



**SHORT TERM EMERGENCY RECOVERY PROGRAMME
(STERP)**

Getting Zimbabwe Moving Again

MARCH 2009

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INTRODUCTION

1. On the 15th of September 2008, a Global Political Agreement was executed by the three Political Parties represented in the Zimbabwean Parliament. Pursuant to this, the new Inclusive Government took Office in the context of an economy that had many challenges.
2. At the epicentre of the economic crisis, have been unprecedented levels of hyper-inflation, sustained period of negative Gross Domestic Product (GDP) growth rates, massive devaluation of the currency, low productive capacity, loss of jobs, food shortages, poverty, massive de-industrialisation and general despondency.
3. It is, therefore, a fundamental task of the new Inclusive Government to address the above and to resuscitate and rehabilitate the economy. In addition, the new Inclusive Government has to attend to the major imperator of nation building and national healing.
4. The obligation of the Inclusive Government to buttress the issues of economic recovery is set out in the GPA under Article 3 1(a) which states inter-alia as follows:

'the parties agree to give priority to the restoration of economic stability and growth in Zimbabwe. The Government will lead the process of developing and implementing an economic recovery strategy and plan. To that end, the Parties are committed to working together on a full and comprehensive economic programme to resuscitate Zimbabwe's economy which will urgently address the issue of production, food security, poverty and unemployment and the challenges of high inflation, interest rates and the exchange rate'.

5. As part of its obligation to address the economic crisis, Government has come up with the present Short Term Emergency Recovery Programme (hereinafter referred to as STERP), which will cover the period February to December 2009.
6. STERP is an emergency short term stabilisation programme, whose key goals are to stabilise the macro and micro-economy, recover the levels of savings, investment and growth, and lay the basis of a more transformative mid term to long term economic programme that will turn Zimbabwe into a progressive developmental State.

7. STERP is, therefore, part of implementation of the Global Political Agreement and seeks to address the key issues of economic stabilisation and national healing, whilst at the same time laying the foundation of a more comprehensive and developmentalist economic framework which will succeed the same.

The Key Priority Areas

8. The key priority areas of STERP are;
 - a) *Political and Governance Issues*
 - i. The constitution and the constitution making processes
 - ii. The media and media reforms
 - iii. Legislations reforms intended at:
 - a) Strengthening Governance and accountability
 - b) Promoting Governance and rule of law
 - c) Promoting equality and fairness, including gender equality.
 - b) *Social Protection*
 - i. Food and Humanitarian Assistance

- ii. Education
- iii. Health
- iv. Strategically targeted vulnerable sectors.

c) *Stabilisation*

- i. Implementation of a growth oriented recovery programme
- ii. Restoring the value of the local currency and guaranteeing its stability
- iii. Increasing capacity utilisation in all sectors of the economy and, hence, creation of jobs
- iv. Ensuring adequate availability of essential commodities such as food, fuel and electricity
- v. Rehabilitation of collapsed social, health and education sectors
- vi. Ensuring Adequate Water Supply

Cornerstone of STERP

9. In crafting STERP, consultations have been made with various sectors in particular labour and business. This has been done in order to nurture the basis of a people driven development agenda. More importantly in crafting STERP there has been the conscious need to adopt an alternative people centred, people

driven and inward looking rehabilitation strategy, within the context of a very constrained structure outlined above.

10. Secondly, the stabilisation programme, developed herein has, as its anchor - the need to promote production and increase capacity in key areas of the economy in particular agriculture, mining, manufacturing and tourism. In short, STERP is a **Capacity Based Rehabilitation Programme (CBRP)** that seeks to stabilise all the macro and micro-economic fundamentals in Zimbabwe. The stabilisation component of STERP will target inflation and will increase the saving stock of the country.

Expected Outcomes

11. At its end, STERP should have delivered more than the basic rehabilitation of our economy. STERP should lay the foundation of a basic African State that will find its place in the sun, play its role in SADC, the African Union as well as the rest of the world.
12. STERP should allow the people of Zimbabwe to have decent jobs and incomes and should ensure that our hospitals, schools, churches and community centres are once again functioning.

13. At the end of it all, STERP will create an economy:
- a) Able to sustain itself through food self sufficiency
 - b) Weaned off the current price distortions
 - c) That creates jobs and employment opportunities
 - d) Confers equal opportunities and treatment to all its citizens
 - e) That accepts the equality and central role of women and mainstreams gender in all facets of the same
 - f) That takes cognisance of the environment and global environment changes
 - g) With functional infrastructure such as roads, water and telecommunications
 - h) That is people centred and inward looking
 - i) That guarantees freedom of expression and property rights
 - j) That generates confidence and inter-sectoral synergies
 - k) That reduces poverty
 - l) That is free of any sanctions and measures and is totally integrated in the region and continent.

Sanctions and Other Measures

14. In Article 4.6 of the GPA, the relevant Zimbabwe political parties agreed and committed themselves to endorse the SADC resolution on sanctions concerning Zimbabwe and that all forms

- of measures and sanctions against Zimbabwe be lifted in order to facilitate a sustainable solution to the challenges that are currently facing the country.
15. In this regard, STERP recognises that apart from targeted travel bans, measures have been taken against Zimbabwe, denying the country the right to access credit facilities from international financial institutions, suspending Zimbabwe's Voting Rights, as well as denying Zimbabwean companies access to lines of credit.
 16. It is recognised that some measures against Zimbabwe are in respect of omissions and commissions arising from various bilateral agreements and instruments e.g. the Cotonou agreement with the European Union.
 17. In this regard, discussions have already started with the European Union, European Commission, World Bank, IMF, and the AfDB with the objective of removing the above sanctions and measures in compliance with Article 4.6 (c) of the GPA. As far as the USA is concerned, it is imperative that the Zimbabwe Democracy and Economic Recovery Act (ZIDERA) be repealed and representations and consultations have already begun in this respect.

Global Economic Developments

18. STERP is being unveiled at a time when the world economy is facing one of the worst economic recessions, which originally started as a financial crisis. The impact of this has been a significant slowdown in most major economies, including the rapidly growing economies of Asia. As a result, in 2009 world growth has been revised and is expected to decline to its lowest levels in 60 years.
19. This crisis is posing a threat to emerging economies as well as other developing countries including Zimbabwe. The key channels through which the effects of the crisis will be transmitted to developing economies such as Zimbabwe include reduced demand and hence poor prices for our exports.
20. Similarly, tourism as well as external financing sources, such as portfolio and direct investment, lines of credit, grants and migrant remittances are expected to suffer from this financial crisis and global slowdown.
21. Where financial linkages with those in the affected developed countries are stronger, the impact of the financial crisis will be more pronounced.

22. STERP takes cognisance of the above fundamentals. The expectation, therefore, in terms of support from abroad as well as the pace of the turnaround has to be realistic and pragmatic.
23. Furthermore, an important lesson coming from reactions by the Governments of affected developed countries is the necessity for stimulus packages meant to assist distressed companies in order to get out of the recession.
24. Similarly, this Programme proposes a stimulus package for the key productive sectors in order to turn around the economy.

POLITICAL AND GOVERNANCE ISSUES

25. The GPA recognises that the anchor to a new Zimbabwe needs to address not only economic issues, but also issues around the rule of law, a new people driven Constitution, and entrenched property rights. This fact is recognised in the GPA, which devotes about 80% to human rights and democratic principles as espoused from article 6 to 19 of the Agreement.
26. Furthermore, it is trite that without a well functioning economy, democracy and human rights are impossible and equally without a well functioning democracy, economic development is not feasible.

27. Therefore, STERP recognises the commitment of the inclusive Government to the making of the new Constitution as defined under Article 6 of GPA. This should be commenced as a matter of urgency.
28. STERP like the GPA, recognises the importance of creating a vibrant and free media as an important part of democratising institutions. This entails liberalising the air waves, freeing the media, and ensuring that plural voices are heard through both electronic and print media, consistent with Article 19 of the GPA.
29. Over and above this, it is recognised that legislation will be passed cementing the enjoyment of the rule of law, the rights to freedom of expression and association in line with the provisions under article 11 and 12 of the GPA.

Values and Aspirations

30. The Inclusive Government is founded on certain values that are at the core and epicenter of STERP. The preamble to the GPA **acknowledges that** *'the values of justice, fairness, openness, tolerance, equality, non discrimination and respect of all persons without regard to race, class, gender, ethnicity,*

language, religion, political opinion, place of origin or birth are the bedrock of our democracy and good governance’.

31. In addition, the GPA itself has a vision of the new Zimbabwean society that has to be created. The preamble defines this aspiration as follows: *‘determined to build a society free of violence, fear, intimidation, hatred, patronage, corruption and founded on justice, fairness, openness, transparency, dignity and equality’*
32. STERP is loyal to the above aspirations and values, which are essential and critical to get Zimbabwe moving again. In this regard, the issue of corruption and combating corruption particularly in the public service is vital to the enforcement of the above values.
33. Combating corruption will involve strengthening the Judiciary, the Attorney General’s Office, the Anti-Corruption Commission and more importantly ensuring that high standards of accountability and honesty are maintained in the public service. Government and parastatals cannot be institutions of handouts and, therefore, all leakages must be plugged. In addition, where possible, new Laws will be enacted and present Laws such as the Prevention of Corruption Act will be strengthened.

Women Affairs, Gender and Community Development Focus

34. Women are generally marginalised in many African economies. In most of these economies, patriarchal and unsound market liberalisation policies have resulted in the feminisation of poverty.
35. STERP seeks to ensure household food security, targeting of women in their production and reproductive roles in order to eradicate poverty.
36. The absolute and total drop in formal sector employment, and rampant urban population increase, deterioration of public services has led to “informalisation of the economy”. This in turn has resulted in further growth of the informal sector and the feminisation of poverty.
37. STERP seeks to ensure the de-marginalisation of women in Zimbabwe through specific and concrete gender mainstreaming policies and programmes in every sector covered by STERP. Programmes that target women and vulnerable groups will receive resource mobilisation priorities, given the special and decisive role of women in community development.
38. STERP proposes that the Constitutional review process addresses critical aspects of women’s rights particularly in the

- area of representation in political and decision making, affirmative action, personal law and access to control and ownership of resources.
39. Women's presence in key decision making positions is minimal. Indeed it is of concern that in the Inclusive Government there are only seven women Cabinet Ministers out of thirty five.
 40. Further, STERP urges compliance with Article XX of the GPA which seeks to create gender parity in the appointment of women to strategic Cabinet posts.
 41. Zimbabwe has made significant progress in enacting laws that promote the status of women. STERP proposes a review of all other discriminatory laws as well as ensuring education and consolidation of gains made so far, for example, in the field of land.
 42. In this regard, STERP welcomes Article 5.8 of the GPA which recognises the need for women's access and control over land in their own right as women. Resources to ensure women's effective and equal participation in the process and outcome of the Constitutional making process should be availed.
 43. With regards to land, women will own land in their individual capacity and in marriage, there will be joint registration of the lease hold title and land permits, with the unequivocal provision

that, written consent of either of the spouses is required before any disposal of the land.

