveness Agenda, the EU will on the one hand support the Government's efforts to implement a development assistance coordination strategy, and on the other hand take forward the joint programming of its development assistance with EU Member States and other development partners.

1.2. Choice of Sectors

1.2.1 Health

The health indicators in the country, although progressively improving, are still reflecting a poor health situation. Life expectancy at birth declined from 62 years in 1990 to 43 years in 2006, mostly from increased adult mortality due to HIV and AIDS; under-five mortality and infant mortality rates at 84 and 57 deaths per 1,000 live births respectively and maternal mortality has more than trebled between 1994 and 2010-11 (960 deaths per 100,000 live births).

Zimbabwe has adopted a National Health Strategy for 2009-2015 (NHS), which is consistent with the EU's policy goals. It aims at providing access to quality and equitable health services to Zimbabweans, with a specific focus on achieving the Millennium Development Goals (MDGs) directly related to health. The NHS adopts a Primary Health Care approach and intends to strengthen the health system by systematically addressing the WHO six building blocks. The NHS identifies four major sector weaknesses in Zimbabwe: deficit of medical and managerial health professionals; irregular availability of essential medicines and medical supplies; inadequate provision and maintenance of equipment and infrastructure especially at peripheral level; and disrupted basic utilities and services. Furthermore, it recognizes that "user fees" continue to be a barrier to access health care for the majority of the population, particularly women and vulnerable groups. The national budget allocation to health continues to be insufficient and in 2014 represented only 8% of the national budget. The Government's

health allocation mainly covers recurrent costs and the investment deficit is particularly acute on health infrastructure, medical supplies and equipment.

In 2010, the Ministry of Health and Child Care (MoHCC) produced a "Health Sector Investment Case" that analysed the costs of the package of health services needed to achieve the MDGs. It concluded that, because of the limited resources, the Government budget allocation to health would not be enough to cover the NHS budget requirements. It is estimated that in addition to the current support by Government and development partners, the financial gap is at more than USD 200 million per year.

The EU humanitarian instrument was critical in addressing emergency health needs in Zimbabwe during the crisis that affected the public health system in 2008. As the system recovered in the following years, humanitarian interventions were progressively linked to development actions funded by the EU and other development partners, in particular through the Health Transition Fund (HTF; i.e. drugs and medicines supply to the peripheral level). However, there are still additional actions that the EU can take to finalise the transition from relief to development, notably in relation with building emergency preparedness capacities and early response of the MoHCC.

Taking into account the above, the overall objective of the EU support to the health sector in Zimbabwe is to improve health outcomes for the population. In line with the recommendations of the Commission Communication on increasing the impact of EU Development Policy⁵, the EU will focus its support to the MoHCC on increasing protection against health threats, on strengthening the national health system and on increasing equitable access of the whole population to quality health services, and in particular the NHS goals:

- Maternal, new-born and child health (MNCH), and nutrition.
- Essential medicines and medical supplies; including the support to the local production of essential medicines and medical supplies and contributing to the provision and maintenance of medical equipment.
- Development of human resources for the health sector.
- Health policy planning and finance, including in particular health policy and strategy development, implementation, and strengthening the emergency preparedness and rapid reaction capacity of the health system.
- Construction, rehabilitation, and maintenance of health facilities especially at primary care level.

1.2.2 Agriculture-based Economic Development

The rationale of focusing EU support on the agricultural sector is the recognition of its key role as a major engine of economic and social development in Zimbabwe. The sector provides livelihood for about 70% of the population, accounts for 23% of formal employment and supplies about 60% of raw materials to the industry. Agriculture also contributes 14 - 18.5% to the Gross Domestic Product (GDP) and approximately 33% of foreign earnings.

⁵ COM(2011) 637 final – Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Increasing the impact of EU Development Policy: an Agenda for Change.

However, agriculture's contribution to GDP has fallen from an average of 19% in 2000 to the present estimate of 13.6%. Factors contributing to low agricultural productivity in general and food security in particular are the limited access to inputs and credit, input/output market inefficiencies, lack of agricultural and rural infrastructure (irrigation, markets, feeder roads), and limited investments in land, and reduced adoption of good agricultural practices for sustainable agriculture.

The Zimbabwe Agricultural Investment Plan (ZAIP) indicates a commitment for allocating 10% of the National Budget to Agriculture in line with the Comprehensive African Agricultural Development Programme (CAADP). Although agriculture has remained a top priority for Government, it has not yet been possible to achieve this threshold. From the total 2014 national budget (USD 4 billion), the estimated share for the Minister of Agriculture, Mechanisation and Irrigation Development (MoAMID) stands at USD 155,256,000 (about 4%), where most of the budgetary allocations are for staffing costs. Past allocations indicate that commitment to the agriculture sector have to date not surpassed the 4% contribution.

The trends of investment in the past decade has been on relief, input support for crops and livestock, measure of market linkages and small scale farmers training. This trend has not changed significantly, with minor contributions to direct infrastructure and other tangible investments.

The EU support to the agriculture-based economic development sector will be aligned with the MoAMID priorities and goals as described in Zim Asset, the draft Comprehensive Agriculture Policy, National Trade Policy, Industrial Development Policy and ZAIIP in line with CAADP.

Over the years, the EU has significantly contributed to a constructive dialogue in the agriculture sector and to the setting up of an efficient network between various concerned stakeholders and the Government. In addition, the EU has been a lead donor in the promotion of initiatives related to agriculture, food security and natural resource management.

The EU support to the agriculture sector will include the three dimensions of social, economic and environmental sustainability. The overall purpose of EU support to agriculture-based economic development is the creation of a diversified, competitive and efficient sector which i) assures increased resilience, food security at both the household and national levels; ii) contributes to employment and income generation; iii) improves the supply of raw material for industry; iv) contributes to improved export earnings and therefore to enhanced economic growth and stability. The EU support will play a particular important role in the sector through the development of value chains while contributing to the creation of an enabling business environment.

Within the link between relief, rehabilitation and development (LRRD) framework, the food assistance provided through the EU humanitarian instrument has been progressively replaced by the EU's developmental response. This attempts to address structural factors underpinning the food security crisis through support among others to improve from the agricultural productivity. Would the food security situation deteriorate to life-threatening levels, the EU humanitarian instrument could be re-activated to address humanitarian needs.

EU assistance will mainstream environment-friendly practices and adaptation to climate change in all sectors through improving capacities of Environmental Management Agency (EMA) to conduct Environment Impact Assessment (EIA), enforce existing laws and review new policies.

1.2.3 Governance and Institution Building

Support to good governance, human rights and democratisation has been one of the pillars of EU development cooperation over the past years. Examples of this are the support provided to the implementation of the Global Political Agreement of 2008, the National Constitutional Process which saw the adoption of a new Constitution for Zimbabwe by way of referendum in March 2013, the strengthening of rule of law focusing on justice delivery addressing both the demand and supply sides, the support to the Parliament and to the newly created Zimbabwe Human Rights Commission (ZHRC) and the Zimbabwe Electoral Commission (ZEC). Funding of culture related initiatives has proven to be a good tool for dialogue and social inclusion, creation of job opportunities particularly for the youth and women as well as for the promotion of democracy and human rights.

The new Constitution adopted and signed into law on 22 May 2013 presents a new framework for engagement with a large number of Zimbabwean stakeholders, including the State and its institutions and civil society. The values and principles contained in the Constitution represent progressive elements upon which future support in the governance sector will be built. It promotes gender equality and women's rights and calls for equal participation of women and men in both the public and private sphere, including institutions and agencies of Government at all levels. The Constitution contains special measures to increase women's representation in politics and decision-making through a quota of sixty seats for women members of the National Assembly to be elected through a proportional representation system.

Public administration, governance and performance management is one of the Zim Asset sub-clusters aiming at improving policy formulation, advocacy and coordination; budgeting and resourcing; public sector modernisation and civil service reform; combating corruption and fostering good governance as well as building capacities for public sector institutions. Zim Asset also makes reference to strengthening Parliament's oversight role in public sector performance and under the Key Result Area 'Gender and Development', one of the strategies identified to achieve improved gender equality and equity is capacity building of elected women Members of Parliament and Councillors. Finally, it mentions under its section 7.2 Social Service Delivery and Poverty Eradication Cluster a justice-related outcome: Improved access to justice by the indigent persons.

In view of this, the overall objective for this sector is to strengthen institutions to foster good governance, promote human rights, democracy and rule of law in order to contribute to Zimbabwe's economic recovery, and to contribute to the consolidation of the democratic process as well as to peace and stability within the framework provided by the new Constitution.

In particular, the EU will provide support aimed at ensuring that Zimbabwe is on track with international best practices in public finance and public sector management, including the implementation of the IMF Staff Monitored Programme (SMP), in cooperation with other stakeholders such as: Non-State Actors, the International Financial Institutions (IFIs) and other co-operating partners, in line with national strategies and policies contained in Zim Asset.

Another essential element of this focal sector will be the strengthening of the rule of law and the respect for human rights through support to the judicial system, both on the demand and supply side through programmes supporting institutions as well as enhancing access to justice for the poor, especially women and vulnerable groups. The policy and legislative framework promotes gender equality as is evidenced by the existence of a plethora of laws which promote the rights of women such as the Legal Age of Majority Act and the Domestic

Violence Act. In April 2014, the Government established an Inter-ministerial Committee to develop mechanisms to address the unprecedented increase in reported cases of rape and sexual abuse of women and girls. One such mechanism is the National Plan of Action against Rape and Sexual Abuse which was adopted in June 2014.

As part of efforts to strengthen and contribute to progress in the democratic process, peace and stability, the EU will provide assistance to Parliament and relevant independent Commissions in the framework of the new Constitution. The EU will also support the promotion of national identity and shared values in Zimbabwean society through the preservation of cultural heritage (including local languages) and promotion of cultural diversity.

Finally, building on current programmes and in coordination with current and future Pan-African and regional programmes, support will be provided to improve the migration policies and improve protection to vulnerable migrants, particularly women.

The identification and implementation of these programming orientations will take place in the context of a national, Government-led development assistance coordination policy, having as reference major policy commitments at regional level and the commitments of the global development assistance effectiveness agenda.

2. FINANCIAL OVERVIEW (Indicative amounts)

Sector 1: Health	EUR 88 million
Sector 2: Agriculture-based Economic Development	EUR 88 million
Sector 3: Governance and Institution building	EUR 45 million
Measures in favour of civil society	EUR 6 million
(Support to Non-Governmental Actors)	
Support measures	
Support to the NAO Office	EUR 3 million
Technical Cooperation Facility	EUR 4 million

3. EU SUPPORT PER SECTOR

3.1 Health

(Indicative amount EUR 88 million)

The EU support to the health sector aims at supporting Government's efforts to provide basic services for the population of Zimbabwe. It will be fully aligned with Zim Asset and with the MoHCC's vision and goals as described in the National Health Strategy 2009-2015. The NHS is based on a Primary Health Care approach and identifies 33 goals in 4 areas for action: (i) Determinants of Health; (ii) Diseases and Population; (iii) Health System; and (iv) Inclusive Implementation.

3.1.1 The following overall and specific objectives will be pursued:

Overall objective

The overall objective is to contribute to the improvement of health outcomes for all the population of Zimbabwe.

Specific objectives

SO1. To increase the protection of both women and men against health threats.

SO2. To strengthen and further develop the national health system.

SO3. To reduce inequalities, including gender-based inequalities, in access to quality health services.

3.1.2. For each of the specific objectives the main expected results are:

Specific objective 1: To increase the protection of both women and men against health threats.

Result 1.1: Increased population access to maternal, neonatal and child health services in quantity and quality, including a comprehensive approach to sexual and reproductive health.

Result 1.2: Epidemic diseases timely detected and controlled and burden of Non Communicable diseases (NCD) reduced.

Result 1.3 Increased Population coverage related to preventable conditions/diseases.

Result 1.4 Reduced percentage of under-five children wasted and/or stunted.

Specific objective 2: To strengthen and further develop the National Health system.

Result 2.1 Improved organization and management of services.

Result 2.2 Improved quality and availability of services provided by health facilities.

Result 2.3 Human resources for health numbers, skills and distribution optimized.

Result 2.4 Primary Health Care infrastructure, including availability of basic services (water/electricity/waste management) adequate according to the level of care.

Specific objective 3: To reduce inequalities in access to quality health services.

Result 3.1 Improved access to and better utilization of health services by the most at risk groups of the population.

Result 3.2 Better health sector governance, management and financing.

Result 3.3 Sound policies, strategies and regulations for the health sector in place.

Result 3.4 Enhanced community participation and involvement in improving health and quality of life.

3.1.3. For each result, the main indicators are:

See annex 3

3.1.4. Development Partner coordination and policy dialogue are:

Development partner and Government policy dialogue takes place through the Health Partners Development Forum chaired by the Minister, which brings together all the sector stakeholders on a bi-annual basis. The Health Development Partners Coordination Group (HDPCG) meets every two months and facilitates coordination and information sharing among bi- and multilateral development partners. MoHCC Annual Plans are discussed in bi-annual meetings organized by the MoHCC, chaired by the Permanent Secretary and attended by all Provincial Health Executives (PHEs), development partners, and other stakeholders including relevant state and para-state institutions, and civil society organizations. Programmes' specific platforms for health partners' coordination and over-sighting are the GFATM-CCM, the HTF Steering Committee, the Zimbabwe United Nations Development Assistance Framework (ZUNDAF) meetings, and the Integrated Support Programme Steering Committee, which membership includes Government institutions, health development partners, civil society organization, people living with specific conditions, national and international agencies, private sector, etc.

There is no overall lead development partner for the sector although an informal division of labour is in place. USAID and the Global Fund focus on fighting HIV/AIDs, malaria and tuberculosis through bilateral programmes; while the EU and its Member States and the rest of the development partners have pooled their fund in the Health Transition Fund that focuses on strengthening the health systems, and reducing the child and maternal mortality as well as the prevalence of other communicable diseases. There is therefore a reasonable degree of harmonization within the sector which could be further improved by strengthening the role of the Health Coordination Group and increasing the frequency of its meetings.

3.1.5. The Government's financial and policy commitments are the following:

The estimated expenditure for the MoHCC under the 2014 National Budget is of USD 337,005,000, which is in line with the last years' trends and represents 8.16% of the National Budget.

- Develop a National Health Care financing policy and strategy. Commit 15% of the National Budget to health in line with Abuja Declaration.
- Implement decentralization of financial management of health facilities.
- Define a cost package of core health services for each level of care and prioritize services accordingly.
- Adopt a 2016-2020 National Health Strategy, which is developed in an inclusive manner and linked to Zim Asset.
- Effective enforcement of non-user fee policy for a clearly defined health service package.

3.1.6. Environmental assessment

Environmental impact assessments will be carried out for major infrastructure works in line with EU guidelines.

3.1.7. The overall risk assessment of the sector intervention:

<u>Risk</u>	<u>Mitigation measure</u>
<u>Government policy and capacity</u> Weak sector coordination capacity.	Harmonize and integrate existing different information sharing and coordination platforms and mechanisms. Ensure availability of technical assistance.
<u>Finance</u> Macroeconomic environment not stable enough for MoHCC to be able to drive the implementation of the National Health Policy. Budget allocation to the health sector remains insufficient not reaching 15% as per Abuja Declaration. HRH salary scale and non-financial benefits insufficient to retain staff in their working stations.	Engaging with Government to help overall national economic recovery. Enhance dialogue between Government and EU about equitable national budget redistribution in favour of social services. Support HRH policy implementation and sustainability
<u>Environmental and climate change:</u> Possible negative environmental impact of new health infrastructure works.	An environmental impact assessments will be carried out for major infrastructure works in line with EU guidelines.

3.2 Agriculture-based Economic Development

(Indicative amount EUR 88 million)

The EU support to agriculture-based economic development aims at the creation of a diversified, competitive and efficient sector which i) assures food security at both the household and national levels; ii) contributes to employment and income generation; iii) improves the supply of raw material for industry; iv) contributes to improved export earnings and therefore to enhanced economic growth and stability. The EU support will play a particular important role in the sector through the development of value chains and contributing to creating an enabling business environment.

3.2.1 The following overall and specific objectives will be pursued:

Overall objective

The overall objective is to contribute to creating a diversified, competitive and efficient agricultural sector that contributes to inclusive economic growth and revenue generation.

Specific objectives

SO1. Improved policy framework to enable sustainable agricultural growth and natural resources management.

SO2. Enhanced competitiveness of the agriculture sector through improved value chains (inputs, production, processing, marketing and trade) and an improved business/marketing environment taking advantage of opportunities arising from i-EPA implementation.

SO3. Enhanced resilience, food security and reduced under-nutrition in children.

3.2.2. For each of the specific objectives the main expected results are:

Specific objective 1: Improved policy framework to enable sustainable agricultural growth and natural resources management.

Result 1.1 Sector policies and risk analysis in the area of agriculture, natural resources environment and climate change are reviewed, developed and/or mainstreamed.

Result 1.2 Strategic partnerships facilitated for increased investment in and financing of the agricultural sector.

Specific objective 2: Enhanced competitiveness of the agriculture sector through improved value chains (inputs, production, processing, marketing and trade) and an improved business and trade environment taking advantage of opportunities arising from i-EPA implementation.

Result 2.1 Increased capacity of farmers and improved access to inputs and services for the development of a productive and competitive agriculture sector.

Result 2.2 Increased competitiveness of agri-businesses (input, output, service delivery, processing, marketing) making use of opportunities arising from regional integration and implementation of the i-EPA (EU-ESA).

Result 2.3 Natural resources are sustainably managed and contribute to economic development and poverty reduction.

Specific objective 3: Enhanced resilience, food security and reduced under-nutrition in children.

Result 3.1 Increased resilience and reduction in number of food insecure households, through livelihood interventions.

Result 3.2 Prevalence of stunting decreased for targeted beneficiaries.

For each result, the main indicators are:

See annex 3

3.2.3. Development Partner coordination and policy dialogue are:

Development partner coordination takes place through the National Agriculture Steering Committee on Agricultural Interventions and a number of thematic working sub-groups (livestock, irrigation, etc.). With regards to Land issues, dialogue with Government takes place in the Steering Committee (Project Board) which has been set up for the EU/UNDP

funded support to the Ministry of Lands and Rural Resettlement. A Food and Nutrition Council (FNC), under the Office of the President and Cabinet, coordinates food and nutrition related issues with respective Ministries (Agriculture and Health). The development partners are present at the level of FNC advisory group and its subcommittees. The Ministry of Environment, Water and Climate conducts regular coordination meetings with development partners. The EU coordinates its actions in the above areas with other development partners and in particular with the EU Member States, through regular meetings and joint monitoring.

Policy dialogue is being developed with the Ministry of Agriculture, Mechanisation and Irrigation Development and the Ministry of Land and Rural Resettlement, through the National Agriculture Steering Committee, which is expected to pave the way for a Government led coordination structure and policy dialogue for the agricultural sector following the CAADP model. A CAADP compact was signed by Government and other stakeholders (including EU) in November 2013.

3.2.5. The Government's financial and policy commitments are:

The Zimbabwe Agricultural Investment Plan, endorsed by Government after final stakeholder consultation, includes a commitment to allocating 10% of the National Budget to Agriculture in line with CAADP. The estimated expenditure for the Ministry of Agriculture, Mechanisation and Irrigation Development under the 2014 National Budget is of USD 155,256,000 which is in line with the last years' trends and represents 3.77% of the National Budget.

With regards to the land policy, the Government is committed to:

- Finalise the adoption and implementation of the land tenure security policies and regulation;
 - Review and streamline the land administration structure and regulations;
 - Complete the backlog on land valuation and compensation;
 - Review and strengthen the dispute and conflict resolution systems, structures and procedure; and
 - Strengthen service delivery capacities of the Ministry of Land and Rural Resettlement.
- The Ministry of Industry and Commerce (MIC) is in charge of implementation of all bilateral, regional and international trade agreements; implementation of the National Policies, i.e. the Trade and Industrial Development Policy.

3.2.6. Environmental assessment

Strategic environmental assessments will be carried out at a sector policy level and environmental impact assessment for some EU supported agricultural interventions, when needed, in line with EU guidelines.

3.2.7. The overall risk assessment of the sector intervention:

Risk	Mitigation measure
In its present mode, land tenure in the country does not encourage private investment in agriculture. Consequently the contribution of that sector to GDP remains compressed/low.	Ensure and continue adequate level of engagement with Government on implementation of land reform policies. Dissemination of information to concerned stakeholders to ensure adequate level of risk analysis and adoption of alternative instruments for collateral and investments.
Insufficient national budget allocations to the agricultural sector and other related Ministries.	Facilitate adequate level of engagement and commitment from the donor community to ensure that key sectors such as agriculture are adequately supported in Zimbabwe; Assist the Government to ensure strengthening of their Public Financial Management (PFM) capacities and performance in key sectors management.
Lack of adequate institutional coordination.	EU will continue and/or reinforce the institutional dialogue (both at policy and operational level) to ensure adequate coordination with all concerned stakeholders.
Climate change will negatively impacts performances in the agriculture sector.	EU will pursue dialogue to enhance development and implementation of Climate change adaptation policies (i.e. DRR – Disaster Risks Reduction).

3.3 Governance and Institution Building

(Indicative amount EUR 45 million)

The EU support to the governance sector will seek to align to Zimbabwe's national priorities and objectives set out in the new Constitution, in the national development policy frameworks and in other Government sector plans.

3.3.1 The following overall and specific objectives will be pursued:

Overall objective

The overall objective is to strengthen public institutions to foster good governance, accountability and transparency in order to contribute to Zimbabwe's economic recovery, and to the consolidation of the democratic process, as well as to peace and stability.

Specific objectives

SO1. To support the implementation of public finance management reforms required to maintain macro-economic stability.

SO2. To support rule of law through judicial reforms and increased access to justice for all without discrimination.

SO3. To contribute to the consolidation of the democratic process, the promotion of national identity and shared values as well as to peace and stability.

SO4. To support the strengthening of the migration governance framework.

3.3.2. For each of the specific objectives the main expected results are:

Specific objective 1: To support the implementation of public finance management reforms required to maintain macro-economic stability.

Result 1.1: Efficiency, transparency and equity in national resources allocations improved, through PFM and Public Sector Management reform processes.

Specific objective 2: To support rule of law through judicial reforms and increased access to justice.

Result 2.1 Increased judicial competence, integrity and professionalism.

Result 2.2 Enhanced capacity of all the population, particularly women and vulnerable groups to exercise their rights and access justice.

Result 2.3 Enhanced efficiency, transparency, and accountability in the justice/court delivery systems.

Specific objective 3: To contribute to the consolidation of the democratic process, the promotion of national identity and shared values as well as to peace and stability.

Result 3.1 Strengthened capacity and independence of the Parliament to effectively perform its duties under the Constitution in particular in law-making, executive oversight and representation.

Result 3.2 National processes of peace and reconciliation addressed in a gender sensitive manner.

Result 3.3 Strengthened capacity of the electoral administration to conduct free and fair elections in a transparent and inclusive way.

Result 3.4 Strengthened capacity and independence of the relevant Constitutional Commissions to effectively perform their mandates.

Specific objective 4: To support the strengthening of the migration governance framework.

Result 4.1 Strengthened institutional capacity and adoption of a coherent and gender sensitive policy and legislative framework for a comprehensive approach to migration.

Result 4.2 Enhanced participation and contribution of Zimbabwean women and men in the diaspora in national development initiatives, including engagement with the Government.

3.3.3. For each result, the main indicators are:

See Annex 3

3.3.4. Development Partner coordination and policy dialogue are the following:

There has been no policy dialogue with Government in the governance sector. Future sector co-ordination will move from programme-specific to sector-wide co-ordination under the lead of the Government in line with the development assistance effectiveness principles.

In the area of Public Financial Management, coordination mechanisms are currently based on bilateral and multilateral initiatives.

The definition of national policies under this focal sector must be inclusive, nationally-owned and participatory-based through the involvement of non-state actors and democratic institutions and relevant stakeholder aiming for policy dialogue.

3.3.5. The Government's financial and policy commitments are:

Zimbabwe is still recovering from an economic crisis that led to dollarization and tight national cash budget operations with very limited resources available, especially for capital investment. Government has however been committed to finance key democratic processes and oversight institutions. Their existence and policy scope are clearly defined and guaranteed in the new Constitution. Government's financial commitment towards the projects and programmes under this sector will be agreed at the identification phase.