44. Consistent with the above legal reforms, it is important that all Conventions and Instruments dealing with women's issues, in particular the African Union Protocol to the African Charter on Human and People's Rights, on the rights of women, the SADC Protocol on Gender and Development and the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) are incorporated into national laws.
45. Finally, the National Gender Policy needs to be updated and revised, but more importantly, the recently developed Five Year Strategy and Work Plan for the National Gender Policy needs to be implemented by all sectors. In recognition of the need to ensure women's empowerment, gender equity and equality, and the central role of women in community rehabilitation development, STERP will avail adequate resources.

SHORT TERM EMERGENCY RECOVERY MEASURES

46. STERP will consolidate the key policy shifts reflected in the Budget Statement of 29 January 2009 and will focus on the following short term emergency policy areas.

- Social protection measures meant to mitigate poverty and suffering by resuscitating public services delivery, as well as strengthening humanitarian assistance, particularly focusing on Targeted Vulnerable Groups;
 - Support for the revival of productive sectors;
 - Creation of a conducive investment climate in the country;
 - Establishing a sound macroeconomic environment conducive for stabilisation through demand side management measures in particular capacity expansion in all sectors;
 - Strengthening the regulatory environment of the financial sector; and
 - Finalising the national employment policy.
47. Addressing the above priority areas will require huge financial resources in excess of US\$5 billion as outlined under the section on "*Funding of STERP*" below and underpinned by consistent implementation of respective policies and other measures.

SOCIAL PROTECTION PROGRAMMES

48. The provision of adequate and quality basic social services is a key area of this Programme. Access to health, education, housing, among others, is central to human development and the active participation of the people in the country's development programmes.
49. In short, the provision of social safety nets is critical in both rural and urban areas. Indeed, poverty and deprivation have to be mitigated in the short term and totally eradicated in the long term.

Education

50. The worsening of the economic environment had negative impact on the education sector. This has resulted in almost all schools failing to open up especially for the better part of 2008 and the beginning of 2009. Some of the major challenges espoused in the education sector were a result of the following:

Conditions of Service

51. As the economic conditions worsened, a number of teachers left the country in search for better working conditions. For

those who remained behind, the conditions of service would not allow teachers to report for duty regularly owing to unaffordability to meet transport costs, as well as other basic necessities.

Examinations

52. Equally affected were the administration of public examinations, with challenges ranging from delivery of examination papers, their invigilation as well as their marking. This was compounded by inadequate resources being availed to the Zimbabwe School Examination Board as a result of controlled tariffs. As a result of the above, ZIMSEC is having a huge backlog on unmarked examinations going back as far as June 2008.

Learning Material and Equipment

53. Other notable challenges in the education sector include shortage of teaching and learning materials, equipment and chemicals and other accessories necessary for conducting laboratory and other tests.

54. The impact of the above was to leave the state of the country's education sector, once the best in Africa, to very low deplorable conditions.
55. In this regard, the STERP will give priority to the resuscitation of the education sector. Priority will centre on improving conditions of service for the teachers, including providing incentives to attract those in the diaspora.
56. Therefore, in order to address immediate challenges in the education sector and ensure that teachers go back to work, as well as addressing longer term restoration of education infrastructure, an estimated US\$440 million will initially be required for the above areas.

Health Delivery

57. The economic decline has resulted in a sharp decrease in funding for health in real terms. This has directly contributed towards an unprecedented deterioration of health infrastructure, loss of experienced health professionals, drug shortages and a drastic decline in the quality of public health services.

Human Resources

58. Human resources for health are the most critical component of a health delivery system. Low income coupled with poor working environments have forced many highly experienced health professional to leave the health sector as evidenced by the high vacancy levels. There are about 68% of vacant posts for doctors.
59. The remaining health workers are thinly spread out and therefore overworked. Transport costs as well as unaffordable day to day basic necessities have compounded this. As a result staff presence at most health institution average between 15-50%.

Drugs

60. Availability of drugs is an important element for availing quality health service. The stock outs of essential drugs, vaccines and medical supplies have compromised access to basic health services by the poor and vulnerable groups. During 2008 average drug stocks were at 36%.

Medical Equipment

61. There is a serious shortage of functioning essential medical equipment which is not only compromising patient care but also leading to staff frustrations and demotivating. This, coupled

with deteriorating infrastructure has worsened the situation. Furthermore, most fixed plants such as laundry machines, kitchen equipment, laboratory equipment and boilers are non functional and hospitals are therefore unable to meet basic standards for patient care.

Preventable Diseases

62. Zimbabwe continues to experience a high burden of preventable diseases such as malaria, HIV and AIDS, Tuberculosis, Diarrhea diseases, maternal care etc.
63. Inadequate provision of safe water and sanitation has also been responsible for spreading water borne diseases, leading to avoidable cholera deaths in the urban centres.
64. A major focus of this Programme will, therefore, be on interventions to resolve the challenges in health delivery in line with the achievement of the Millennium Development Goals towards reducing infant, child and maternal mortality, improving access to reproductive health service as well as halting and further reversing the spread of HIV and AIDS.
65. This will require resources in support for capacitating Natpharm to supply all Government health institutions with drugs and pharmaceuticals products, as well as finance for acquisition of

equipment, transport, rehabilitation of infrastructure as well as health care and operations.

Specially Targeted Vulnerable Groups

66. In the transition towards the realisation of the quest for positive economic growth and development, there will be some adverse effects on the vulnerable and disadvantaged groups within our society. These include the elderly, orphans and child headed families as well as the physically handicapped.
67. Hence, it will be critical that the needs of vulnerable groups be incorporated during the implementation of all programmes and projects.
68. In this regard, support for publicly funded social safety nets will be enhanced, with specific allocations made for vulnerable groups and those institutions catering for such people.

Humanitarian Assistance

Food Relief

Cereal Requirements

69. Given successive years of drought and reduced agricultural capacity, a substantial number of persons have to be provided

with humanitarian assistance. Everything being equal, Zimbabwe requires 2 million tonnes of maize and about 500 000 tonnes of wheat per year to feed its population. In the past few years we have failed to produce on average more than 20% of these requirements. Therefore, present assistance must be based on acquiring 80% of these cereals.

70. It is imperative that Zimbabwe's agriculture becomes self sustaining. In this regard, financing of the 2009 winter crop and the 2009/10 summer crop becomes critical.

Non-Food Relief

71. Over and above the food relief, urgent humanitarian assistance is also required in the area of water and sanitation.
72. In order to reduce the incidences of water borne diseases associated with erratic water supply, and overstretched sewer systems, it will be critical to make interventions in the ageing water reticulation infrastructure and importation of adequate water treatment chemicals.
73. This support will empower local authorities under whose mandate water management has reverted back to.

SUPPLY SIDE REFORMS

74. The economy has been under severe stress, with annual real GDP growth suffering declines averaging - 5.9% since 2000. Cumulatively, output declined by more 40% during that period.
75. The deepening economic crisis is reflected in sectoral performance, which followed the same trend. Since 2006, virtually all sectors recorded declines in output, with agriculture, manufacturing and mining estimated to have declined by 7.3%, 73.3% and 53.9% respectively in 2008.
76. As a result, unemployment and poverty levels increased sharply. Ironically, Zimbabwe's economic decline occurred at the time when most African countries were achieving reasonable annual growth rates averaging 4.8% and mainly driven by sound and sustained macroeconomic policies which contained annual inflation at low levels averaging 10%.
77. It is, therefore, imperative that we restore the normal capacity utilisation of our productive sectors, particularly agriculture, mining, manufacturing, tourism and construction.
78. As a matter of fact, the essence of STERP is to ensure that there is increased capacity utilisation in every sector of the

economy. This will ensure more jobs, disposable incomes, savings and greater vibrancy in the economy.

Agriculture

79. In the medium to long term, it will be essential and critical that the country guarantees **food security and self reliance**. In this regard, it is essential that we **address the land issue** consistent with the Global Political Agreement, which provides for a comprehensive transparent and **non partisan land audit** for the purposes of establishing accountability, gender equity and eliminating multiple farm ownerships as well as ensuring the restoration of full productivity on all agricultural land in the interest of all Zimbabwe people. Long term sustainable viability of agriculture can only arise if there is security of tenure through among other instruments, lease hold title, land permits and private financing of agriculture as recognised in the GPA.

80. Furthermore, establishing a credible security of tenure policy will be essential for building confidence and allowing investment on the land as well as facilitating agricultural financing.

81. The new Inclusive Government will, therefore, be dealing with the above issues pertaining to land and property rights, security of tenure as well as enhancing financing and productivity in agriculture.
82. A key component of our Short Term Emergency Recovery Programme will therefore priorities support for agricultural production during the 2009 winter wheat season as well as the 2009/10 summer cropping season. This will be premised on intensive agriculture, where emphasis is on maximising output as opposed to extensive agriculture.
83. Interventions under the Programme in agriculture will also take advantage of the measures announced in the 2009 Budget, the Monetary Policy Statement as well as lessons learnt from the experiences from the 2008/09 summer cropping season.

Preparations for the 2009/10 Season

84. Measures to enhance food security at the household and national level will require that The Inclusive Government embarks early on strategies to ensure that preparations for both the 2009 winter wheat and the 2009/10 Summer Cropping Season are undertaken timeously.

85. These preparations should benefit from the institution of structures to address weaknesses in previous seasons' interventions, characterised by late mobilisation of the necessary material, human, foreign and local currency requirements to support cropping.
86. The Inclusive Government's efforts to boost the country's state of preparedness for the cropping season should also include the mobilisation of the necessary resources in support of tillage, provision of such inputs as fertilizer, seed, chemicals, machinery and material resources.
87. The support to be rendered by The Inclusive Government to the farmer is meant to complement, and not to substitute, individual farmer initiatives.

Winter Wheat

88. With regard to the 2009 winter wheat crop, an output of 100 000 tons is targeted. To achieve this target provision of adequate agricultural inputs, payment of all outstanding wheat balances and clustering of wheat growing areas are critical success factors. The table below shows inputs requirements for the winter wheat:

Table I: 2009 Winter Wheat Requirements

Type	Application rate (mt/ha)	Total Requirements
Seed		6000 metric tons
Compound D	0.5	30 000
Top dressing (AN)	0.5	30 000
Lime	0.4	24 000
Fuel		7,7 million litres

89. The relevant arms of Government, together with those in the private sector, will be required to communicate their respective support in liaison with farmer associations.

Maize Production

90. Maize production will benefit from farmers using their own resources, traditional contract farming as well as communal farmers. Under the 2009/10 production programme, the country ought to produce more than 80% of its maize requirements.

Financing

91. The above targeted output will be financed through a combination of traditional contract farming facilities, private financing through own resources and loans from the financial sector.

92. It will be the duty of the Inclusive Government to ensure the availability of all inputs through the open market. In addition all private sector initiatives in agriculture input support programmes will be a priority. This includes the revival of market mechanisms in such key agricultural related industries as in fertilizers.

93. The input requirements for farmers under this scheme are estimated as shown below: -

Table II: Self Financing Farming Import Requirements

INPUT	TOTAL REQUIREMENT
Seed (MT)	50 000
Compound D (MT)	600 000
Ammonium Nitrate (MT)	600 000
Chemicals (Litres)	4 8000 000
Fuel (Litres)	50 000 000

94. Measures will also be taken to capacitate DDF and AGRITEX to enable them to provide improved service and monitoring of farming activities.