The new national development plan, Zim Asset, includes commitments to launch and implement a National Corporate Governance Framework that will result in the re-invention of Government and private sector business to be more people friendly.

In addition, the “Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy” (ZAADDs) seek to address the country's debt overhang which is one of the main economic policy challenges. The Government has also expressed commitment to mining revenue transparency and accountability e.g. the new Diamond Policy which was approved and published in late 2012.

In June 2013, the Government of Zimbabwe signed its first Staff-Monitored Program (SMP) with the IMF, which ended in June 2014. It focused on strengthening the public finances in a sustainable way, maintaining the primary deficit at 0,3% of GDP and avoiding new non-concessional external debt, while protecting priority social spending. It also included Cabinet approval of amendments to the Mines and Mineral Act, the Public Management Bill and Banking Act. All targets and benchmarks for the final review were met. A second SMP was signed in November 2014 covering the period until end of 2015.

3.3.6. When needed, the appropriate type of environmental assessment

The components of this focal sector do not require an environmental assessment.

3.3.7. The overall risk assessment of the sector intervention:

The result framework of this focal sector is based on a number of assumptions, which include:

ASSUMPTION/RISK	MITIGATION MEASURES
All relevant Government bodies are committed to engage in identification and implementation of the activities.	Continued dialogue with the Government.
Following the adoption of Sector Strategic Plans, clear sector plans and/or policy orientations are defined with a transparent and consultative approach and they are shared with all relevant stakeholders.	Continued dialogue with the Government.
Relevant partner institutions, especially those defined in the new Constitution will be effectively established, and the enabling legal instruments enacted.	Support provided for the drafting of new legislation and setting-up of the new Commissions.
Government will revamp coordination with development partners, in line with development assistance effectiveness principles.	Continued dialogue with Government and other donors.
Human and financial resources are available.	Capacity building support provided.

4. MEASURES IN FAVOUR OF CIVIL SOCIETY⁶

In line with the revised Cotonou Agreement and its Annex IV, an indicative amount of EUR 6 million is set aside to support civil society organisations. Additionally, further funding to civil society may be allocated under the three focal sectors in order to reach 5% target of the total NIP allocation in support to civil society organisations. Support shall be provided to their participation in public policy formulation, transparency and accountability, service delivery, inclusive and sustainable growth, and conflict prevention and peace building within the framework of the Constitution and as contribution to the implementation of Zim Asset. Women's organisations should be specially taken into account as they play a key role in fostering women's rights, women's empowerment and for the promotion of gender equality. In addition, social partners, trade unions and employers' organisations will also be taken into account to acknowledge their pivotal contribution to creating decent work conditions.

These programmes will complement actions jointly agreed in this National Indicative Programme. Priorities will be agreed by the NAO and the EU.

The contribution of civil society to development requires the strengthening of community based organizations and non-profit non-governmental organizations in all spheres of cooperation. This will entail the following:

- Encouraging and supporting the creation and development of such organisations.

⁶ Measures in favour of civil society should be understood as support to civil society. The EU considers civil society organisations (CSOs) to include all non-State, not-for-profit structures, non-partisan and non-violent, through which people organise to pursue shared objectives and ideals, whether political, cultural, social or economic.

- Establishing arrangements for involving such organisations in the design, implementation and evaluation of development strategies and programmes.

5. B-ALLOCATION

This NIP does not include an initial B allocation. In case of necessity, the EU, after consultation with the Government of Zimbabwe, will consider whether the adoption of a Financing Decision to meet an unforeseen or urgent need should be taken.

6. SUPPORT MEASURES

6.1. Measures to support or accompany the programming, preparation or implementation of actions.

EUR 4 million is allocated for a Technical Cooperation Facility (TCF), which will aim to support or accompany the programming, preparation or implementation of actions within the three NIP sectors of concentration. Key result areas and activities foreseen under this support include the following:

- a) The successful identification, formulation and preparation of programmes to be supported under the EU-Zimbabwe 11th EDF NIP.
- b) Specific expertise and assistance in Government policy making and implementation.
- c) Specific Expertise for analytical studies and support in line with the Government of Zimbabwe priorities as enunciated in Zim Asset, including support to PFM reforms.
- d) Mainstreaming of gender including the identification of actions and gender disaggregated indicators.
- e) Strengthening of risk analyses and the identification of mitigating measures in the preparation of new projects and programmes.

6.2. Support to the National Authorising Officer

An indicative maximum amount of EUR 3 million may be allocated to support the NAO. Key result areas and activities foreseen under this support include the following:

- a) Strengthening the capacities of the NAO and the concerned line ministries/ agencies to ensure timely and cost-effective preparation/implementation of actions.
- b) Support to the programming and coordination of cooperation between the EU and NAO including monitoring and evaluation of development partner funded programmes.
- c) Strengthening the NAO functions of development assistance coordination and reporting of development assistance flows.
- d) Enabling Government officials, civil society and other stakeholders to attend conference and seminars on EU-ACP initiatives.

Above support measures may include when relevant statistical capacity building in order to strengthen the implementation, monitoring and evaluation of programmes and projects financed under the NIP.

7. ANNEXES

- ANNEX 1. COUNTRY AT GLANCE
- ANNEX 2. DONOR MATRIX SHOWING INDICATIVE ALLOCATIONS PER SECTOR
- ANNEX 3. SECTOR INTERVENTION FRAMEWORK AND PERFORMANCE INDICATORS
- ANNEX 4. INDICATIVE TIMETABLE FOR COMMITMENTS
- ANNEX 5. CONSULTATIONS WITH GOVERNMENT, NON-STATE ACTORS AND PRIVATE SECTOR
- ANNEX 6. COUNTRY STRATEGY PAPER

Annex 1: Country at a glance. Main Socio-economic Indicators

Indicator	Status/Trend
General	
Human Development Index	- 0.397 in 2012, rank 172/187.
Health	
HIV/AIDS-related	- 15% HIV prevalence rate (2010-2011 ZDHS).
Life expectancy at birth	- 54.4 years (ZDHS, 2011-2012)
Maternal mortality rate	- 960 per 100,000 live births in 2012 (compared 287 per 100,000 global average).
Under 5 mortality rate	- 84 per 1,000 in 2011 (ZDHS, 2011-2012).
Tuberculosis - new cases	- Estimated 75,000 cases in 2007 (650 per 100,000 compared to 485 per 100,000 in 2001 and 61 per 100,000 in 1986).
Public expenditure on health	- 8.2% of the 2014 budget compared to 15% standard as per Abuja Declaration
Vaccination coverage	- Primary vaccination course completed in 41% of children in 2005/06.
Education	
Net primary enrolment	- 96.7% in 2006 (compare 96.2% in 2000).
School dropout	- 8.7% in 2005 (compare 6.3% in 2000)
Primary school completion	- 68% (compare 92% in 1990). Completion is decreasing.
Public expenditure on education	- 17.2% of the 2009 (177.3 M\$) budget excluding tertiary education 4.6%; compared to 10% in the 2008 budget.
Adult literacy rate	- 97% in 2011 (compare 81% in 1990). Above indicators might eventually lead to lower literacy rates.
Agriculture / Food Security	
Agricultural production / shortage	- 2010/11 season: ~1,451,000 MT of maize, wheat 40,000 MT production, 250,000 short of requirements for local human consumption at 1.7 million MT.
No. of people in need of food aid	- 1 million Zimbabweans in need of food aid in 2010.
Area under maize production	- 2.2 million Ha under cereal production of which 1.6 million Ha under maize.
Productivity (maize per Ha)	- 0.6 MT/Ha in 2005 (compare 0.87 MT/Ha in 2006 and 0.33 in 2008).
Political Freedom	
Corruption Perceptions Index	- Ranked 157 out of 177 countries in 2013 (Transparency International).
Press Freedom Index	- Rank 151 of 173, index 54 (compare 62 in 2007 and 48.25 in 2002); 0 is "free".
Economics	
GDP nominal	- 12.472 Billion USD in 2012, Est. 12.94 Billion USD in 2013, 13.483 Billion USD in 2014 (IMF).
GDP growth	- 10.6 in 2012, est.3.3% in 2013 and forecast at 3.1% in 2014 (IMF, 2014).
Population	- 13.061 million 2012 (Zimbabwe Population census, 2012).
GDP per capita	- 961 US\$ in 2012 based on population of 13 Million in 2012.
Population below poverty line	- 80% in 2008 (compare 33% in 1990). Incidence is increasing.
Income inequality (Gini index)	- 56.8 for 2003 (0 absolute equality and 100 absolute inequality)
Typical salary of civil servant	- 300 USD per month as at December 2013.
Consumer Basket.	- On average 505 USD PDL as of December 2013 (ZimStats).
Inflation Y-o-Y (official)	- 0.33% at December 2013, 1.2%- forecast for end period 2014
Current account balance	- Deficit 3.074billion USD or 22% of GDP as at end of December 2013.
Exchange Rate	- Not applicable since the adoption of a multi currency system with US dollar and Rand in use for transactions

Sources: Various publicly available and internal estimates.

Annex 2 - Donor matrix showing the indicative allocations per sector

Annex 2 - Donor matrix showing the indicative allocations for

Donor	Year, with details of country strategy and focal sectors (where available) See text on joint programming.									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	
EU	Short Term Strategy 2012/2013: EUR 60 million Health EUR 14.3m, Education EUR 13.3m Food Security & Agriculture EUR 24.6m Private Sector Development EUR 3m Good Governance EUR 4.8m					NIP 11th EDF: EUR 234 million Health: EUR 88m Agriculture based economic growth: EUR 88m Governance: EUR 45m Civil society EUR 6 m., Support to NAO EUR 3m Technical cooperation facility EUR 4m				
	Operational Plan 2011-2015, €350m* [2012= €88m; 2013 = € 82m; 2014 = € 106m; 2015 = € 73m] Health €125m, Education €61m, Livelihoods & Social Protection €53m, Watsan €42m, Wealth Creation €32m, Governance €22m, Humanitarian €15m,					£80m Livelihoods & Soc Prot £24m; Health £24m; Education £11m; WASH £9m; Governance £7m; Wealth Creation £7m				
SWE	Governance: USD 42.1m Human rights: USD 15m Social sectors: USD 39.8m									
DK	Governance: USD 38 million Infrastructure: USD 26 million Private sector development in agriculture: USD 31m					USD 185 million. Focus areas to be defined in 2014				
	Food Sec from 01/2011 – 01/2016 6.9m. €, Agric extension since 2009 till 12/2015, current phase 06/2013-12/2015 4.5m. €; will be extended till 12/17 with 4.5m. € HIV current phase 01/2013-12/2015 3m. € To be finished. Education since 2011 till 07/2014 3m. €; To be finished. WASH 2009 till 12/2014 29 M. €, will be extended until end 2016. Current phase 2015/2016: 5.5m. €; to be extended probably till 12/2018 with 5m. € NGO-Fund; current phase 01/2013-12/2015 4.75m. €. Will be extended till 12/2017 with 1.5m. € Democracy-Fund since beginning of 2009 till 12/2015, will be extended till 12/2017 with 1.0m. €; current phase since 2009 9.1m. € NGO rural development and promotion of democracy. Current 11/2011-09/2017 6.9m. €. Will be extended till 12/2017 with 2.5m. € Civil Peace Service: 01/2015-12/2017 2m. €, Funds: ZIMFUND (infrastructure): current phase 10/2010-09/2014 20m. €; ETF: 04/11-10/2015 22m. €									
USAID	Country Development Cooperation Strategy 2013-2015: Democracy Human Rights and Governance Agriculture and Food Security Food Security/Humanitarian Assistance Health					FY 2015 USD 11 million USD 8 million USD 20 million USD 41 million				
GFATM	Health					USD 447.7 million				
GAVI	Health					USD 35.5 million				

-Germany: No bilateral negotiations since 2000, therefore no country strategy; programming on a one respectively two-year basis, exceptionally three year basis.
-UK: * DFID's finance year is 1st April to 31st March. The 2011-15 Operational Plan runs until 31st March 2015 but for the purposes of this table the first year is included under 2012 and the last year of the OP under 2015. ** DFID's strategy and budgets from 1st April 2015 have yet to be approved but we have given an indicative idea of budget and programming for 2016 (DFIDs FY 15/16)
-USAID is currently operating within the Country Development Cooperative Strategy 2013-2015, a revision of the strategy is planned. The figures for FY 2015 are requested/ indicative in the Congressional Budget Justification FY 2015, not yet finalized.

Annex 3 - Sector intervention framework and performance indicators

Note: All targets are based on current data available and subject to feasibility, identification and assessment studies. Where baselines or targets are not available, these will be determined at project formulation stage. Every time it is possible and meaningful indicators will be disaggregated by gender.

Sector 1: HEALTH

Overall objective: To contribute to the improvement of health outcomes for all the population of Zimbabwe.

SO1: To increase the protection of both women and men against health threats.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
Result 1.1 Increased population access to maternal, neonatal and child health services in quantity and quality, including a comprehensive approach to reproductive health	-% of institutional deliveries <i>Baseline:</i> 65.1% (2013) <i>Target:</i> 85% (2020) -% of women using modern methods of contraception <i>Baseline:</i> 58.7% (2013) <i>Target:</i> 65.5% (2015)	National Health Information System Provincial Medical Directors' Reports Zimbabwe Demographic and Health Survey (ZDHS) Multiple Indicators Cluster Survey (MICS) National Malaria Control Programme ZDHS Integrated Support Programme (ISP)
Result 1.2 Epidemic diseases timely detected and controlled and burden of Non Communicable diseases (NCD) reduced	-% of cholera outbreaks detected within 48h and controlled within 2 weeks <i>Baseline:</i> 100% (2013) <i>Target:</i> 100% (2020) -Number of women at risk screened for cervical cancer at least once in a given year <i>Baseline:</i> 60,000 (2013) <i>Target:</i> 120,000 (2015)	

Result 1.3 Increased Population coverage related to preventable conditions/diseases	-Number of 1 Year-old fully immunised (Penta 3 Coverage) <i>Baseline: 56% (2013) Target: 80% (2020)</i> -Number of 1 Year-old immunized against measles <i>Baseline: 84% Target: 90%</i> -% of population who slept under Long Lasting Insecticidal Net the previous night of the survey <i>Baseline: 94.5% (2013) Target: >95% (2015)</i>	National Health Information System Provincial Medical Directors' Reports ZDHS Multiple Indicators Cluster Survey (MICS)
Result 1.4 Reduced percentage of under-five children wasted and/or stunted	-Prevalence of acute malnutrition (weight/height) <i>Baseline: 3.0% (2011) Target: 1.5%(2020)</i>	ZDHS Multiple Indicators Cluster Survey (MICS)

SO2: To strengthen and further develop the national health system.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
Result 2.1 Improved organization and management of services	-Health information system compliance on completeness <i>Baseline: 82% (2013) Target: 95% (2020)</i>	National Health Information System Provincial Medical Directors' Reports
Result 2.2 Improved quality and availability of services provided by health facilities	-Percentage availability of vital medicines <i>Baseline: 65.7% (2013) Target: 100% (2020)</i>	Vital Medicines Availability and Health Service Survey (VMAHS) National Medicines Survey (NMS)
Result 2.3 Human resources for health numbers, skills and distribution optimized	-Human Resources for Health vacancy rates <i>Baseline: 15% (2013) Target: 5% (2020)</i>	Human Resources for Health Directorate (HRH) MoHCC Health Service Board Reports

Result 2.4 Primary Health Care infrastructures and availability of basic services (water/electricity) adequate according to the level of care	-% of primary health facilities with piped water/electricity <i>Baseline: 52.4% (2012) Target: 90% (2020)</i>	National Health Information System National Integrated Health Survey VMAHS reports
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SO3: To reduce inequalities, including gender-based inequalities, in access to quality health services.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
Result 3.1 Improved access to and better utilization of health services by most at risk groups of the population	-Number of Out Patient (OPD) new cases in a given year <i>Baseline: 8,735,514 (2013) Target: To be defined</i>	National Health Information System Provincial Medical Directors' Reports
Result 3.2 Better health sector governance, management and financing	- % of national budget allocation to health <i>Baseline: 8% (2014) Target: 15% (2020)</i>	-Availability of National Health Policy (NHP) and National health Strategy (NHS)
Result.3.3 Enhanced community participation and involvement in improving health and quality of life	-Number of primary care facilities applying Results Based Financing (RBF) and having an active Health Centre Committee. <i>Baseline: 320 (2013) Target: 1,106 (2015)</i>	Results Based Financing (RBF) annual report Independent Monitoring and Evaluation

Sector 2: AGRICULTURE BASED ECONOMIC DEVELOPMENT

Overall objective: to contribute to creating a diversified, competitive and efficient agricultural sector that contributes to inclusive economic recovery and revenue generation for both women and men.

SO1: Improved policy framework to enable sustainable agricultural growth and natural resources management.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
Result 1.1 Sector policies and risks analysis in the area of agriculture, natural resources, environment and climate changed are reviewed, developed and/or mainstreamed	- Number of agricultural, climate changes adaptation (including DDR), natural resource sector policies, strategies, statutory instruments and risk analyses that have been reviewed, improved, developed and or mainstreamed <i>Baseline:</i> Food and Nutrition Security (FNS) policy supported and launched (May 2013) <i>Target:</i> policies and strategies to be supported, including among others agriculture, livestock and fisheries, irrigation, extension, forestry, wildlife and bio-fuel (2020)	Review reports Stakeholder consultation meetings and conference reports Policy revisions Level of investment in agriculture sector
Result 1.2 Strategic partnerships facilitated for increased investment in and financing of the agricultural sector	- Number of agreements or partnerships established and financed by EU within the agricultural sector <i>Baselines/Target:</i> will be included in the Action documents at the latest	Level of public and private investments, national budget, and budget reviews; Agricultural sector Ministries' reports; Monitoring and evaluation reports

SO2: Enhanced competitiveness of the agriculture sector through improved value chains (inputs, production, processing, marketing and trade) and an improved business/marketing environment taking advantage of opportunities arising from i-EPA implementation.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
<p>Result 2.1 Increased capacity of farmers and improved access to inputs and services for the development of a productive and competitive agriculture sector</p>	<ul style="list-style-type: none"> - Number of people (disaggregated by sex) accessing market information, credit and other rural advisory services <i>Baseline:</i> 270,500 people (to be disaggregated by sex) targeted to receive extension support under ongoing EU programmes <i>Target:</i> will be included in the Action documents at the latest - Levels of agricultural production and productivity <i>Baseline:</i> production: 2,676,717 metric tonnes (MT; 2014 second round crop assessment) productivity: MT average yields per hectare. It will be included in the Action documents at the latest <i>Target:</i> both for production and productivity will be included in the action documents at the latest 	<p>National budget statement, budget revisions; Ministry expenditure reports; Ministry's (Agriculture) reports/ statistics; ZIMRA. ZIMTRADE reports, Minutes of the National Steering Committee for Agriculture Interventions; Project progress, monitoring and evaluation reports; Specific/thematic reports.</p>
<p>Result 2.2 Increased competitiveness of agri-businesses (input, output, service delivery, processing, marketing) making use of opportunities arising from regional integration and implementation of the i-EPA (EU-ESA)</p>	<ul style="list-style-type: none"> - Exports of goods and services as percentage of GDP <i>Baseline:</i> 44% (source: World Bank 2012) <i>Target:</i> will be included in the action documents at the latest - Value of imported goods and services as percentage of the GDP <i>Baselines/Target:</i> will be included in the Action documents at the latest - Number of new products certified and marketed <i>Baselines/Target:</i> will be included in the Action documents at the latest 	<p>Market surveys, Ministry's (Industry & Commerce, Micro Small and Medium Enterprises (MSME) Agriculture) reports/statistics; exports statistics; Business association's reports/statistics; Reports Farmer Unions, Commodity Chain Associations, Standard Association of Zimbabwe (SAZ) reports.</p>

<p>Result 2.3 Natural resources are sustainably managed and contribute to economic development and poverty reduction</p>	<p>-Number of Natural Resource Management programmes supported by the EU are managed in a sustainable manner <i>Baseline:</i> 8 Natural Resource Management programmes (2014). <i>Target:</i> will be included in the action documents at the latest</p> <p>-Number of hectares of protected area conserved <i>Baselines/Target:</i> will be included in the action documents at the latest</p> <p>-Number of Micro, Small and Medium (MSME) enterprises applying Sustainable Consumption or Production practices <i>Baselines/Target:</i> will be included in the action documents at the latest</p>	<p>Project's monitoring and evaluation reports, Ministry of Environment Water and Natural Resources reports/statistics, Environmental Management Agency's reports, Strategic Environmental Assessments, Environmental Impact Assessments, thematic studies, Reviewed Acts and Statutory Instruments</p>
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SO3: Enhanced resilience, food security and reduced under-nutrition in children.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
<p>Result 3.1 Reduction of number of food insecure populations, through livelihood based interventions</p>	<p>- Number of food insecure people (disaggregated by the sex) <i>Baseline:</i> 2 million people receiving food assistance during the lean season 2013-2014 <i>Target:</i> will be included in the action documents at the latest</p> <p>-Levels of resilience in targeted population increased (disaggregated by sex)⁷ <i>Baselines/Target:</i> will be included in the action documents at the latest</p>	<p>ZIMVAC reports, Project monitoring and evaluation reports, thematic studies</p>

⁷ A specific study will come up with an analysis of resilience in the context of Zimbabwe, proving the necessary tools for measuring the levels of resilience.

<p>Result 3.2 Prevalence of stunting decreased for target beneficiaries</p>	<p>- Prevalence of stunting (moderate and severe) of children under-five years of age <i>Baseline:</i> 32% Zimbabwe Demographic Health Survey (ZDHS) 2010-11 <i>Target:</i> < 30% by 2020</p> <p>- Number of households (disaggregated by sex of the head of the household) with access to safe drinking water and basic sanitation supported by the EU <i>Baseline</i> for improved water sources: 77% (ZDHS 2010-11) <i>Target:</i> > 80% by 2020 <i>Baseline</i> for improved sanitation: 37% (ZDHS 2010-11) <i>Target:</i> > 45% by 2020</p>	<p>Zimbabwe Demographic and Health Survey (ZDHS) Multiple Indicator Cluster Surveys (MICS) Curriculum Ad hoc surveys</p>
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Sector 3: GOVERNANCE AND INSTITUTION BUILDING

Overall objective: to strengthen public institutions to foster good governance, accountability and transparency in order to contribute to Zimbabwe's economic recovery and to the consolidation of the democratic process as well as to peace and stability.

SO1: To support the implementation of public finance management reforms required to maintain macro-economic stability.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
<p>Result 1.1: Efficiency, transparency and equity in national resources allocations improved, through PFM and Public Sector Management reform processes</p>	<p>- Set of standard Public Expenditure and Financial Accountability (PEFA)/Country Integrated Fiduciary Assessment (CIFA) indicators <i>Baseline:</i> 2012 PEFA/CIFA Assessment (31 indicators table of overall scores available) and Country Procurement Assessment Reports (CPAR) indicators (14 indicators/overall system score of 44%) <i>Target:</i> will be included in the action documents at the latest</p>	<p>PEFA scores of the latest publicly available assessment (www.pefa.org) CIFA reports Zimbabwe Mining Revenue Transparency Initiative (ZMR TI) reports Annual IMF country reports</p>

SO2: To support Rule of law through judicial reforms and increased equal access to justice for all.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
Result 2.1 Increased judicial competence, integrity and professionalism	<ul style="list-style-type: none"> - Number of legal professionals trained in partnership with the Judicial Services Commission (JSC); sex disaggregated); <i>Baselines/Target:</i> will be included in the action documents at the latest -Number of judges held accountable for professional misconduct per year <i>Baselines/Target:</i> will be included in the action documents at the latest 	JSC reports, Media reports, Workshop/Symposium recommendations, Evaluation reports Workshop/Symposium recommendations Ministry of Justice and Legal Affairs (MoJLA) reports Ministerial statements Government policy papers, Transparency International Zimbabwe reports World Bank Worldwide Governance Indicators

Result 2.2 Enhanced capacity of all population, particularly women and vulnerable groups to exercise their rights and access justice	<p>- % of people aware of their constitutional rights through the provision of legal and civic education (sex disaggregated); <i>Baselines/Target:</i> will be included in the action documents at the latest</p> <p>- Number of cases of legal assistance and aid provided to poor and marginalized people⁸ (sex disaggregated); <i>Baselines/Target:</i> will be included in the action documents at the latest</p>	Testimonials Court records Reports from Civil Society JSC reports, media reports Court decisions/judgements Workshop/Symposium recommendations Evaluation reports Filed Cases MoJLA reports Ministerial statements Human rights monitoring reports Legal Resource Foundation annual reports
Result 2.3 Enhanced efficiency, transparency, and accountability in the justice delivery systems	<p>- % of backlog of open cases in the courts; <i>Baseline/Target:</i> will be included in the action documents at the latest</p> <p>- Number of persons on remand (annual); <i>Baselines/Target:</i> will be included in the action documents at the latest</p>	Court records Reports from Civil Society JSC reports Media reports Court decisions/judgements Filed Cases MoJLA reports Human rights monitoring reports

⁸ Marginalised: women, children, indigent, and people leaving with HIV/AIDS and/or disabilities. According to ZIMSTAT 2014, the total consumption poverty datum line for one person is USD102. Poverty datum line represents the cost of a given standard of living that must be attained if a person is deemed not to be poor. The food poverty datum line represents the minimum consumption necessary to ensure that each household member can consume a minimum food basket representing 2,100 calories.