Crop Input Packs

95. The Inclusive Government will endeavor to mobilise resources in support of disadvantaged rural farmers. This will be

complemented by crop input pack support from cooperating partners, including NGOs.

96. Initial estimates indicated that some 800 000 households will require crop input packs, with the targeted support level to the individual farmer comprising of 10 kg of maize/small grains seed packs, 50 kgs of Compound D and 50 kgs of Ammonium Nitrate(AN) fertilizers.

97. Total requirements under this Programme are indicated below:

Table III: Crop Input Pack Support Requirements

INPUT	TOTAL REQUIREMENT
	(MT)
Seed	8 000
Compound D	40 000
Ammonium Nitrate	40 000
Lime	80 000

98. The participation of cooperating partners in supporting the Crop Input Pack Scheme for vulnerable farmers will be critical and inevitable given the limited resources of the Inclusive Government.

99. It should be emphasised that after STERP, the State will move away from a regime of dependency and handouts in a bid to ensure the independence and strength of all farm actors.

Tobacco & Other Strategic Crops

100. In addition, resources to support tobacco, cotton, horticulture and production of other strategic crops for the 2009/10 summer season will also be from the market, including contract farming.

Table IV: Input Requirements

INPUT	Tobacco	Cotton	Sugarcane	Small grains
			-	
Seed (MT)	-	-	-	4 500
Compound D (MT)	-		-	135 000
Ammonium Nitrate (MT)	11 250	45 000		135 000
Compound S	1 125			-
Compound C	53 625			-
Lime	45 000	112 500	28 000	-
Compound L		135 000		-
Chemicals (Litres)	4 800 000			-
Fuel (Litres)	15 500 000	31 500 000		-
Agrochemicals(litres)	3 800 000	5 300 000	229 000	1 030 000

Integrated Agricultural Recovery

101. Beyond the Immediate Measures in support of the coming cropping season, agriculture needs to reassume its role as a major engine of economic and social development.

102. In this regard, measures to restore and enhance the productivity of our agriculture will be necessary to ensure the

sector's contribution beyond food self-sufficiency, and to include greater contribution towards export and fiscal revenues.

103. Central to the integrated recovery of agriculture will be the issue of the viability of farming as a business activity, followed by interventions to deal with the effective utilisation of the land, as well as measures to enhance the capacity of the farmer.
104. This will have to be complemented by clarity of land rights, as well as the strengthening of all the critical arteries and enablers in the agriculture production value chain, including the revival of Hwange Colliery coal supply, restoration of ZESA power supply, rehabilitation and expansion of irrigation infrastructure and National Railways freight services.

Land Audit

105. In order to guarantee the success of agriculture, The Inclusive Government consistent with the Global Political Agreement, will conduct a comprehensive transparent and non partisan land audit for the purpose of establishing accountability, eliminating inefficiency and multiple farm ownership.
106. This is also meant to ensure equitable land distribution as well as ensuring security of tenure to all land beneficiaries.

Security on Farms

107. In order to promote confidence, investments and other developments on farms, as well as ensuring security of farming operations, The Inclusive Government will uphold the rule of law as well as enforce law and order on farms including arresting any further farm invasions which disrupt farming activities.

Capacitating Farmers

108. Strategies to capacitate the farmer involve such issues as access to agriculture finance and inputs, enhancing skills through training and extension support.

Viability of Farming

109. Measures to guarantee the profitability and viability of farming also centre around deregulation of the marketing and pricing of commodities and allowing farmers to sell freely their commodities in the open market and market determined prices.

110. The practice of announcing pre and post planting producer prices is therefore abolished.
111. Pursuant to this policy of deregulation has been the removal of the GMB monopoly as a grain purchaser. The GMB will, however, remain the purchaser of last resort.

Financing of Agriculture

112. While in the past Government has been playing a large role in the funding of agriculture, both directly from the Budget as well as from Reserve Bank facilities, current resource constraints demand that other players particularly the private sector become more involved in supporting agriculture.
113. Financing of agriculture, should ordinarily be the responsibility of our banking system, drawing from the deposits by the general public.
114. Hence, measures to restore and enhance the level of participation by our banks and other financial institutions in lending to our farmers will be initiated. This will be both in terms of provision of short term as well as medium term agricultural finance.

115. Short term finance facilities will essentially avail 90 – 180 day working capital for purchase of inputs and other requirements.
116. The participation of banks in agricultural finance will be strengthened by the liberalisation of agricultural pricing and marketing arrangements alluded to above.

Contract Farming

117. Furthermore, The Inclusive Government will for the coming summer crop season be calling for increased contract farming.
118. In this regard, agro-processing companies are now invited to begin making arrangements for provision of inputs, financing and extension support to farmers on a Contract farming win-win basis.

Effective Land Utilisation

119. Interventions beyond farmer capacity and viability will also be necessary to deal with the effective utilisation of farming land, central to an integrated recovery of agriculture.
120. Guidelines on production targets, taking account of agro-ecological regions will, therefore, be necessary. Those

demonstrating poor commitment and inability would be considered for reallocation in line with their capabilities.

121. Where streamlining and consolidating subdivisions in order to align farm activities with corresponding infrastructure already in place is unavoidable for viable productivity, the necessary interventions will be undertaken.

Irrigation Rehabilitation

122. Taking advantage of the abundant water bodies, irrigation rehabilitation of existing irrigation schemes will be critical in preparation for the coming 2009 summer and winter cropping seasons.
123. The measures in support of quick fix irrigation rehabilitation will focus on completion of on going projects and schemes growing maize, seed maize and winter wheat, among other crops.

Training & Extension Services

124. Training of farmers to strengthen their agricultural skills' capacity will be intensified, taking advantage of the various colleges, farmer-training centres as well as on-site farm training.

125. This will be complemented by extension support services through AGRITEX and other agricultural arms.

Commodity Associations

126. The Inclusive Government recognises the importance of farmers organising themselves into self-reliant commodity-based Farmer Associations which foster interaction, provide fora for research, technical and marketing support for farmers as well as facilitate the development of own extension services.

127. The farming community, including the Unions, will be supported in spearheading a targeted process of developing and deepening the establishment of specialised Agricultural Commodity Associations.

Commodity Exchange

128. The Inclusive Government will seek to promote the establishment of a commodity exchange in Zimbabwe. This will ensure that farmers get competitive prices for their commodities, whilst also facilitating the mobilisation of funds for the agricultural sector.

Livestock Development

129. Interventions to rebuild the national herd, targeting communal, resettlement, small and large-scale farmers, spread across all provinces will be needed.
130. Priority will also be given to rehabilitation of both large and small-scale dairy farms as well as support for rearing small animal stock, including poultry and piggery.
131. Animal husbandry training support, particularly for the new farmer, will benefit improved livestock management. This will have to be complemented by enhanced capacity of livestock extension service providers, such as the Veterinary Department.
132. Financial requirements for this programme will cater for dipping chemicals, equipment, and inputs for production of stock feeds.

Global Perspectives

133. The urgency of the integrated National Programme for Agricultural Recovery arises from the present threats of widening food imbalances and famine, particularly in Sub-Saharan Africa as weather patterns change in response to global warming.

134. These threats should be taken advantage of as opportunity to reorganise our agricultural sector to inject vibrancy, benefiting also from the firming prices and expanding global grain and cereal demand, against the background of development of bio-fuels.

135. The benefits for the domestic maize, wheat or soya-bean farmer are immense, as production surpluses in the local market are readily absorbed by the global market.

Mining

136. The mining sector, a major earner of foreign currency, has been performing below its potential. Its recovery, taking account of the diverse mineral resource base, will be underpinned by various interventions over the coming year.

137. Raising the capacity in mineral production, continuous exploration as well as beneficiation and value addition of minerals will benefit from joint venture strategic partners who have the necessary technology and foreign currency back-up.

138. To ensure full exploitation of mineral resources, The Inclusive Government is reviewing the framework for mining rights,

- pricing of minerals and surrender requirements. The Mines and Minerals Act will also be amended to facilitate review of surface rentals, discourage hoarding and speculating in Exclusive Prospecting Orders.
139. There are structural deficiencies in respect of the register of all known minerals in Zimbabwe and their stock thereof. This is largely due to the absence of a clear exploration policy and the related issue of extraction. Quite clearly, there is a legislative deficiency in the above areas, a situation that has created rampant abuse of our scarce resources.
 140. STERP will thus oversee the crafting of an Exploration, Registration and Extraction Mining Policy which will form the basis for a new comprehensive mining sector legislation. Under this overall Mining Policy, there will be separation of exploration from extraction policies and strategies.
 141. Furthermore, The Inclusive Government will explore the establishment of an institution responsible for exploration issues including collecting and building a comprehensive database on quantity and quality of the country's mineral endowment.

Pricing of Minerals

142. A key component of STERP in reviving the mining sector will be to ensure that international commodity prices are levied and received by mining houses. In short, the pricing gap in respect of which domestic prices lagged behind international prices is a thing of the past.
143. Consistent with this policy, no more retention on commodity earnings will be made by any authority in Zimbabwe. However, as quid pro quo the Inclusive Government will review upwardly the taxation and royalty structures in line with international standards.
144. Equally, there will be greater demand made on mining houses on protecting of the environment. Furthermore, while the STERP will be allowing flexibility in marketing of minerals, The Inclusive Government is imposing social development obligations on mining houses.

Marketing of Minerals

145. To enhance value, the marketing of all minerals other than Gold will be done under the supervision of the Ministry of Mines and Mining Development together with the Minerals Marketing

- Corporation of Zimbabwe, a Board established through an Act of Parliament.
146. In the case of Gold, the same will remain a strategic reserve asset, whose licensing and marketing will be in terms of the Gold Trade Act. However international prices will still have to be paid to producers and no amount will be retained by the Reserve Bank.
 147. Similarly, as in the case of other commodities, the Inclusive Government will review upwardly the taxation and royalty levels and structures.
 148. Special attention will also be given to the small to medium gold producers. In this regard, a special facility will be created for the provision of short term finance and assistance.
 149. To the extent that steel is not a mineral but an industrial product, STERP will take measures to ensure that its marketing thereof is done exclusively by the producer and not MMCZ.
 150. In respect of outstanding amounts owed by the Reserve Bank to mining houses, these will be assessed and evaluated to establish authenticity and to ensure that repayments are done by the same within a reasonable time.

Amendment of the Mines & Minerals Act

151. To ensure full exploitation of minerals resources, The Inclusive Government will expedite the amendment to the Mines and Minerals Act, which is already before Parliament. The Act seeks to review the framework for mining rights, with a view of reviewing the mining title system, discourage hoarding of claims which are not being worked, and reforming the Mining Affairs Board.

Minerals Value Addition

152. The contribution of mining to the revival of the economy is limited by the low level of beneficiation and value addition to our mineral resources.
153. Initiatives to increase beneficiation and value addition for all major minerals including gold, platinum, nickel, copper, coal, coke, and other various non-ferrous ores and concentrate are being undertaken.
154. This will include penalties for the exportation of raw minerals where value addition options are readily available.