SO3: To contribute to the consolidation of the democratic process, the promotion of national identity and shared values as well as to peace and stability.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
Result 3.1 Strengthened capacity and independence of the Parliament to effectively perform its duties under the Constitution in particular in law-making, executive oversight and representation	<ul style="list-style-type: none"> - Level of transparency of the budgetary cycle and extent to which it is open to scrutiny of non-state actors <i>Baselines/Target:</i> will be included in the action documents at the latest - Number of pieces of legislation and amendments drafted / proposed / adopted aligned to the new Constitution <i>Baselines/Target:</i> will be included in the action documents at the latest 	Quarterly Reports Minutes of Annual Review Meetings Reports of independent external evaluations Parliamentary publications /printed documents Documented submissions by interest groups and independent experts Workshop reports Records of public hearings Review of legislation
Result 3.2 National processes of peace and reconciliation addressed in a gender sensitive manner	<ul style="list-style-type: none"> - Existence and status of gender sensitive policy and legal framework for peace and reconciliation; <i>Baselines/Target:</i> will be included in the action documents at the latest - Number of hearings/consultations/ outreach undertaken by the National Peace and Reconciliation Commission, and number of attendants/participants to these disaggregated by sex and role (equal representation of women and men among speakers, leaders, experts) <i>Baselines/Target:</i> will be included in the action documents at the latest 	Civil society perception Legislative watch Media reports Participation of Zimbabwean and European artists in events, seminars, workshops and festivals in Zimbabwe, the region and Europe
Result 3.3 Strengthened capacity of the electoral administration to conduct free and fair elections in a transparent and inclusive way	<ul style="list-style-type: none"> - Extent to which electoral processes are undertaken according to good practices and regional standards for elections, including equal participation of women and men therein <i>Baseline:</i> All-Stakeholders' Review Conference on the 2013 Referendum and Harmonised Elections, held in Harare on 19-21 March 2013 <i>Target:</i> will be included in the action documents at the latest 	Election Observation Missions; Southern African Development Community (SADC), Africa Union, Civil Society) Reports Peer-to-peer reviews and missions

<p>Result 3.4 Strengthened capacity and independence of the relevant Constitutional Commissions to effectively perform their mandates</p>	<p>- Extent to which selected independent commissions are implementing their mandate according to Constitution provisions <i>Baselines/Target:</i> will be included in the action documents at the latest</p>	<p>Mandatory annual reports Quarterly progress reports Monitoring reports Media reports Civil society reports Evaluation reports Workshop/Symposium recommendations Ministerial statements</p>
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SO4: To support the strengthening of the migration governance framework.

<u>EXPECTED RESULTS</u>	<u>INDICATORS</u>	<u>MEANS OF VERIFICATION</u>
<p>Result 4.1 Strengthened institutional capacity and adoption of a coherent and gender sensitive policy and legislative framework for a comprehensive approach to migration</p>	<p>- Existence and status of policy and legal framework on migration governance and development <i>Baseline:</i> <i>Anti-trafficking in person's legislation enacted in 2014</i> <i>As of 2014 there is no adopted policy and comprehensive legal framework on migration governance and development</i> <i>Target:</i> to be defined at the project inception phase</p> <p>- Existence and status of national migration data (disaggregated by sex and age) and information management systems <i>Baseline:</i> As of 2014 none of the migration management departments are utilising Integrated Border Management systems <i>Target:</i> to be defined at the project inception phase</p>	<p>Annual Review Reports Reports of independent external evaluations United Nations (UN) /International Organisation for Migration (IOM) Annual reports on population mobility and development Parliamentary publications /printed documents Government Gazette Reports by academic institutions and independent experts on migration, governance and development Workshop/Conference reports Records of public hearings Review of policy legislation</p>

<p>Result 4.2 Enhanced participation and contribution of Zimbabwean women and men in the diaspora in national development initiatives, including engagement with the Government</p>	<p>- Value of formal remittances (annual) <i>Baseline:</i> Diaspora remittances amounted to USD 744 million in 2013 (it represents 15% increase from USD 655 million in 2012) <i>Target:</i> to be defined at the project inception phase</p> <p>- Number of official diaspora engagement and dialogue schemes with support from the Government <i>Baseline:</i> Two government-led diaspora engagement schemes in 2014 <i>Target:</i> to be defined at the project inception phase</p>	<p>Annual Review Reports Reports of independent external evaluations Reports of Zimbabwe Diaspora Associations UN/IOM Annual reports on population mobility and development Investment Surveys Reports Reserve Bank of Zimbabwe reports and other financial institutions ZIMSTAT Migration Profile</p>
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Annex 4 - Indicative timetable for commitments

	Indicative allocation	2014	2015	2016	2017	2018	2019	2020
Health	M€	12.35	37.65			38		
Agriculture-based Economic Development	M€	13	40		35			
Governance and Institution Building	M€	8	10		15		12	
<i>For ACP:</i>								
Other measures (support to civil society)	M€		3			3		
B-allocation	OM€							
Support measures	M€							
<ul style="list-style-type: none"> Measures to support or accompany programming, preparation or implementation of actions 	M€	1		2			1	
<ul style="list-style-type: none"> Support to National Authorising Office 	M€		2			1		
Total commitments	M€	34.35	92.65	2	50	42	13	

ANNEX 5 - Consultations with Government, Civil Society and Private Sector

The National Indicative Programme was elaborated by a joint task force and sector working groups that met regularly between June and July 2014.

The joint task force was co-chaired by the Ministry of Finances and Economic Development and the EU and in addition included the Office of the President and Cabinet, the Ministry of Foreign Affairs, the Ministry of Agriculture, Mechanisation and Irrigation Development, the Ministry of Justice, Legal and Parliamentary Affairs, the Ministry of Health and Child Care and the Ministry of Women Affairs, Gender and Community Development.

The sector working group on Health was chaired by the Ministry of Health and Child Care and the Ministry of Public Service, Labour and Social Welfare, the Ministry of Environment, Water and Climate and the Ministry of Finances and Economic Development together with EU were members.

The sector working group on Agriculture-based Economic Development was chaired by the Ministry of Agriculture, Mechanisation and Irrigation Development and the Ministry of Environment, Water and Climate and the Ministry of Finances and Economic Development, Ministry of Industry and Commerce and Ministry of Women Affairs, Gender and Community Development together with the EU were members.

And the sector working group on Governance and Institution Building was chaired by Ministry of Justice, Legal and Parliamentary Affairs and the Office of the President and Cabinet, the Ministry of Foreign Affairs, the Ministry of Primary and Secondary Education, the Ministry of Finances and Economic Development together with the EU were members.

On the 28th of May 2014, the NAO and the EU jointly invited over 100 representatives of civil society organisations, private sector, international organisations, and chairs of the relevant parliamentary committees as well as the EU Heads of Mission to a consultation workshop on the draft NIP, which was shared in advance. The workshop was chaired by the Minister of Finances and Economic Development and counted with the presence of the Ministers of Agriculture, Mechanisation and Irrigation Development; Justice, Legal and Parliamentary Affairs; Health and Child Care and the Minister of Media, Information and Broadcasting Services. The programme for the consultative workshop included remarks by the Head of Delegation, Aldo Dell'Ariceia and by Td. Col. Katsande, Deputy Chief Secretary of the Office of the President and Cabinet. The keynote address was delivered by Hon. P.A. Chinamasa, Minister Finances and Economic Development. The official opening was followed by plenary sessions on the three sectors of concentration with panel discussions, including representatives from the Ministries, Parliament Committees, Civil Society Organisations and the EU Delegation. Other participants had the occasion of putting question and sharing comments directly with the panel, while the facilitator of the workshop also collected questions and comments via SMS and "whatsapp", which he also shared with the panels. The

Permanent Secretary of the Minister of Finances and Economic Development and National Authorising Officer, Mr W.L. Manungo explained the way forward/next steps and the Director of NANGO, the umbrella NGO organisation who facilitated the invitation to CSOs, closed the workshop with a vote of thanks.

Most comments were not directly linked to the NIP but of a more general nature in relation with the sector as well as Government/CSOs relations.

The NIP was revised by the Joint Task Force at the beginning of July to take into account comments from consultative workshop and from the EU member states represented at Harare level. The main changes were regarding the need to improve gender mainstreaming, strengthen the language on human rights and the references to the new Constitution as well as to reduce and improve the indicators.

The draft was submitted to the EU headquarters (DEVCO/EEAS) on the 4th of July and following comments received from the Country Team Meeting on 18th July a new version was prepared and discussed with Member States on 25th July 2014. The revised draft was then discussed with the NAO and involved Line Ministries through a series of meetings. The NAO formally provided his agreement with the revised draft by letter of 28th August 2014.

**Zimbabwe – European Union
Country Strategy Paper
2014- 2020**

List of Acronyms

ACC- Aid Coordination Committee
ACP- Africa, Caribbean and Pacific
ACU- Aid Coordination Unit
BEAM – Basic Education Assistance Module
COMESA- Common Market for Eastern and Southern Africa
EAC – East African Community
EDF – European Development Fund
EMA – Environmental Management Agency
ETF – Education Trust Fund
EU – European Union
GDP – Gross Domestic Product
GPA – Global Political Agreement
HDI – Human Development Index
HIV/AIDS – Human Immunodeficiency Virus Infection/Acquired Immunodeficiency Syndrome
HTF – Health Transition Fund
ICT –Information and Communications Technology
IEPA – Interim Economic Partnership Agreement
IMF – International Monetary Fund
MDC – Movement for Democratic Change
MDG – Millennium Development Goals
MTP – Medium Term Plan
SADC – Southern African Development Committee
STERP – Short Term Emergency Recovery Programme
STS – Short Term Strategy
UN – United Nation
UNDP – United Nation Development Programmes
UNICEF – United Nations Children’s Fund
WTO – World Trade Organisation
ZANU (PF) – Zimbabwe African National Union – Patriotic Front
ZIMFUND – Zimbabwe Multi-Donor Trust Fund

Executive Summary

The 2014 - 2020 Country Strategy Paper is a result of an intensive consultative process involving national authorities and non-state actors. This strategy was made possible following the suspension of the Article 96 Appropriate Measures on the 23 July 2012 by the European Council, expected to lead to normalized relations between the EU and the Government of Zimbabwe, in anticipation of direct cooperation with the Government under the 11th EDF when it takes effect in 2014.

Pursuant to the desire of working together to resolve the challenges facing Zimbabwe, the Global Political Agreement (GPA) was signed on the 15 September 2008 between the former ruling party ZANU-PF and the two formations of the MDC with the facilitation of SADC and the AU. Among other priorities, it provided for the formation of an Inclusive Government comprising members drawn from the political parties signatory to the GPA. The Inclusive Government has made significant progress on several of the GPA priorities, including economic stabilization and recovery, improving basic services delivery, and establishing the Media, Human Rights and Elections Commissions. At the same time challenges remain. SADC has urged the parties to conclude the constitution making process and finalize a road map for elections.

The EU suspended on 23 July 2012 Article 96 Appropriate Measures in anticipation of direct cooperation with the Government under the 11th EDF when it takes effect in 2014. However, Restrictive Measures under the EU Common Foreign and Security Policy remain in force.

The Zimbabwean economy is on a growth trajectory since the inception of the Inclusive Government in February 2009 and the adoption of measures to restore economic stability and growth. However, growth is expected to slow down due to underperformance in the agricultural sector together with other structural challenges such as a huge infrastructure deficit, high external debt burden, liquidity constraints, lack of access to international lines of credit and a business environment that requires further policy predictability.

The Government's programme to address the above challenges is spelt out in the country's national development plan, the Medium Term Plan (MTP) which runs from 2011 – 2015. The MTP's main goal is to transform the economy, reduce poverty, create jobs, maintain macroeconomic stability and restore the economy's capacity to produce goods and services competitively.

Agriculture plays a pivotal role in Zimbabwe's economy. The sector provides livelihood for about 70% of the population and supplies about 60% of raw materials to the industry. However, agriculture's contribution to GDP has fallen from an average of 19% in 2000 to the present estimate of 13.6%. Factors contributing to low agricultural productivity in general and food security in particular are the limited access to inputs and credit, input/output market inefficiencies, lack of agricultural and rural infrastructure (irrigation, markets, feeder roads), and limited investments in land, and reduced adoption of good agricultural practices for sustainable agriculture. Although the sector has been recovering for the last three years, over 1.6 million people are projected to be food insecure in 2012/2013. The cumulative grain deficit for all estimated food insecure rural households is equivalent to 146,141 tons.

In the social sectors, the country witnessed increased poverty levels over the period 2000 - 2008 and a decline in education and health indicators. In spite of some nascent recovery in the public service delivery system in the last two years (2010 and 2011), service delivery remains weak. Moreover, user fees continue to be a barrier to health care and school levies are contributing to greater disparities in access. Although a number of social protection programmes are in place, Government funding is limited; hence donor financing continues to be critical to ensure continuity in the provision of social services.

Zimbabwe is endowed with rich natural resources that include minerals, forests and wildlife. However, the country is facing major environmental threats. These include climate change, land degradation, deforestation, water pollution and poaching at a large scale.

Zimbabwe still faces substantial infrastructure gaps in all sectors of the economy that are constraining economic growth and development. The infrastructure deficit is estimated at USD 14.2 billion and it includes energy, transport, water and sanitation, and ICT. The Government has prioritized infrastructure development as a key enabler for sustained economic growth, but the attained service delivery levels still fall short of the ideal requirements.

Since the inception of the Inclusive Government, EU's aid to Zimbabwe has been structured along the definition of Short Terms Strategies (STS), which have combined in a coherent approach the resources from the EDF B envelope with those coming from a number of EU budget instruments. EU aid managed by the European Commission has been historically focused on three pillars: supporting economic growth through agriculture, supporting the delivery of basic social services and promoting good governance, democratization and human rights. Until 2010 it also included an important humanitarian component, which is now being gradually phased out.

Although the Government adopted the Aid Coordination Policy in May 2009 underpinned by institutional frameworks, the existing aid coordination mechanism has not effectively fostered an overall structured policy dialogue. At sector level though, policy dialogue led by the relevant line Ministries has been stronger. Sector coordination groups in which development partners are present are regularly scheduled in the health and education sectors and an institutional dialogue on food security is ongoing with the Ministry of Agriculture, Mechanisation and Irrigation Development. While Zimbabwe is not a signatory to the Paris Declaration, it continues to participate in the discourse shaping the global agenda on aid and development. The Country has participated in major conferences and consultative meetings on aid effectiveness. Development partners are not using country systems to deliver aid in Zimbabwe, but there has nonetheless been significant progress towards alignment and harmonization in health and education through the use of sector pooled fund mechanisms.

The overall objective of the EU in Zimbabwe is to reduce and eventually eradicate poverty and to support economic growth, good governance as well as peace and stability. In order to achieve this, and in line with the EU's commitment towards the international aid effectiveness agenda, and in particular towards the Busan Peace and State Building Goals, EU's development cooperation with Zimbabwe will focus on supporting agricultural based economic recovery, increasing equitable access to public health services, and on strengthening the economic and institutional governance capacities of the public sector. The EU response strategy aligns to Zimbabwe's national priorities and objectives as enunciated in the MTP, to the GPA reform commitments and to the relevant government sector plans.

1. Country Analysis

1.1 Political Situation

Zimbabwe held harmonised elections in March 2008 covering Local Government, Parliamentary and Presidential elections. The Parliamentary election resulted in a hung parliament. There was no clear winner in the Presidential election leading to a run-off election that was held on 28 June 2008.

Following challenges faced by Zimbabwe, and pursuant to the desire of working together to resolve them, the Global Political Agreement (GPA) was signed by ZANU (PF) and the two MDC formations on 15 September 2008 following the facilitation by SADC and the AU as guarantor. The Global Political Agreement defined its priorities, among others, as the restoration of economic recovery and stability, the removal of sanctions imposed by some sections of the international community since 2000, upholding the constitution and adhering to the rule of law and promoting the values and practices of tolerance, respect, non violence and dialogue as means of resolving political differences. The GPA also set out a process of making a new people-driven constitution that would be submitted to a referendum ahead of the next elections. The GPA also provided for the formation of an Inclusive Government comprising members drawn from political parties' signatory to the GPA.

An Inclusive Government was formed in February 2009. Since its formation, the Inclusive Government has made significant progress. The Government has, for example, since established the Media, Human Rights and Election Commissions as provided for in the GPA. By the end of 2011, the Zimbabwe Media Commission had licensed 28 newspapers while the Broadcasting Authority of Zimbabwe has licenced two new television/radio stations. There have also been achievements in economic area, including budgetary discipline, the containment of inflation, the improvement of service delivery in health and education sectors, as well as the rehabilitation of basic infrastructure such as water and sanitation facilities. The Joint Monitoring and Implementation Committee (JOMIC) composed of 2 representatives from each signatory political party was set up to monitor and review progress in the implementation and achievement of the priorities and objectives of the GPA.

At the same time, challenges remain. The latest SADC Summit held in Maputo in August, 2012 urged the Zimbabwean Parties to continue the implementation of the GPA and to, in particular, work together to conclude the constitution-making process. The Summit also urged the Parties to finalize a roadmap for elections that should create conditions for the holding of free and fair elections.

Following the signing of the GPA and the creation of the Inclusive Government, a political dialogue under Article 8 of the ACP-EU Cotonou Partnership Agreement between the EU and Zimbabwe was launched in Brussels, Belgium on 18 June 2009, aimed at achieving full normalization of relations. Since then, four high level dialogue meetings have been held between the EU and Zimbabwe. At the latest such meeting held on 10 July 2012 between the Zimbabwe Ministerial Re-engagement team and the EU High Representative for Foreign Affairs and Security Policy, Lady Catherine Ashton, the Zimbabwean side called for the immediate and unconditional removal of EU sanctions against Zimbabwe.

On 23 July 2012, the EU suspended Article 96 Appropriate Measures in anticipation of direct cooperation with the Government under the 11th EDF when it takes effect in 2014. However, Restrictive Measures under the EU Common Foreign and Security Policy remain in force.

1.2 Economic Situation

The Zimbabwean economy is now on a growth trajectory having achieved growth rates of 5.6% in 2009, 9.6% in 2010 and an estimate of 9.3% in 2011. The GoZ estimates growth in 2012 at 5.6% in line with IMF forecasts. Growth in 2012 is mainly underpinned by strong growth on mining (16.7%), Financial Services (23%), tourism and distribution (10.4%) The lower than anticipated economic growth in 2012 is mainly a result of underperformance in agriculture which is estimated to have declined by 5.8% due to the poor agriculture rainfall season, together with other structural challenges. Notwithstanding this, agriculture remains one of the biggest contributors to the economy. In 2012, sector contributions to GDP are estimated at 13.6% for agriculture, manufacturing (14.7%), mining (10%), transport and communications (11.3%) and tourism (9%)⁹.

The economy's stability came as a result of the coming in of the Inclusive Government in 2009. The Inclusive Government launched an economic blue print named Short Term Emergency Recovery Programme (STERP) in 2009 which achieved stabilization of the economy through the introduction of the multi-currency regime replacing the Zimbabwean dollar and the cash budget system aimed at curbing budget deficit, which was a common phenomenon prior to 2009. The major achievement of STERP was the stabilization of inflation which is in the single digit range since 2009. In addition, the Reserve bank of Zimbabwe ceased its quasi-fiscal activities which resulted in hyperinflation and begun to focus on its core mandate.

In order to sustain the growth momentum of the first two years following the birth of the Inclusive Government, the Government launched the Medium Term Plan (MTP) 2011-2015 in July 2011, which builds on the foundation laid by (STERP), and the Three Year Macroeconomic Policy and Budget Framework (STERP II). The MTP is Zimbabwe's Five Year Development Plan (2011-2015) which clearly sets out the national priorities, policies and projects to be implemented during the plan period. The key thrust of the MTP is to address structural issues that are necessary to move the economy forward beyond stabilization. The main objectives of the MTP are economic transformation and restoration of the country's productive capacities.

However, the performance of the economy remains below its potential owing to challenges such as; lack of working capital due to domestic liquidity constraints, limited external lines of credit, high utility tariffs, influx of competitive cheap imports, frequent power outages, comparatively high cost of labour and skills flight.

The economy is currently experiencing a negative trade balance, as imports are largely increasing compared to exports. In 2012 export revenues are expected to increase to \$ 5.2 billion, while imports are projected to amount to \$ 8.2 billion. This translates into a \$ 2.8 billion deficit. Minerals accounted for about 71% of total exports, led by platinum, diamonds and gold. Tobacco accounted for 12%, the rest of the agricultural sector for 8.5 % and manufacturing by 8.5%. Zimbabwe remains very dependent on commodity exports, it lacks a

⁹ ZIMSTAT, Ministry of Finance, Reserve Bank of Zimbabwe and Ministry of Economic Planning & Investment Promotion Macroeconomic Framework figures

wider export basket that would include value added products (manufactured and semi-manufactured)¹⁰.

South Africa is Zimbabwe's major trading partner accounting for at least 40% of total exports and 60% of total imports. Traditionally, the EU used to be the major export destination for Zimbabwe accounting for two-thirds of total exports. With around 7% share of Zimbabwe's total exports, China is now the third most important market for Zimbabwe's exports after South Africa and the EU.

The EU supported the country in developing its National Trade Policy (2012-2016) which was launched on 29 March 2012. Its main principles are; export-led industrialisation, export development and promotion, regional and multilateral trading agreements, strategic trade policy instruments, and institutional capacity development.

In August 2009, Zimbabwe signed the Interim Economic Partnership Agreement (IEPA) to avoid trade disruption with the EU. Following the Signature of the Interim EPA, Zimbabwe ratified the Agreement in March 2012 and Provisional Application of the Agreement commenced on 14 May 2012. The interim EPA consolidates the duty-free, quota-free market access which the EU offers to all exports, except for sugar which has a limited transitory period up to 2015. The EU also provides to Zimbabwe resources ("Sugar Facility") to cushion the impact of progressive removal of preferential access to EU market of sugar from ACP countries.

The following are challenges facing the economy going forward:

- The manufacturing sector is facing the challenge of de-industrialization and liquidity crunch. Most manufacturing companies are using outdated machinery thereby producing uncompetitive products on the international markets. This has resulted in the shutting down or downsizing of several companies. The collapse of the sector has serious repercussions on the employment creation capacity of the economy;
- Power outage is a serious challenge. Inconsistent power supply is interrupting production in industries which force companies to use generators, which are more expensive;
- A business environment that requires further policy predictability; and
- Zimbabwe's huge external debt is a serious threat to the economic growth of the country. Huge external debt has increased the country risk profile and credit worthiness locking all lines of credit which are much needed to jump start the economy.

1.3 Sustainable Agriculture and Food Security

Agriculture plays a pivotal role in Zimbabwe's economy and has the potential to significantly reduce poverty, enhance economic growth and entrench stability. The sector provides livelihood for about 70% of the population and supplying about 60% of raw materials to the industry. Agriculture is currently contributing on average about 22% to export earnings¹¹.