Precious Metals

155. Presently, virtually all diamonds, emeralds and semi-precious stones are exported in the raw form, whilst a small percentage of gold is manufactured into jewellery.
156. Concerted efforts will therefore be made to promote beneficiation and value addition programmes in the precious metals sector.
157. This process will take advantage of the existing local gold refinery and mature jewellery industry, which will make it immediately and commercially feasible to add value to our mineral resources.
158. Platinum producers will be urged to enter into local tolling arrangements for smelting, converting and base metal refining so that the country fully benefits from its natural resources.

Base Metals

159. Zimbabwe has the world's second largest chrome reserves. There is also great potential in expanding ferrochrome production in the country.

160. The Inclusive Government will therefore take advantage of the existing beneficiation facilities to refine all important base metals which include chrome, copper, nickel and iron ore.
161. The Lomagundi Copper Refinery will also be resuscitated to ensure maximum beneficiation of locally produced copper which is currently being exported in concentrate form. The Refinery will further be utilised as a toll Refinery for copper concentrates from Zambia, the Democratic Republic of Congo, Namibia and South Africa.
162. Furthermore, the ban on the exportation of all forms of scrap metal which has encouraged local value addition of base metals will be maintained.

Industrial Minerals

163. Capacity to beneficiate industrial minerals currently remains low. This requires more effort to increase beneficiation capacity in the medium to long term.
164. In the interim, royalty payment levels on all industrial minerals currently being exported in raw form will be increased to encourage exporters to utilise suitable value addition technologies.

Energy Minerals

165. Coal presents the greatest potential for value addition in the energy sub-sector.
166. In this regard, coal mining companies will be instructed to export coke, instead of the traditional coking coal. Punitive measures in the form of increased taxation levels will be imposed for non compliance.
167. Through availing adequate resources for the use of acquired technologies, the country stands to benefit from increased revenues derived from the by-products of producing coke which include various solvents, tar, and with further processes, petrol and diesel.
168. The bulk of locally produced coal will be devoted to local thermal electricity power generation with the excess power being exported to the sub-region.
169. Furthermore, projects to exploit coal bed methane resources will be pursued.

Small Scale Mining Mechanisation

170. The Programme also provides for mechanisation support for small and medium scale miners with potential to generate substantial mineral exports.
171. The Scheme will be implemented in conjunction with the Mining Industry Loan Fund to assist miners with loans, access to machinery & equipment and technical services to boost production.
172. This therefore entails the recapitalisation of the existing Mining Industry Loan Fund.
173. In this regard, the Ministry of Mines and Mining Development is overseeing the finalisation of the necessary mechanisation strategies with the support of the mining industry.

Manufacturing

174. Manufacturing will be the epicenter of any stabilisation programme. In this regard, the expected outcome of STERP is to ensure that the current industrial capacity utilisation is increased from the current low levels of around 10% to over 60% in the next six months.

175. Achieving that has the multiplier effect of dealing with general economic recovery, unemployment, depressed demand and low income levels as well as poverty reduction.
176. In order to achieve capacity utilisation target of over 60%, the Inclusive Government will support the manufacturing sector through the establishment of an external credit facility for importation of raw materials, equipment for retooling, among other necessities.
177. The external credit facility will be available to all manufacturing entities in the country. However, strict criteria for accessing the facility will be put in place to avoid instances of abuse and misuse.
178. Furthermore, efforts will be made to ensure that the facility is largely restructured in favour of raw materials and other capital requirements as opposed to salaries and other administrative costs.
179. Total requirement for the above facility should be in excess of US\$1 billion, for an initial twelve-month period, with potential to raise capacity utilisation from 10% to about 60%.

180. Efforts should be made to ensure that the facility is availed as a grant or on extremely generous terms given the low capacity for debt repayment.

Strategically Targeted Industries

181. Over and above this initiative, STERP will prioritise strategically targeted companies in various sub-sectors, which are key to the whole economy. These companies are being selected to ensure that 100% capacity is restored given their strategic importance in the economy.

182. In that regard, The Inclusive Government has identified critical industrial sub-sectors, and the respective targeted companies with the potential to invoke supply response to the rest of the other sectors of the economy.

183. These companies will therefore anchor and support the necessary overall economic supply response by overcoming the prevailing industrial output gap that has led to importation of almost everything that the country has capacity to produce and generate foreign currency.

184. Such targeted companies include those in the food processing, beverages, textile and ginning, clothing and footwear, fertiliser,

pharmaceuticals, motor industries, packaging, paper printing and publishing, chemical and petroleum products, non metallic mineral products, among others.

Strategically Targeted Retailing Companies

185. The current empty shelves in most wholesaling and retail shops located in both urban and rural areas are totally unacceptable and undermine confidence in the economy as well as potential capacity of the workers.
186. In this regard, it will be critical that The Inclusive Government normalizes the supply side of our retail shops. Improved availability of goods in the shops will also dampen inflationary pressures.
187. Consistent with the above, The Inclusive Government will prioritise and select strategic entities across the country to benefit from a Restocking Facility.

Agro-Industry

188. The local agro-input manufacturing industries, central to improved yields in the agricultural sector, also offer opportunity for increased value addition to the country's locally available

raw materials, benefiting from adoption of such technologies as fertilizer granulation and blending.

189. In this regard, measures will also be taken under STERP to take advantage of the availability of such local raw materials as phosphates, coal bed methane gas, among others, as part of the strategy to boost local fertilizer production.
190. This will be supported by appropriately determined prices to ensure viability of companies and sustenance of domestic production.

Investment Opportunities

191. STERP recognises the need to stimulate investment. Therefore it is the intended objective of increasing investment capacity from 4% of GDP to over 25% of GDP. These increases are meant to underpin sustainable economic growth and development.
192. Priority for the new investment will be given to the area of technology to ensure that not only production capacity is enhanced, but also to fast track the country into a technological and industrial giant. The South East Asian Model will be

embraced to inspire future transformative development programmes succeeding STERP.

193. The Inclusive Government is, therefore, instituting measures to guarantee the consistency and predictability of the country's business environment targeted at both domestic and foreign investors.

Regulatory Environment

194. Creating an efficient regulatory environment is essential for enhancing a positive supply response.
195. This also entails sufficient devolution of decision making, coupled with streamlining of processes in key institutions such as Local Authorities and other public agencies so as to speed up the start up of business and investment projects.

Toll Manufacturing

196. Toll manufacturing collaborations also offer scope for improved capacity utilisation, while also strengthening regional trade and integration within SADC and COMESA.

197. Already, several companies are engaged in toll manufacturing and would benefit from broader SADC and COMESA support and promotion of these initiatives.

Small and Medium Enterprises, and Co-operatives

198. Small and medium enterprises and co-operatives are crucial in employment creation and growth as well as consolidation of indigenous ownership of resources in the economy. Because of their labour intensity nature, capital saving capacity, harnessing of local resources, dependence on fewer imports, flexibility and adaptability, innovativeness and strong linkages with other sectors of the economy, SMEs become key engines for economic growth.

199. SMEs also provide practical solutions to challenges such as poverty and declining household incomes.

200. Key challenges facing SMEs include access to finance, capacity to conduct research and development, weak business structures, poorly defined business and regulatory frameworks, marketing constraints as well as insufficient management of resources.

201. Effective interventions under STERP will include financial support and capacity building. This will be complemented by promotion of industrial clusters and development linkages with other established companies.

SME Census & Database

202. In order to support the policy formulation process and provide clarity on the role and contribution of SMEs to the economic growth and development of the country, The Inclusive Government will carry out a census of SMEs. The information from the census will be used to create a database covering a wide range of issues such as the spread, concentration and numbers of SMEs, employment, product varieties and all other relevant economic indicators including their contribution to overall economic growth.

203. The project will be undertaken in collaboration with development partners and key stakeholders.

Industrial & Marketing Clusters

204. The Inclusive Government will support the development of industrial and marketing clusters and special zones in order to facilitate coherent development. These clusters and special

- zones will assist particularly SMEs mobilise bank finance, group marketing, bulk sourcing of raw materials, quality control and access to other business development services.
205. The financial sector will be mobilised to provide financial loans in order to improve product design and technology, common branding, marketing, research and development activities.
206. The special zones will be targeted at attracting investment to specially identified sectors of the economy for enhanced productivity and growth. The specially designated zones will take account of proximity to critical amenities such as road, rail & air transport, as well as water among other facilities. The maintenance of such infrastructure will also be prioritised.

Development Linkages

207. Relationship between small, medium and large scale enterprises will be fostered through incentives to enable small firms' access mentorship from large firms. Such linkages will range from supply contracts and other sub-contracting activities to joint ventures.
208. For purposes of facilitating these linkages, The Inclusive Government will support the establishment of a Business Links

Office, which will offer advice, information, training and such other business support services.

209. This would go a long way towards supporting investment and growth in small to medium enterprises.

Recapitalisation of SEDCO

210. The Small Enterprise Development Corporation (SEDCO) will be recapitalised in order to fully play its role of financing, training and providing incubation to SMEs.

Tourism

211. In Zimbabwe, tourism played a very significant role in the development of the national economy taking advantage of its most diversified tourism resource base. The contribution of the tourism sector to Zimbabwe's GDP improved immensely from 0.7% in 1980 to 9.8% in 2007.

212. Notwithstanding natural attractions, very limited tourism development occurred during the past nine years owing to challenges associated with perceived country risk, lack of working capital, inadequate domestic services, and deteriorating infrastructure.

Financing

213. As part of STERP, tourism revival will be prioritised through securing external lines of credit for working capital, rehabilitation of infrastructure and importation of capital equipment among others.
214. Financing will also benefit from engagement and incentivising Zimbabweans in the Diaspora to make meaningful investment in the tourism sector.

Capacitating the National Tourism Organisation

215. The Zimbabwe Tourism Authority (ZTA), responsible for promoting and developing tourism will be adequately resourced to effectively carry out its mandate.

Marketing

216. Furthermore, the Inclusive Government will launch an aggressive marketing campaign covering regional and international markets.

217. In that regard, high level teams will be dispatched to different countries to reflect on the correct image and potential of the country, as well as removing the country risk perceptions entrenched in source markets and consequently lobby for the removal of travel warnings.
218. Such marketing strategies will also include forging of more strategic alliances with regional and international tour operators and aggressive marketing of Zimbabwe's premier tourist destinations.

Tourism Product Re-Development

219. The tourism product has deteriorated over the years thereby impacting negatively on the competitiveness of the destination. The Inclusive Government's intervention in facilitating tourism product redevelopment is required as a matter of extreme urgency.
220. The 2009 Budget has already given incentives for investment into the tourism sector such as exempted duty payments on capital goods used by registered designated tourist facilities. This also included exemption of duty on equipment used for expansion, modernisation and renovation of tourist facilities. A Tourism Revolving Fund will therefore be established to allow

the Tourism Operators to revamp, renew and refurbish their products and services.

Investment in the Tourism Sector

221. The need for a conducive investment climate is as important for the tourism sector as it is for all other sectors of the economy. The Ministry of Tourism and Hospitality Industry Management will intensify its efforts to promote foreign direct investment in the tourism sector. In this regard, the 1st International Conference on Investment opportunities in the Tourism and Related Sectors will be held during the 2nd quarter of the year.