Agricultural production in Zimbabwe constitutes of crop and livestock production. Crop production includes maize, cotton, wheat, tobacco, coffee, sugar, tea, horticultural products,

¹⁰ Balance of Payments, Reserve Bank of Zimbabwe

¹¹ Balance of Payments, Reserve Bank of Zimbabwe

sunflower and small grains among others. Livestock production consists of beef, dairy, poultry, sheep among others. Cereals production in Zimbabwe includes maize, wheat and other small grains. Major cash crops include cotton, tobacco, tea and other horticultural products.

The contribution of Agricultural production to GDP has been fluctuating over time due to various reasons mainly fluctuations in output of major commodities such as maize, tobacco, cotton, sugar and wheat among others. This has seen agriculture contribution to GDP falling from an average of 19% in 2000 to present estimate of 13.6%¹².

There has been a substantial change over recent years in the agricultural sector in the production and marketing of various commodities. Where previously production was dominated by few large scale producers, this has now shifted to many small scale producers. This shift has had a profound impact on the organization of commodity chains, on demands for agricultural support services, as well as on requirements regarding agri-finance, marketing and commercialization of products. After years of declining production of all major commodities, recovery is now taking place, though productivity is often still far below potential, requiring longer term investments in order to improve further.

Factors contributing to low agricultural productivity in general and food security in particular are the limited access to inputs and credit, input/output market inefficiencies, lack of agricultural and rural infrastructure (irrigation, markets, feeder roads), limited investments in land, and reduced adoption of good agricultural practices for sustainable agriculture.

As a result of budgetary constraints faced by the Ministry of Agriculture, Mechanization and Irrigation Development, there has been little investment on agricultural support services such as extension and research to promote good agricultural practices and to adapt to the changed circumstances. The annual budget of the Ministry is largely absorbed by recurrent expenditures, while capital expenditure remains low.

According to the Zimbabwe Vulnerability Assessment Committee, May 2012 report, about 19% of the rural households are projected to be food insecure for the 2012/13 consumption year, 7% points higher compared to the previous year (12%). This represents about 1,668,000 people. The cumulative grain deficit for all estimated food insecure rural households is equivalent to 146,141 tons.

The 2011/12 drought's impact on most rural livelihoods brings to the fore the reality of the high vulnerability of most rural livelihoods to variability of weather patterns and the urgency with which the nation has to strengthen its weather related hazards preparedness and mitigation strategies.

1.4 Regional Integration and Cooperation

Zimbabwe is a member to various regional and multilateral regional organizations aiming at enhancing economic development, as well as consolidating democracy, peace, security and stability. These organizations include COMESA, SADC, ACP and the World Trade Organisation (WTO). The country is participating in the COMESA/EAC/SADC Tripartite Initiative aimed at harmonizing trade regimes of the three Regional Economic Communities. Zimbabwe is also a Signatory to the ESA-EU Interim Economic Partnership Agreement.

¹² ZIMSTAT, Ministry of Finance, Reserve Bank of Zimbabwe and Ministry of Economic Planning & Investment Promotion Macroeconomic Framework figures

In pursuit of regional integration priorities, namely enhancement of market access, infrastructure and industrial development and trade facilitation under the above-mentioned regional groupings, the country's efforts to fully benefit from the process has been constrained by supply-side constraints and limited trade facilitation initiatives.

The constraints include low capacity utilisation as a result of lack of affordable lines of credit, high cost of utilities, erratic supply of power, loss of skilled labour, use of antiquated equipment, delays at the port entry, ageing infrastructure and underinvestment thereby reducing growth prospects and increasing poverty. The country's infrastructure including road, railway and power requires rehabilitation, maintenance and expansion. Poor transport systems are adversely affecting industrial competitiveness by raising the unit cost of freight hence rendering the country's exports uncompetitive. These constraints are hampering the full realisation of Zimbabwe's potential in regional and international export performance whilst at the same time affecting the country's meaningful participating in regional integration processes.

1.5 Social Situation and Vulnerability

Zimbabwe over the period 2000 - 2008 witnessed increased poverty levels, worsened by poor economic performance and frequent droughts among other shocks. The last Poverty Assessment (2003) indicated that the population living below the total consumption poverty line (TCPL) was 72%, an increase from 55% in 1995. Generally, poverty was higher among rural communities as compared to urban areas. According to the UN Human Development report, Zimbabwe's HDI value for 2011 is 0.376, in the low human development category. The estimated GDP per capita in 2011 was USD 432. Although both GDP and HDI are still low, Zimbabwe's performance is on the rebound, with relative improvement in health, education and income following the stabilization of the economy over the last two years.

In the health sector, life expectancy at birth declined from 62 years in 1990 to 43 years in 2006, mostly from increased adult mortality due to HIV and AIDS. Other key health indicators have also deteriorated¹³. Under-five mortality and infant mortality rates have sharply increased while maternal mortality has more than trebled between 1994 and 2010-11. The latest data available indicates that Zimbabwe will not meet any of the health and nutrition related MDGs without a major new concerted effort.

The period 2000 to 2008 has also seen a decline in the education system characterised by the deterioration of school and ICT infrastructure, double sessions which reduced learning time, teacher shortage emanating from skills flight, shortage of teaching and learning material, high fees and levies barring indigent children from accessing education. Currently, one million primary school learners apply for Basic Education Assistance Module (BEAM), yet only 50% access this fund. Of note is that an estimate of 700 000 children are orphaned through HIV/ AIDS.

Consequently, MDG 2- "Universal Primary Education" indicators showed a decline in both completion rates (from 73.95% in 2000, to 68.2% in 2006) and net enrolment ratios (from 98.5% in 2002 to 91% in 2009) which was not the case in most African countries.

The capability of the public system to deliver services to the population has been affected. In spite of an incipient recovery over the last two years, the public system remains weak and it is still characterised by deficit of qualified professionals; by inadequate provision and maintenance of equipment and infrastructure; and by disrupted basic utilities and services. Furthermore, "user fees" and school levies continue to be a barrier to health care and basic education and are contributing to greater disparities in access, effectively excluding poorer people.

¹³ According to the recently published Zimbabwe Demographic and Health Survey (ZDHS) 2010-2011

A number of social protection programmes have been put in place in order to mitigate the impact of various shocks both at the household and community levels. These include harmonized social cash transfers in which Government and development partners are currently supporting 18,318 ultra-poor and labour constrained households; and the Basic Education Assistance Module (BEAM), which is supporting 580,000 children with school fees, levies and examination fees. The Phase II of the National Action Plan for Orphans and Vulnerable Children also provides child protection services. The Government has also adopted a policy to gradually remove user fees for maternal health in order to reduce maternal and infant mortality deaths. However, Government funding is limited; hence, donor financing continues to be critical to ensure continuity in the provision of essential social services.

One of the results of the socio-economic challenges experienced in the country was an increase in migration to neighbouring and overseas countries as a coping mechanism. Zimbabwe is a transit country for East and Central African migrants largely destined to South Africa. The country also continues to receive high numbers of refugees and asylum seekers, some of whom are in dire need of social assistance. The Government has established various interventions at Refugee Camps in order to better cater for the humanitarian needs of asylum seekers as well as to monitor the migratory patterns in this category.

1.6 Environmental Situation

Zimbabwe is endowed with rich natural resources that include minerals, forests and wildlife. However, according to the third “Zimbabwe Environment Outlook” recently published by the Environment Management Agency (EMA), increasing poverty coupled with Government’s insufficient means to enforce environmental protection legislation, has led to an unsustainable use of natural resources. Climate change, land degradation, water pollution and poaching at a large scale are the major environmental threats that Zimbabwe is currently facing.

Climate change is considered as a key issue in Zimbabwe. Weather patterns, including rainfall and temperature trends have changed. Climate variability and frequency of droughts and floods have increased and are now affecting food security and ecosystems.

Land degradation is increasing, due to inadequate conservation practices (clearing of land and deforestation). This has resulted in a significant loss of soil fertility and water retention. Consequently agricultural productivity and resilience to droughts and floods are decreasing. A number of mitigation and adaptation initiatives are being put in place, such as developing conservation agriculture in arable areas or encouraging increased involvement of communities in the management and control of natural resources, but they will require strong Government action to succeed.

Surface water, which depends on unpredictable seasonal rainfalls, contributes to 90% of water supply in Zimbabwe. Although a large network of dams and lakes that store excess of runoff water exists, Zimbabwe may experience water shortages by 2025 due to increased demand for agriculture and domestic use. Improved water management is therefore likely to become a key requirement that both Government and water users will need to address in the near future. Water quality is also an issue of concern. Water is being affected by pollution from urban sewage treatment plants and industrial effluents, by mining activities including gold panning, and by agriculture activities. Existing legislation regulating the use of water is not always enforced or respected due both to insufficient means available to the relevant agencies and to low awareness from water users.

Biodiversity of fauna and flora in Zimbabwe is remarkable. Deforestation, illegal invasion of wildlife areas, poaching, widespread savannah burning and forest fires, and water pollution are the main threats to it. Increasing awareness, supporting community based natural resources initiatives, developing responsible tourism, and enforcing existing legislation are the main measures that need to be put in place to protect this key natural asset.

Environmental protection measures need to be mainstreamed in all sectors of the economy if they are to be effective. There is also a need to involve the population in the preservation and sustainable management of the natural resources and to enhance the capacity of the Government to improve and enforce environmental legislation

1.7 Country Capacities

The comparatively high diversification of its economy and the strengths of its education sector -including at tertiary level- allowed Zimbabwe in the past to enjoy an important endowment of human capital. Zimbabwe used to stand out in the region as a country with significant capacities. While this is a comparative advantage that Zimbabwe still enjoys to some extent, the skills flight during the past decade has created gaps in existing capacities in the public sector. Assessments based on international standards recently performed have outlined current shortcomings and needs. Thus, the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDs) calls for capacity development of civil servants in this crucial area; the IMF Art. IV staff reports have outlined shortcomings in financial sector management, and a Country Integrated Fiduciary Assessment (CIFA) draft report completed in November 2011 for 2009 and 2010, highlights needs in Public Finance Management, which have to be tackled ahead of any possible development of more direct forms of co-operation with the international partners. The Country Integrated Fiduciary Assessment indicates that accounting, procurement systems and budget execution reporting had worsened over the period 2000 - 2008.

The 2011-2015 MTP foresees to undertake a "skills inventory that identifies critical skill deficiencies and institutes necessary capacity building initiatives to close identified skills gaps". The Government is also putting in place skill retention policies in the public service in order to address 'human resource capacity constraints'. The Plan also identifies the need for capacity building for Local Authorities in the ICT sector, with a specific target on e-Government.

The role of the private sector in fostering economic growth is fully recognised in the MTP, but far reaching reforms are required to reduce the risk for investors and make Zimbabwe an attractive investment destination. The private sector led economic recovery is expected to be driven by a group of sectors including agriculture, manufacturing, mining, tourism, finance, and infrastructure development. Small and medium enterprises are expected to play a key role. The key objectives across these sectors are to improve access to international markets by focusing initially on regional markets, both SADC and COMESA, and increasing access to capital.

In terms of capacity needs, there is a need to better align the financial sector to the needs of the productive sector, to adopt new technologies including ICT, and to develop knowledge based industries. The mining sector needs its own skills development and retention policy. Finally, the MTP outlines a cross-cutting need for capacity development of both public and private actors in developing women entrepreneurship, and the need of technical capacity development on climate change-related issues.

1.8 Other Important Elements

1.8.1. Infrastructure

The Country still faces huge infrastructure gaps in all sectors of the economy that are constraining economic growth and development. The huge infrastructure deficit is estimated at \$14.2 billion¹⁴ covering energy, transport, water & sanitation, and ICT.

Since 2009, Government has prioritised infrastructure development as a key enabler for sustained economic growth. These interventions have had some modest improvements in service delivery. However, the attained levels still fall short of the ideal requirements. For example, in the energy sector, the current generation level is at 1,200 MW while the ideal requirement would be at 2,300 MW. Rural electrification only reaches 10% of the total needs. In the water and sanitation sector, urban supply has a 46% coverage rate (ideal requirement 90%), while rural water supply, urban sanitation and rural sanitation respectively reach 40%, 30% and 20% cover rates. In the Transport sector, only 24% of roads are considered to be in good status while for 40% the status is poor. The rail network transport capacity only reaches 4 million tonnes (ideal requirement 18 million). Finally in the ICT sector, internet connectivity is at 20%¹⁵.