Pricing of the Tourism Product

222. The pricing of the tourism product is critical for destination competitiveness. It is important that the price of tourism products be seen as contributing positively to the total attractiveness of the destinations.
223. The Inclusive Government through the Zimbabwe Tourism Authority will continue to monitor prices in the tourism sector so as to keep prices in line with the total marketing strategy.

224. Related to the issue of pricing is the use of internationally acceptable modes of payment such as credit cards and travellers' cheques. These facilities will be reinstated immediately through the financial sector.

Tourism Infrastructure

225. Incentives to increase air traffic frequency into the country, coupled with continued access to finance for developing tourism infrastructure will complement these efforts. This will entail targeted identification of zones for the accelerated development of tourism infrastructure.

International Air Access

226. Air transport plays a very critical role in tourism development. In 1996, Zimbabwe was served by 45 foreign carriers linking the destination to more than 100 International source markets. Currently there are 7 carriers serving the destination. This is attributed to the restrictive and protective air transport policies that have seen many foreign carriers being denied rights to land in Zimbabwe.

227. To increase destination access from the major source markets both long and short haul, the Inclusive Government will

introduce more liberal and less protective air transport policies and offer competitive incentives to attract foreign airlines in accordance with the Open Skies Policy.

Internal Access

228. Currently access to tourist resorts remains a challenge, with tourists spending valuable leisure time traveling to reach their intended destinations. As such the internal access to local destinations by road, air and rail will be significantly improved.
229. The Inclusive Government will make deliberate efforts to facilitate the operations of domestic airlines and luxury tourist coach services.

Ports of entry

230. The Inclusive Government will improve the country's ports of entry (Airports and Border posts) to international standards through reactivating its plans to establish a National Ports Authority which will develop and manage our ports of entry, similar to management of airports by the Civil Aviation Authority of Zimbabwe.

Promotion and Image Building

231. Zimbabwe's image in the major source markets as well as investments and trade markets requires to be improved. The Inclusive Government will launch an aggressive marketing campaign - "Visit Zimbabwe Campaign" covering the Domestic, Regional and International Markets.
232. In this regard high level teams will be dispatched to different countries to reflect on the correct image and potential of the country, as well as removing the country risk perceptions entrenched in all markets.
233. The Inclusive Government will engage the different governments that have issued travel warnings against Zimbabwe to have them removed.

2010 Soccer World Cup

234. The 2010 World Cup to be hosted by South Africa avails an opportunity for domestic companies to take advantage of its spill-off effects, hence the need to intensify programmes to promote tourism.
235. In this regard, implementation of the National 2010 Strategy crafted by Government will be expedited.

Construction

236. Developments in the construction industry are an important indicative barometer of economic activity and business confidence.
237. Experiences worldwide recognise its down stream inter-linkages with other industries as critical to jump starting activity in other areas, including job creation.
238. However, the sector has suffered from challenges ranging from rising operational costs, skills flight, relocation of construction to neighbouring countries, among others.
239. In order to resuscitate the construction activity in the country, construction companies will also benefit from the external credit facility being organised by The Inclusive Government. This will ensure financing for retooling equipping of the industry.

Housing

240. The provision of national housing is a critical imperator of any Government. Although the housing programme is an on going long term process, STERP will ensure that priority is given to the issue of national housing.

241. In this regard, the enhancement and evaluation and improvement of the current national housing policy will be carried out during STERP. The review of the national housing policy will guarantee transfer of significant portions of land acquired under the land reform programme by local authorities for housing.
242. With a supply of at least 500 to a million hectares of fresh urban land provided by the State for urban housing, insurance and pension funds, local authorities and public utilities have a mandatory role to mobilise resources for such a Programme.
243. Furthermore, priority will be given to cooperatives and associations to acquire land for their members. The building societies that had eventually collapsed as a result of hyper inflation and fall in value of the local currency, should now take advantage of the use of hard currencies to re-capitalise themselves and be able to lend in foreign currency.
244. Priority will also be given to serving of acquired land through combined efforts of The Inclusive Government, local authorities and private developers.

CROSS CUTTING ISSUES

Engagement of the International Community

245. Undertaking all the above Programme initiatives requires significant financial and technical support from cooperating partners.

246. Hence, the engagement of both bilateral and multilateral international creditors remains key to resolving the country's outstanding external debt obligations, necessary for meaningful attraction of foreign direct investment and unlocking vital trade finance.

247. A multi-pronged approach to engage the international community will focus on the following deliverables:

- Unlocking critically needed balance of payments financing;
- Foreign debt rescheduling and renegotiation; and
- Clearance of outstanding arrears.

248. The re-engagement of the international community is expected to immediately unlock much needed foreign currency to meet critical imports of fuel, power, medicine and industrial and agricultural inputs.

249. In addition, this opens up investment opportunities with other development co-operating partners, quickening the economy's recovery as business ties with the rest of the world normalise and strengthen.

Bilateral Investments Protection and Promotion Agreements (BIPPAs)

250. The Inclusive Government is also committed to adhering to its bilateral and international obligations. In this regard, it will uphold its commitments to investors, which include ensuring the protection and honouring of foreign investments covered by Bilateral Investments Protection and Promotion Agreements (BIPPAs).

251. Besides adherence to BIPPAs, STERP will also ensure observance of the rule of law, the country's constitution and other laws of the country.

The Diaspora

252. Whilst STERP will prioritise foreign direct investment in Zimbabwe, special attention will be given to investments by Zimbabweans in the Diaspora. The Inclusive Government

recognises the massive resources financially and intellectually that this group of people can offer to Zimbabwe.

253. All efforts will therefore be made to target this group and create concessionary and attractive opportunities for their participation in the development of the economy.

254. Potential benefits to the country include improved inflows of remittances, access to technology and markets through networks established abroad.

Pricing of Goods and Services

255. Following the import liberalisation policy, the country is witnessing some benefits in improved supply of goods and services.

256. Prices in foreign exchange which were initially far above import parity levels, reflecting shortages and monopolistic behaviour, have now started to stabilise and in some cases gravitating towards import parity levels. This trend reflects improvement in stocks as well as competition.

257. In order to take advantage of these positive developments, The Inclusive Government has already decontrolled the price of goods and services.

258. The role of the National Incomes and Pricing Commission will however be strengthened in order to ensure that domestic prices in foreign currencies are benchmarked to reflect those obtaining in the region. This is consistent with its new mandate of monitoring price trends obtaining in the sub-region and beyond thereby guiding producers and retailers as well as advising The Inclusive Government on import parity based pricing.
259. The decontrolling of prices is not an attack on the poor and the vulnerable groups, as all concerned will be taken care of under the Social Protection Programme above. In short, whatever direct subsidies that have been removed are now simply being channeled to the more focused social protection programme which has vertical benefits as opposed to horizontal application.
260. Further, the business sector itself must avoid inflationary tendencies created by lack of confidence which has no relation to the market. More importantly, there must be paradigm shift that recognises the higher value and stability of the new multiple currencies that are now being used. In short the business community must de-link its mindset from the hyper-inflationary traits that existed before 29 January 2009.

261. The same paradigm shift must occur in those that are running parastatals and public utilities, whilst parastatals and other utility providers are obliged to charge market tariffs, the same however, must indeed be market based and not a product of a hyperinflationary mindset.
262. To the extent that the South Africa Rand is the proposed currency of reference within the context of the multiple currency regime that has been adopted by STERP, comparative tables and figures will be produced based on similar and equivalent South African goods and products.

Research, Science and Technology

263. Technology is the critical engine for the transformation of Zimbabwe from a developing country to a modern industrial state. Therefore, it is critical for Zimbabwe to keep abreast with global technology developments and also invest in futuristic technology.
264. This will enable our industries to integrate technologically with the rest of the world.
265. The Inclusive Government will, therefore, through the Ministry responsible for promotion and development of science and

technology, speed up the implementation of the Science and Technology Policy, through allocation of adequate resources.

266. Furthermore, the strategy to promote information and communication technology will be strengthened to cover all the public sectors including educational institutions.

Regional Integration

267. Zimbabwe will actively participate in regional and continental integration arrangements in order to maximise gains for the economy.

268. Through its participation in regional integration arrangements in SADC and COMESA, the country will align its production and trading structures, taking advantage of regional policy instruments meant to achieve a single customs union.

269. These include duty free trade amongst member countries, common customs valuation methods and a common level of external tariff among others.

270. In that regard, Zimbabwe will prepare itself by enhancing the competitiveness of its industries, deepening the country's industrial base and improving infrastructure necessary to

supporting its industry as well as investment in technology which enhances productivity.

271. At international level, the country will pursue together with its regional partners, trade negotiations within the context of the Economic Partnership Agreements (EPAs) with the European Union on one hand and the aftermath of the World Trade Organisation (Doha Round) breakdown, among others.

Environment

272. Support for sustainable and best practices in the utilisation of Zimbabwe's natural resource endowment is an integral part of STERP.
273. The rampant cutting down of trees especially in the newly resettled areas, and the proliferation of river bed and alluvial gold panning is inconsistent with sustainable natural resource exploitation.
274. Extensive use of chemicals and wide spread dumping of toxic waste into rivers have also contaminated water sources.
275. Addressing the challenge of the resultant environmental degradation will require urgent steps to combat irresponsible

- behaviour by some sections of the community, unsustainable grazing practices and lack of alternative energy sources in the rural areas.
276. Central to this will be the institution of local community based monitoring of adherence to conservation best practices. This will support such local initiatives as reclamation of gullies and pits left by gold panners through public works programmes.
277. In addition, education and awareness campaigns will be launched whilst stiffer penalties will be enforced on offenders of regulations and laws relating to the protection of resource utilisation and the environment.
278. Programmes operating along the CAMPFIRE approach, to the benefit and empowerment of local communities, will be promoted to ensure proper and sustainable management of local resources.
279. To reduce the rampant cutting down of trees especially in new resettled areas, the Ministry together with the Forestry Commission and the Environmental Management Agency (EMA) will need to increase its presents in those areas and facilitate the formation of intensive Conservation Committees. The tobacco Wood Plantation Programme will need to be expanded.

The Ministry will work closely with the Ministry of Energy and Power development to introduce alternative sources of energy for rural population including use of energy savings stoves, biogas, solar and wind.

280. Illegal gold panning continues to cause serious land degradation. Efforts will be intensified together with the police to discourage the menace. Any mining activity including small-scale mining will be subjected to environmental Impact Assessment and environmental Monitoring.
281. Veld Fires have continued to destroy our natural resources as well as claiming human lives. Grazing for livestock and wildlife has been destroyed through uncontrolled Veld fires. The Ministry will intensify awareness campaign through implementation of the National Fire Strategy against Veld fires as well as enforcing to establishment of fireguards by all farmers. Enforcement and stiffer sentences will be introduced for those found guilty of this offence. Local Fire Committees will be trained and resourced to curb wild fires.
282. Illegal dumping of waste and littering will be controlled through awareness and enforcement. The Ministry will work together with city and town authorities, the private sector and NGOs to promote sound waste management and anti-littering.