1.8.2. Mining

The Mining sector contribution to the Zimbabwean economy has almost trebled from 4% between 1999 and 2008 to current levels of around (10%) of GDP. Key minerals, which underpin the sector and their respective projected outputs in 2012 are Gold (15 tons), Platinum (12 tons), Nickel (8 800 tons), Coal (3.5 million tons), Chrome (750 000 tons) and diamond (12 million carats)¹⁶.

The sector also contributes over 50% of total export earnings, 45 000 formal jobs, with informal small scale mining also contributing substantial numbers¹⁷. Although international mineral prices have been fluctuating since January 2012, there is a general trend of softening, which could be a result of the slowdown in demand caused by the Euro Zone crisis.

As regards diamonds, Zimbabwe is an active member of the Kimberley Process Certification Scheme and aims at playing a major role as one of the top world diamond producers. Zimbabwe seeks to fully normalise and expand market access for its diamonds so that it may reap the correct price. Royalties and other taxes on diamonds represent an important contribution to the national budget. In 2012, it is expected to amount to \$ 250m.

The country could further benefit from the sector in terms of employment, income, and fiscal revenues, among others, by resuscitating a number of closed and distressed mines. These mines were mainly affected by both the crisis of 2000 to 2008 and the global financial crisis, which dampened global demand and, in some instances, prices. Deriving such benefits, however, would require applied investment and other support for the sector, including from the Government.

¹⁴ Infrastructure and Growth in Zimbabwe: An Action Plan For Sustained Strong Economic Growth

¹⁵ Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ)

¹⁶ Zimbabwe Chamber of Mines

¹⁷ Balance of Payments, Reserve Bank of Zimbabwe

2. Overview of past and present donor cooperation

2.1 EU Development Cooperation and Lessons Learned

The European Commission was among the first donors to offer support to Zimbabwe after independence in 1980 and has remained one of its major development partners since. European Union aid accounts for two-thirds of total external aid received by Zimbabwe and has been fluctuating between 45% and 65% during the last years. EU aid managed by the European Commission has been historically focused on three pillars: supporting economic growth through agriculture, supporting the delivery of basic social services and promoting good governance, democratization and human rights.

On 18 February 2002, The European Council adopted measures on Zimbabwe under Article 96 of the Cotonou Agreement. As a consequence, European funds could no longer be channelled through Government. Aid could only be granted in the form of projects for the direct benefit of the population. Programmed aid under the 9th EDF (Euro 108 million) was suspended. Although a new programming exercise took place in preparation of the 10th EDF in 2007, the EU maintained art. 96 measures and the Country Strategy Paper was not signed. Article 96 measures were eventually suspended by the Council Decision of July 2012.

Since the inception of the inclusive government, aid programming has been structured along the definition of yearly Short Terms Strategies (STS), which combine in a coherent approach the resources from the EDF B envelope with those coming from a number of EU budget instruments. European Union disbursements managed by the European Commission included an important humanitarian component until 2010, which is now being gradually phased out. Disbursements reached USD 143 million in 2009 and USD 142 million in 2010 and came down to USD 86 million in 2011, as humanitarian aid started to decrease. A STS 2012-2013 is currently in place and will maintain the current level of disbursements until 2014.

Although not a proper joint programming exercise in the sense foreseen in the Cotonou agreement, the STS programming involves intensive consultations with Government, other development partners and non-state actors. STSs are implemented either under joint or centralized management. About 50% of the cooperation is implemented through UN agencies using multi-donor funded programmes, while the other 50% is disbursed to national and international NGOs through grant agreements and to private companies through service contracts.

The following lessons have been learned during the past years:

- Even under short term EU centralized management modalities, such as the STSs, alignment with National Strategies, strong coordination with Government and harmonization with other development partners can and should be pursued whenever there is consensus on existing Government sector policies. This is the approach used by the EU and other development partners for health and education. Setting up externally managed pooled funded mechanisms in support of National Sector Strategies has allowed the EU to link relief actions with rehabilitation programmes in support of the recovery of the public systems. The sector pooled funds are also effectively paving the way towards future sector wide approaches and eventual budget support when conditions allow.
- In the agricultural sector past and current focus on food security, while still relevant, needs to be coupled with increased support to commercial farming, so that the sector

develops its potentialities and recovers its former role as the engine of the national economy.

- Achieving sustainable economic growth will require a large investment on Zimbabwe's dilapidated transport, energy and water infrastructure. While this would require substantial amounts of funding that could only be raised through loans, ongoing experiences prove that support to limited rural or social infrastructure through grants can achieve significant impact if well identified.
- Combining short (humanitarian, instrument for stability) and long term instruments gave the EU enough flexibility to provide an immediate response to the 2008 crisis while supporting in parallel political and economic recovery efforts put in place by the GNU. This is an approach that should be kept until political and economic stability is achieved.

2.2. Information on programmes of other donors and donor coordination

Most of the development partners that are present in Zimbabwe are implementing aid in the framework of ad hoc short term strategies. These short term strategies are generally aligned to national development priorities, as defined in the Medium Term Plan and in the relevant sector plans.

Total aid flows to Zimbabwe are estimated at EUR 1.7 billion for the period 2009 to 2011. Of these, EUR 700 million have been disbursed by the EU and its Member States. Health, (18 %), agriculture, (13 %) and Governance (8%) have been the sectors where aid has had a larger focus. Humanitarian aid, which was the largest sector in 2009 getting 44% of total disbursements, is being progressively phased out and it accounted for only 15% of the disbursements in 2011. USAID was the major development partner during the period disbursing 28% of the total flows, followed by the EU (23%) and UK (15%). Other important development partners to Zimbabwe include Australia, Sweden, Germany, Denmark, the Netherlands, Norway, Canada and Japan.

Development assistance to Zimbabwe is channeled through parallel systems, which include pooled trust fund mechanisms managed by UN agencies and International Organizations and projects implemented by non governmental organizations and other non state actors. The use of pooled funds has allowed for improved donor coordination. Examples include the Education Transition Fund (ETF) and the Health Transition Fund (HTF) managed by UNICEF and aimed at supporting the public service delivery systems; the Analytical Multi-Donor Trust Fund (A-MDTF) managed by the World Bank, the objective of which is contributing to analytical work on the key development challenges facing Zimbabwe; and the Zimbabwe Multi-Donor Trust Fund (ZIMFUND) aimed at contributing to early recovery and development efforts particularly through water, sanitation and energy infrastructure projects.

Zimbabwe does not have a general forum led by Government to facilitate donor coordination. Coordination takes place through like-minded donor informal groups, the most important of which is the "fishmongers" group that brings together the main development partners on a weekly basis. At sector level coordination is stronger, ranging from proper sector coordination groups chaired by senior Government officials that meet regularly (health, education) to ad hoc coordination meetings involving public and non public sector stakeholders, as it is done in the agriculture sector. In the Governance sector, coordination takes place through dedicated sub groups (constitution, elections, etc.) that bring together development partners and representatives of the relevant political stakeholders.

2.3. Political and policy dialogue between donors and partner country

The Government adopted the Aid Coordination Policy in May 2009 underpinned by institutional frameworks. The aid coordination mechanism has not effectively fostered structured policy dialogue. The EU, in agreement with the National Authorizing Officer, funded in 2010 a study to strengthen aid coordination. The study concluded that a clear-cut interface for policy discussions between Government and donors was needed, building on effective, consistent and open communication flows. It recommended broad-based donor representation in a forum such as an Aid Coordination Committee (ACC), as this would enable Government and donors to reach a comprehensive agreement on the scope and focus of aid, defining priorities, funding levels, and funding mechanisms.

At sector level, policy dialogue has been stronger. In social sectors, the steering committees of the health and education transition funds are providing a regular forum for discussions in which both Government and development partners are present. In food security, an institutional dialogue between donors and the Ministry of Agriculture, Mechanisation and Irrigation Development is ongoing on an ad hoc basis since 2009. Since 2011 discussions are chaired by the Ministry of Agriculture, Mechanisation and Irrigation Development. As a result donor funding is now integrated into Government planning. In addition, since December 2011, concerning environment, the EU Delegation has, after consultation with other development partners, initiated a dialogue with the Ministry of Environment aimed at formulating a Country Environmental Profile.

2.4. State of partnership with partner country, aid effectiveness agenda and progress towards harmonization and alignment

While Zimbabwe is not a signatory to the Paris Declaration, it continues to participate in the discourse shaping the global agenda on aid and development. The Country has participated in major conferences and consultative meetings on aid effectiveness including the 2002 Monterrey Consensus on Financing for Development, the 2005 Paris Meeting on Aid Effectiveness, the 2008 Accra Forum on Aid Effectiveness, and the 2011 Busan Fourth High Level Forum on aid effectiveness, among others.

Following the adoption of the MTP, the Government has put in place sector working groups to coordinate and monitor its implementation. Multilateral institutions make part are part of these sector working groups. However bilateral development partners have not been called to form part of these groups so far. Ad hoc briefing sessions are given by the Minister of Finance to an informal gathering of donors, but no structured policy dialogue is in place. Ad hoc briefing sessions are given by the Minister of Finance to an informal gathering of donors, but no structured policy dialogue is in place. Ad hoc briefing sessions are given by the Minister of Finance to an informal gathering of donors, but no structured policy dialogue is in place.

On the development partners' side, the quarterly Aid Disbursement Report addressed to the Ministry of Finance and providing quarterly information on disbursements broken down per donor and sector, is the only structured information flow towards Government.

The "Strengthening aid to Zimbabwe" report funded by the EU provided a set of recommendations both to Government and to development partners. On the Government side it recommended that the ACU was strengthened, that aid coordination functions were developed in the aid-relevant sector ministries, and that joint Fora with development partners were put in place. On the donor side, it recommended that further alignment with Government policies was pursued using the ACU as the entry point irrespective of the implementation

mechanisms chosen. A follow up aid coordination assessment was undertaken by UNDP but the report remains unreleased.

In spite of the above, there has been significant progress towards alignment and harmonization on some of the aid recipient sectors. In health and education development partners have pooled their funding under the Health and the Education Transition Funds in support to the National Health Strategy and the Education Medium Term Plan. Although both Funds are managed by UNICEF, the steering committees are chaired by the line Ministries thus ensuring recipient Country ownership. In agriculture/food security, harmonization has not progressed that much, but a division of labour exercise was undertaken in 2010 and development partners formulated their programmes for the sector taking into account its results.

2.5. Policy Coherence for Development (PCD)

Zimbabwe does not present significant challenges in terms of policy coherence. Under the Cotonou Agreement political dialogue re-launched in 2009-, a progressive normalisation of the EU-Zimbabwe relations has led to the suspension in July 2012 of the Art 96 provisions, and to a reduction of the natural and legal persons affected by EU Common Foreign and Security Policy 'restrictive measures'. Zimbabwe has undergone the UPR by the UN Human Rights Council in 2011 and the UNCAC review in 2012.

Since 2002, the European Commission Directorate-General for Humanitarian Aid and Civil Protection (DG ECHO) has supported humanitarian aid projects in Zimbabwe with a particular focus on health, water and sanitation and food security. The contributions have also addressed the needs of refugees, deportees and other mobile vulnerable populations. Actions on all these sectors have been designed in coordination with DG DEVCO and the EU Delegation in order to ensure a proper transition from relief to rehabilitation and development. By the end of 2013, the Commission expects to have finalized the transition from humanitarian assistance to development oriented and disaster risk reduction programmes.

On climate change and environmental issues the EU and the Government of Zimbabwe are mostly aligned. A dialogue between the EUD and the responsible ministry is in place and led to a exchange of positions before Rio +20.

On energy, Zimbabwe has an energy policy which focuses on the use of indigenous energy forms in a sustainable and environment friendly manner, which is also one of the key components of the EU Sustainable Energy for All (SE4All).

Zimbabwe receives support and collaborates with IOM on border management and fighting human trafficking, with support -among others- from the EU. Zimbabwe ratified the Palermo protocol in July 2012.