283. Sound chemical management and movement and disposal of hazardous waste will be strictly enforced. All border posts will be monitored for the illegal movement and/ or transit of hazardous water. Recycling, re-use and reduction of waste will be promoted to reduce waste disposal and dumpsites will be properly designed and sited to protect environmental pollution,
284. To reduce poaching of wildlife, the capacity of the Parks and Wildlife Management Authority in anti-poaching will be strengthened. The implementation of the Wildlife Based Land Reform and Forest Based Land Reform Policies will be speeded up to ensure sustainable utilisation of our natural resources.
285. To ensure the provision of adequate wood and timber products harvesting of plantation forests will be carried out in a sustainable manner and planting of new trees will be encouraged. Illegal settlement of plantation areas will be addressed to ensure an adequate supply of timber both for local consumption and for export.
286. Emphasis will also be placed on local empowerment to promote self-monitoring and conservation best practice. Local initiatives on gully reclamation; rehabilitation of pits caused by illegal gold panning will be supported under the public works programme.

Brain Drain

287. Central to driving Zimbabwe's economic recovery across the various sectors will be the availability of a critical mass of human resource skills, in view of the massive brain drain experienced over the past decade.
288. Hence, measures targeted at stemming further brain drain, attracting lost critical skills, as well as tapping into the skills base of non-resident nationals, will be a critical component of this Programme.
289. It is estimated that over 3 million Zimbabwean nationals, most of them with essential and valuable skills or professional qualifications are working in other countries within Africa and beyond.
290. The Inclusive Government, in cooperation with other development partners will, therefore, mount a targeted campaign complemented by an incentive structure to induce skilled non-resident nationals to return and serve their country.

291. Specific targeted strategic professionals include those in medicine, engineers, university lecturers and science teachers, financial and ICT experts, among others.
292. The campaign strategy will be supported by programmes inclusive of incentives, targeted at stemming further skills loss as well as tapping into the skills base of non resident nationals.

Indigenisation and Empowerment

293. The successful implementation of this Programme will be incomplete in the absence of greater participation of the indigenous people in the ownership and control of the productive assets of the economy and the removal of barriers and limitations that inhibit the people from fully utilising their potential in raising their living standards and in contributing towards national economic development.
294. This will entail an active process that encompasses the progressive transformation of the economy through the creation of further opportunities for indigenous Zimbabweans.
295. This Programme will stress an empowerment process that is associated with growth and enterprise development as opposed to mere redistribution of existing wealth.

296. The Inclusive Government recognises the role of technology transfer and access to foreign exchange in any successful promotion of income and large employment generating investment programmes. In this regard, flexibility will guide the application of the legislation limiting foreign investment participation in domestic investment.

297. Hence, where there is significant injection of foreign capital, The Inclusive Government will allow such investors majority ownership in local investment projects and initiatives as provided for under section (5) of the Indigenous and economic Empowerment Act.

Youth Development

298. The support for empowerment will be complemented by greater coordination of the country's technical and vocational education training programmes targeting youth employment creation and income generating projects.

299. At district level, community based vocational apprenticeship schemes such as carpentry, metal work, farm management and food processing will be established.

300. In this regard, the provision of financial support for youth projects by Government as well as the formal financial institutions will allow the youth to take advantage of such training and explore their entrepreneurial potential.

301. Furthermore, to facilitate effective policy and implementation, a Youth Data Bank will be established to provide dis-aggregated data on youth and also to compliment the Labour Market and Employment Policy Framework.

MACRO-ECONOMIC REFORMS

Macro-Economic Stabilisation

302. The precondition for success of STERP is the implementation and execution of a sound macro-economic stabilisation programme.

303. Starting from what is in many respects a clean slate, the following policy environment will allow the economy progressively to gather momentum:

- all enterprises are free to trade in South African Rands, United States dollars or any other convertible currency;
- no licences will be required to trade in foreign currencies;

- there will be no surrender requirements to the Reserve Bank, neither by enterprises oriented to the domestic market nor by exporters;
- all taxes will be payable in convertible foreign currencies;
- de facto the national budget will be a cash budget, that is to say the amount the nation spends will be determined by tax revenues plus grants from donors;
- there will be no quasi-fiscal expenditures and no printing of money;
- there will be a regime of positive real interest rates.

304. This framework will snuff out Zimbabwe dollar-based hyperinflation, but with the significant downside risk of even greater contraction of economic activity than Zimbabwe has already experienced. This is because in this framework, the level of economic activity will be determined by the stock of foreign money supply in the economy. The stock of foreign money at the start of 2009 is extremely limited: to increase the GDP to an acceptable level it is vital that we:

- increase export revenues;
- maximise inflows of remittances from Zimbabweans living abroad;
- receive support from regional and international development partners;

- attract foreign portfolio and direct investment.

Inflation

305. It is no longer possible to attempt to measure the Consumer Price Index (CPI) in Zimbabwe dollar terms, but it will take time to develop CPI series in foreign currency terms which can be used for comparative purposes.
306. While the global economy is going into recession, and inflation rates are extremely low or even turning negative in the industrialised countries, United States dollar prices of many goods in Zimbabwe have been rising, implying significant United States dollar inflation.
307. This is likely to be a temporary phenomenon. As of the end of February 2009, it is clear that the foreign currency prices of many goods and services have been set at unrealistically high levels. It is much cheaper for people to purchase goods in South Africa and Botswana or seek services such as medical attention in these countries. Competitive pressures will drive down the foreign currency prices being quoted in Zimbabwe, and this should allow the new foreign currency-based CPI inflation to moderate to low levels such as under 10% pa by the end of 2009.

Multiple Currencies with the Rand as Reference Currency

308. As already noted, STERP, responding to the hyper-inflationary environment, will permit use of multiple currencies for all business transactions, including stock exchange trading, sale of agricultural commodities and payment of salaries. All taxes are henceforward to be paid in foreign currency.
309. While it is important to allow economic actors to use whatever currencies are convenient for them to transact in, there is need for Government to define a reference currency. The choice is essentially between the United State dollar and the Rand.
310. Government has decided that the reference currency should be the Rand. The reasons for this are partly determined by economic factors as well as the future intention of SADC to adopt a common currency, which inevitably will have to be based on the Rand given the dominance of the South African economy in SADC.
311. The main economic factors are that South Africa is our biggest trading partner and our most obvious competitive country for assessing prices and wages. Given the high United States dollar price structure we are starting with, and the impossibility of restoring competitiveness through currency devaluation when

we are using foreign currencies, it is important that we link ourselves to a currency that is more proximate to us.

312. It is important to reiterate that nominating the Rand as the reference currency in no way diminishes Government's commitment to multiple currencies. It is, however, the first step in anticipating an epoch when we can resume use of the Zimbabwe dollar but it will be necessary first to restore the multi-currency economy to a reasonable and sustainable level of activity.

Exchange Controls

313. In order to remove restrictions on business transactions, Government deregulated restrictive Exchange Controls, and delegated export administration and payment authority to banks.

314. Individuals and companies are now free to pay for goods and services offshore as well as service external debts without prior Exchange Control approval.

315. Similarly, all applications on income related transactions such as dividends, profits and capital appreciation proceeds remittances no longer require prior Exchange Control approval.

Foreign Currency Accounts

316. Consistent with the use of multiple currencies and the need to enhance exports, corporates and individuals can now operate foreign current accounts (FCA) with indefinite retention of FCA balances. Previously, FCA holders faced a 21 day liquidation requirement.
317. Commercial banks are encouraged to expedite payment mechanisms for the new monetary environment. Customers with FCAs need to be able to pay for goods and services with debit cards and should be able to withdraw South African Rands or United States dollar notes from ATM machines.

External Loans

318. In order to remove bureaucratic hurdles associated with the processing of loan applications for both domestic and foreign investors, Government simplified the approval process for external loans, with authority delegated to banks to process loans of up to US\$5 million without prior Treasury and Reserve Bank External Loans Coordinating Committee (ELCC) approval.
319. The local banking system can now issue foreign exchange loans in support of productive sectors at rates which take account of

risk assessments by the banks and the cost of capital in international financial markets.

Financial Sector Viability

320. The financial sector is a key component of the economy in terms of mobilising savings for investment. Since 2004, the country's banking sector has suffered from excess liquidity, speculative activities, 'burning of money', and hyperinflation.

321. As a result the sector has witnessed episodes of massive capital flight, collapsing of financial institutions, negative real interest rates as well as a number of currency revaluations.

Financial Intermediation

322. The supply side reform being proposed under this Programme depends to a significant extent on sound functioning of the financial sector that is well supervised and regulated.

323. Given the liberalisation of the foreign exchange market allowing use of multiple currencies and the free operation of foreign currency accounts (FCAs), financial institutions should take advantage of this dispensation to build confidence and create normalcy in the banking sector.

324. In support of the above, Government through the Reserve Bank will carry out thorough audits and other regulatory functions to ensure that commission and omission of the past does not recur.
325. In addition, the use of hard currencies and subsequent return of real positive interest rates, should allow banking and financial institutions to mobilise resources for channeling to productive activities.
326. Furthermore, consistent with the global trends, the remuneration levels of executives will be closely monitored to safeguard depositors and shareholders' funds from abuses.

Zimbabwe Stock Exchange

327. The Zimbabwe Stock Exchange plays an integral part in mobilising resources for the development of the economy. In the face of dramatic price movements, the Reserve Bank issued a decree which stopped the Zimbabwe Stock Exchange from trading in 2008. This symbolically, and for all intents and purposes, terminated the Zimbabwe dollar as a domestic savings base that had hitherto nurtured institutional saving,

- household and corporate savings, which in turn nurtured the Zimbabwe Stock Exchange.
328. The bourse resumed trading on 19 February 2009 through the medium of multiple foreign currencies. The use multiple currencies on the Zimbabwe Stock Exchange confirmed the abandonment of the Zimbabwean dollar as a transacting medium. However, what was also eliminated in the process was the fiscal space created in the form of quasi fiscal spending that had generated macro-economic instability, hyperinflation as well as negative interest rates, all of which had coalesced into speculative behaviour on the Stock Exchange itself. In short, the use of multiple currencies on the Zimbabwe Stock Exchange has dealt with over accumulation of the local currency.
329. In this context, STERP will, through the Securities Commission, strengthen regulations and supervision of the Zimbabwe Stock Exchange to avoid any future omissions and commissions.

Equity Funds

330. Equity funds if properly regulated and administered are a key tool in mobilising resources for the private sector. Greater attention will be given to Equity Funds and a detailed policy and

position paper will be unveiled by the Treasury complementing STERP.

Fiscal Policy

Fiscal Balance

331. The fiscal policy will be dramatically tightened through enforced matching of expenditures to revenue.

Budget Expenditure Rationalisation

332. The realisation of much reduced inflation will require sacrifice and enduring much pain as Budget expenditures are realigned to focus more on capital development and reduced consumption expenditures.
333. This includes doing away with expenditures on subsidies, particularly in areas where price distortions incapacitate some of our public entities and parastatals to levels where they are unable to operate without direct budgetary support.
334. Essential external financial budget support should ensure the sustainability of the social protection programme.

Revenue Collection

335. With a de facto cash budget system in operation, maximising every opportunity to increase tax and non-tax revenues will become the priority focus of fiscal policy.
336. Wherever possible, revenue raising strategies will be designed in tandem with supply-side policies to increase the level of economic activity and hence the amount that is eligible for taxation, not through increasing tax rates. The strategies will also include widening of the tax base and minimising leakages through reducing incidence of tax avoidance.
337. This will necessitate the introduction of mechanisms to extend revenue collection into all sectors, including embracing into the tax net entrepreneurs currently evading tax through increased informalisation of business activity.
338. This will include the large number of arbitrage, speculative and other informal, but high-income generating activities which have characterised the recent business environment in Zimbabwe.
339. The recent relaxation of the import duty regime in support of increased importation of basic goods which are no longer available in the domestic market will also be reviewed in line

with the support measures to reverse de-industrialisation, but taking account also of the need to keep wage goods affordable.

340. Any changes to border taxes will take account of Zimbabwe's obligations under the various regional bloc trade arrangements.

Extra Budgetary Support

341. Given that expenditures under the 2009 Budget are essentially a function of revenue inflows, significant additional budgetary support will be necessary if many of the identified critical social and infrastructural expenditures not funded from internal fiscal revenue flows are to be embraced.

342. In this regard, such necessary targeted budget expenditures would be related to securing of external international financial support as part of the measures coordinated by SADC to support economic recovery in Zimbabwe.

LABOUR MARKET & NATIONAL EMPLOYMENT POLICY

343. Zimbabwe's past performance demonstrates that employment growth is closely linked to output growth reflecting that the demand for labour is a function of output. During periods of output growth, employment grows, although at a slower pace

- and like wise when output growth declines, employment growth also lag behind.
344. Similarly, a development strategy that fully employs a country's human resources and raises the return to labour – wages is considered a powerful tool for poverty reduction.
 345. Key challenges in the country's labour market are closely linked to the weak labour absorptive capacity of the economy following the prevailing economic crisis. There has been a marked rise in unemployment and informalisation of the economy with the formal sector now accounting for only 13% of the labour force.
 346. This has been compounded by the skills flight, deterioration of the education and training sectors as well as the impact of the HIV/Aids pandemic.
 347. Major weaknesses in our institutional, legal, policy, financial and capacity arrangements have also contributed. On the basis of the foregoing, The Inclusive Government is therefore finalizing the National Employment Policy Framework which will rationalise the labour administration system to create unitary decentralised system, re-organise technical and vocational

- education and training to make it more demand driven and responsive to the needs of the economy.
348. Central to the new National Employment Policy Framework, will be the immediate harmonisation of all labour laws and statutes as well as strengthening of the Labour Act to comply with the International Labour Organization (ILO) statutes.
 349. The Labour Court will also be empowered as an efficient, expeditious conciliator and arbitrator of labour disputes.
 350. Furthermore, the framework will promote a shared approach to financing of capacity building through education and training including research by both public and private sectors, complemented by cooperating partners.
 351. Addressing the brain drain and developing strategies that maximise the developmental potential of Zimbabweans in the diaspora will also be a cornerstone of the policy framework.
 352. In addition, The Inclusive Government will also promote and ensure that all workplaces and other organisations and institutions throughout the country, mainstream HIV and AIDS in all their programmes.

Social Contract

353. The economic reform programme envisages the implementation of structural measures to enhance the economy's supply response.
354. Ensuring that all stakeholders participate in sharing the costs and benefits involved in the quest for the recovery of our economy, and stabilising prices in the liberalised environment, will be critical.
355. This is against the background of the initial overall goods production supply constraints which will undermine the speedy realisation of the desired lower inflation levels, especially in the absence of a mutually shared national vision.
356. The support of business, labour and other stakeholders should culminate in a Social Contract, which guides the determination and formulation of all policies in the national interest.
357. Hence, The Inclusive Government will resuscitate the Tripartite Negotiating Forum (TNF) with a view of reviving the Social Contract.

UTILITIES, AMENITIES AND INFRASTRUCTURE

Public Enterprises

358. Public Enterprises have remained a drain on the fiscus, on account of losses, lost corporate tax revenue and non-delivery of basic services.
359. These losses have over the past years continued to compromise Budget capacity to meet other developmental and social expenditures, in health, education and other essential services.
360. The poor service delivery of such parastatals as ZINWA, NOCZIM and ZESA, among others, is also negatively undermining the operations of other industries in agriculture, manufacturing, mining, and tourism.

Audit of Public Enterprises

361. During the duration of the STERP, The Inclusive Government, through the Ministry of State Enterprises will undertake and evaluate all public enterprises, with a view of rationalizing their functions as well as other time-framed reforms.

362. Through this process and guided by cost effectiveness, options for public enterprises reforms will include recapitalisation, commercialisation, privatisation and part or outright disposal.

Tariffs of Public Enterprises & Other Government Departments

363. Government, through the 2009 Budget, has already announced measures to empower these public enterprises and other Government Departments by allowing them to charge for their services in both local and foreign currencies.

364. This will be complemented by periodic review of tariffs to economic levels which allow institutions to cover operational costs, consistent with the "User Pays" principle.

365. The review of such tariff levels will take cognisance of the need to support the productive sectors and other consumers without penalising them through profiteering tendencies.

366. The respective line Ministries will, therefore, be submitting to Treasury, their proposals on tariffs as well as other measures necessary to enhance the efficiency of our public enterprises.

367. Where social considerations necessitate subsidies, these will be planned for in advance for the necessary budgetary provisions.

Capitalisation of Public Enterprises

368. While Government has full ownership and control of public enterprises, the financial and economic benefits arising from this shareholding have often been low, owing to under performance of these entities. Currently, one of the major challenges compromising efficient service delivery emanates from their under-capitalisation.
369. Given current budgetary resource constraints, there is scope for tapping the large potential resource base through selective listing on the stock exchange as well as targeted direct foreign investor participation on a joint venture basis.
370. The Framework for the re-capitalisation of such entities as the Cold Storage Company, ZESA, Air Zimbabwe, ZINWA, National Railways of Zimbabwe (NRZ), as well as telecommunication companies Tel-One and Net-One, is being developed. This will also apply to companies in which The Inclusive Government has significant shareholding, such as Hwange Colliery, SMM Holdings and the Zimbabwe Iron and Steel Company (ZISCO).
371. The Inclusive Government will also pursue joint ventures with competent consortia of foreign and local partners to raise financial and technical resources for investment in expansion,

improved efficiency and reliability, as well as liquidating outstanding and current obligations.

Water

372. Water is a critical raw material in industry and therefore its provision will be a priority. Substantial amounts will be invested in rehabilitating old and antiquated water pumps to ensure that industrial water shortages do not occur. Thus STERP will ensure that local authorities benefit from the above investment to ensure the necessary recapitalisation.
373. Erratic water supply has also threatened households who are bearing the brunt of incidences of water borne diseases, exacerbated by overstretched sewer systems and power cuts which reduce the pumping capacity at various water works.
374. Hence, the restoration of water management and sewer reticulation back to the various local authorities will be speeded up.
375. This, as stated above, will be complemented by coordinated financial support to local authorities for rehabilitation of ageing water infrastructure, importation of spares and equipment for repairs as well as treatment chemicals.

376. Critical to STERP is the obligation to ensure that dams and other water projects, which had remained outstanding for a long time are completed. This includes Kunzwi, Tokwe Mkosi dams and Mtshabezi pipeline for Bulawayo, among others.

Borehole Rehabilitation

377. In the rural areas, access to clean water for village communities is often compromised by broken down boreholes and water supply systems.

378. These have been provided by Government over the years largely through the District Development Fund and the Rural Capital Development Fund, as well as by some cooperating partners and NGOs.

379. The Inclusive Government is, therefore, prioritising the rehabilitation of boreholes throughout the country.

Energy

380. 'Getting Zimbabwe Moving Again', requires that the country has adequate and reliable energy supplies at all times. Raising the overall capacity utilisation in our industries and mines as well as agriculture will require increased energy consumption,

significantly, necessitating emergency measures in support of maximising on the existing energy supplies as well as on the strategies over new alternative sources.

Power

381. Against the background of the SADC regional power deficit, it is critical that Zimbabwe upgrades its electricity generation and transmission capacity. Thus the following are critical imperators:

- Completion Stage 1 of the Hwange rehabilitation Power Station;
- The expansion and increase of capacity at Kariba;
- The rehabilitation of the transmission and distribution infrastructure in Zimbabwe
- Securing long term import lines in respect of the country's power deficits.

382. Urgent attention is thus being given to the above priority areas and all forms of financing arrangements including joint ventures will be considered.

383. The model partnership between ZESA and NAM Power of Namibia for the overhaul of Hwange Power Station presents opportunities for replication with other power utilities in the region.

Liquid Fuels

384. As stated in the 2009 Budget, it is imperative that there be complete liberalisation and cost effective marketing of liquid fuels.

Fuel Importation

385. This Programme will promote cost effective importation of liquid fuels by ensuring that all petroleum products are brought into the country by rail and through the Beira pipe line.
386. In that regard, once normalcy has been restored, restrictive levies will be charged to fuel importers using the road.

NOCZIM

387. Consistent with the new philosophy of cost recovery by public enterprises NOCZIM will operate viably without any subsidies from the state. Hence, as indicated in the 2009 Budget, NOCZIM will be allowed to charge market prices for its products and recover full procurement costs on its sales to the prescribed market, i.e. Government and farmers.

Bio Fuels

388. The Inclusive Government will take advantage of the already acquired state of the art technology for bio-fuels production which will also allow savings of foreign currency for fuel importation.
389. Bio fuels production potentially has significant downstream benefits to the economy particularly through improved output in agriculture as it requires inputs in the form of jatropha, cotton seed, sunflowers, among other oil seeds. It is important to emphasise, however, that bio fuels do not displace food production and Zimbabwe's self sustenance in this regard.
390. The Inclusive Government will, therefore, examine the viability of bio fuels in the context of a comprehensive development framework, and where viability exists, farmers will be mobilised to participate in bio fuels feedstock production.

Coal Production

391. The large coal deposits in Zimbabwe offer scope for expansion of thermal power generation for supply to the region.

392. Against this background, SADC power utilities and other investors would benefit from participation in the expansion of Hwange 7 and 8 power stations.
393. The resultant growth in coal production would also benefit coal users in industry and agriculture.

Alternative Sources of Energy

394. The Inclusive Government is also exploring the development of new and renewable sources of energy such as hydro-power, wind and solar energy. Greater use of these environmentally friendly resources will reduce the current high dependence on energy imports.
395. Coal bed methane is a significant national resource which has to be exploited. It can be used both as an energy source and as feedstock for petro-chemicals.

Rural Electrification

396. It remains critical that communities in rural areas enjoy increased access to electricity in order to empower them in undertaking agricultural production and other industrial ventures.

397. It is, therefore, essential that under this Programme, rural electrification be put back on course, taking advantage of the stock of available materials, such as poles, cables, and other fittings with a view of completing targeted grids and end use projects.

Local Authorities

398. Local authorities have been hampered in their operations by their lack of delivery often as a result of leadership capacity constraints. In most cases, councillors lacked appreciation of the functions and duties on business of their local authorities.

399. Furthermore, corruption and interference from the Central Government on day to day management of local authorities coupled with delays in approval of tariffs, worsened the situation. Where tariff approval was given, they were sub-economic.

400. As a result service delivery in housing, health, road maintenance, waste collection, street lighting, among others, has been deteriorating over the years, imposing increased hardships on the part of residents.

401. The Inclusive Government will, therefore, be reviewing both the Rural and District Councils and Urban Councils Act with a view of enhancing greater autonomy, efficiency and effectiveness of these entities.
402. Furthermore, the 2009 Budget has already allowed local authorities to review rates and fees payable by residents to levels that strengthen Local Authorities' revenue bases. This coupled with the dispensation associated with the use of hard currencies, which used to constrain importation of critical equipment should improve the financing base of local authorities.
403. This flexibility of charging economic tariffs should however be complemented and matched with quality service delivery. Hence, corruption and indiscipline in local authorities will not be tolerated.
404. Support towards capacitating local authorities to effectively deliver services in the areas of refuse collection, maintenance of roads would also be vital.
405. The above measures will be complemented by improved management, sub-contracting and introduction of stringent monitoring mechanisms.

Transport

406. STERP also prioritises improved provision of reliable and affordable public transport in both urban and rural areas as part of Government's strategy on National Transport Enhancement embracing both public and private sector initiatives.

Public Transport

407. Utilising the capacity of local bus manufactures complemented by importation of buses will be central to overcoming the hardships on the general public as a result of poor public transport.

408. The National Railways inter-city as well as the urban commuter train services are also being reviewed to improve on the capacity and efficiency of the existing equipment and infrastructure, with the charging of economic tariffs complementing provision of public financial resources.

409. This will facilitate improved service provision, procurement of fuel and spares as well as re equipping projects.

410. The Programme to recover the economy also seeks to deal with the challenges of reversing the deterioration experienced over the years in the country's infrastructural base. In many areas, rehabilitation and maintenance works are urgent and necessary for attracting investment.
411. Given the current resource constraints, The Inclusive Government will work with cooperating partners to speed up the rehabilitation, maintenance and upgrading of infrastructure facilities.
412. In this regard, support for major acquisition and procurement of the requisite equipment and machinery becomes critical.

Cargo Transport

413. In order to improve the cargo transport and its cost effectiveness, the external credit facility will also be extended to cargo transporters, complemented by other fiscal incentives such as review of duties.

Air Transport

414. The provision of a modern and efficient air transport system is essential. In this regard, it is important to bring back as many air lines to Zimbabwe as possible.

415. The adoption of an Open Skies Policy (as already outlined in the section on "*Tourism*" above), the use of multiple currencies and the new political environment engendered by the GPA should be a firm starting point for this.
416. The huge numbers of Zimbabweans in the diaspora, the attractive investment climate and the peerless tourism facilities should consolidate the move to bring in many players in our domestic and international routes. Moreover, the 2010 World Cup, which is around the corner will guarantee Zimbabwe's position as a major stop over.
417. The increased volumes of players should ensure that the ongoing upgrading of our domestic airports should be treated with urgency. Significant resources through alternative forms of funding will thus be sourced.
418. Increased competition must necessarily force Air Zimbabwe to undergo a major evaluation and revaluation. Quite clearly, the National Airline needs serious recapitalization and indeed must consider various refinancing packages including entering into a joint venture with any of the more international players.

Infrastructure Rehabilitation

State Infrastructure

419. Government buildings, furniture and equipment are in a state of unbelievable decay. The Zimbabwean courts for instance, and indeed the Government offices at Kaguvi are unbecoming and unbecoming. A similar situation exists in Universities colleges and other State institutions. Quite clearly, these valuable assets must be rehabilitated and modernised.

Roads

420. In view of the bad state of our road networks, a massive rehabilitation programme is necessary.

421. This Programme is prioritising the resurfacing and resealing of trunk and most urban tarred roads and re-gravelling of feeder roads in rural areas, with a minimum of one motorised grader for each district.

422. Provision of public resources for the rehabilitation and maintenance of the road network will be complemented by the introduction in the 2009 Budget of toll gates, coupled with further review of road user fees and levies under the auspices of the Zimbabwe National Roads Authority (ZINARA).

Railways

423. The challenges facing Zimbabwe's rail network, a hub for the SADC region transport system, will if not addressed continue to undermine the smooth flow of regional traffic.
424. These challenges include deteriorating rail track infrastructure, signaling and telecommunications systems.
425. Interventions in upgrading and rehabilitating the rail network are needed to improve the smooth flow of traffic in the region.
426. Zimbabwe stands ready to enter into joint venture investment programmes with both the contiguous rail and other regional financial institutions.
427. Appropriate self financing mechanisms will be put in place to guarantee loan repayments.

Telecommunications

428. The Inclusive Government aims to implement and foster further competition in telecommunication services and pave the way

- for value added services in the field of international telephone and internet service provision.
429. The policy thrust is to expand and modernise the sub-sector in order to enhance business links' competitiveness and overall economic development.
430. In this regard, the fixed telephone network and mobile telecommunication services will be expanded through installation of additional base stations and other equipment, taking advantage of the introduction in the 2009 Budget of cost related tariffs in foreign exchange. The coverage will link urban, rural and tourist resort areas.
431. Broadening of telecommunication services in the rural areas will be realised through upgrading of existing networks, acquisition of modern equipment and promotion of infrastructure interconnectivity among telecommunication players.
432. Existing local capacity for the production of telecommunication equipment will also be enhanced in order to save on the limited available foreign currency resources.
433. Consistent with regional and international standards, the telecommunication sector will be Harmonised. In this regard, a

new ICT bill crafted along the lines of the SADC model will be enacted that ensures uniformity in licensing and other regulatory requirements.

Public Private Partnerships

434. In order to complement Government efforts, the private sector has a role in financing infrastructure development.
435. In recognition of this, the private sector is being invited under the Programme to participate in the provision of infrastructure on a public private partnership basis.
436. Participating private sector partners will be allowed special dispensations and privileges in the partnerships towards which they would have contributed financial resources.
437. Specific areas for possible partnership areas include air and rail services, power generation, dam construction and the upgrading and construction of the main national highways.
438. Invitation is also being extended to the private sector for greater participation in urban housing development projects and infrastructure for SMEs.
439. The necessary guidelines on Public Private Partnerships to protect the interest of investors and consumers are already in place to facilitate the process.

440. These guidelines specify criteria, specialised institutional arrangements and procedures for the award of contracts, including the principles and elements of the implementation process of Build-Operate-Transfer and concession projects.

Institutional Capacity

441. The implementation of a comprehensive economic recovery programme will of necessity require strengthening of the country's public institutions.

442. However, the acute shortage of human resource skills capacity in the country constitutes an important obstacle to sustained economic recovery and growth.

443. In order to address this deficiency, The Inclusive Government will continue to review the Public Service structures with a view to making them effective and efficient.

Conditions of Service for Public Servants

444. A compensation package that is sufficient to attract, motivate and retain the best performing staff members in the Public Service will also be pursued. This will be complemented by expansion of the public service housing scheme, broadening

motor vehicle loan schemes, as well as improved educational loan facilities.

445. The Inclusive Government will also introduce a facility targeted at retaining and attracting specialised/strategic skills so as to capacitate institutional ability to fully implement national programmes. This will also allow for payment of 'expertise premiums' on key posts.

446. Furthermore, in order to strengthen the foundation of the governing process and service delivery, The Inclusive Government will enforce accountability on the part of civil servants.

Implementation and Monitoring

447. The above measures in themselves remain inadequate for the sustainable turnaround of this economy.

448. Experience from previous policy pronouncements have demonstrated serious deficiency in the implementation of agreed policy measures and Government programmes.

449. As per the Agreement between the Political Parties, the Office of the Prime Minister shall, through the Council of Ministers,

ensure the overall effective implementation of Government Policies and Plans as approved by Cabinet.

450. In this regard, the Office of the Prime Minister will utilise and benefit from the diverse human resource base already existing in the country, also embracing expertise outside of Government from retired public servants, business, labour, academia and civil society.

National Economic Council

451. In the implementation of the measures for this Programme to restore economic stability and growth The Inclusive Government will, as agreed by the Political Parties, establish a National Economic Council composed of various economic, research and academic experts.

452. Drawing from the political parties' Agreement, the National Economic Council will provide informed recommendations to The Inclusive Government on key policy issues guided by the following Terms of Reference:

- Assessing the impact of Government economic policies and programmes to promote sustainable economic growth;

- Tracking the performance of the Zimbabwean economy and the management of public policy implementation, especially with regards to the implications for socio-economic development; and
- Undertaking necessary policy research as directed and/or requested by Government.

453. In undertaking the above, the National Economic Council will be supported by the National Economic Consultative Forum (NECF), as well as research work of the Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU).

FUNDING OF STERP

454. The rehabilitation and restoration of Zimbabwe’s deteriorating infrastructure and social services will over time require substantial resources. Estimates from sector specialists include estimates of:

Agriculture	US\$980 million
Specially Targeted Vulnerable Groups	US\$100 million
Education	US\$440 million
Health	US\$300 million
Water & Sanitation	US\$740 million

Capacitation of Local Authorities	US\$240 million
Capacitation of Rural District Councils	US\$15 million
Support to Industry	US\$1 150 million
Electricity	US\$370 – 2 000 million

455. The full rehabilitation of these and other sectors will take many years and will last beyond STERP, which is an Emergency Recovery Programme. Priority areas include food, water treatment chemicals, education, health, employment costs for the public service, basic commodity supply, social welfare payments, crop inputs, as well as road network rehabilitation. Detailed technical work has been done to produce a well balanced and realistic Budget for STERP.
456. This work is an unattached annex to this document and will form the basis of the financing strategy for STERP whose total resource requirements are in excess of US\$5 billion.
457. The Inclusive Government will ensure that the primary channel and responsibility of this Programme is the Consolidated Revenue Fund (CRF) under Treasury. In this regard, resources in the CRF will be augmented by resources from the disposal of non strategic Government assets and shares in state owned enterprises.

458. A Programme Implementation Unit will be established in the Ministry of Finance to ensure transparency and full accountability in the use and management of resources mobilised for funding STERP.
459. What is immediately clear is that STERP will require substantial amounts in funding terms which will be well beyond the capacity of the Inclusive Government. It is, therefore, hoped that bilateral and multilateral parties will play their part in this process.
460. It is acknowledged and recognised that the investment that the SADC and the African Union have made in the process leading to the formation of the Inclusive Government is critical. Going forward, any support from the region will be welcome, augmented by assistance from international partners.
461. The reintegration of Zimbabwe to the community of nations is essential. Traditional bilateral and multilateral partners will be fully engaged. In this regard, the complementary roles that traditional funding instruments can play such as debt relief, infrastructural development funds, equity funds, technical and humanitarian assistance will be welcome.

CONCLUSION

462. At all material times in history, extraordinary burdens and challenges are placed on a small group of persons. They either baulk or sink and history buries them. Or alternatively, like gladiators, they rise and unshackle themselves from the bondage of mediocrity, self pity, personal differences, cynism and skepticism and conquer the challenges.

463. The Inclusive Government faces the challenges of collapse and decay and the poverty and suffering of our people.

464. We either wallow in the wish wash of disempowering party politics or we choose STERP and make a bold step away from the mundane.

465. Indeed Zimbabweans expect nothing less and should get nothing less.

End

