Japan International Cooperation Agency
Ministry of Industry and Commerce
The Republic of Zimbabwe

THE MASTER PLAN STUDY ON THE PROMOTION OF SMALL AND MEDIUM SCALE ENTERPRISES IN THE REPUBLIC OF ZIMBABWE

FINAL REPORT

MAIN REPORT

NOVEMBER, 1998

THE MATERIALS PROCESS TECHNOLOGY CENTER (SOKEIZAI CENTER)

SYES CO., LTD.

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PREFACE

In response to a request from the Government of the Republic of Zimbabwe, the Government of Japan decided to conduct the Study on the Promotion of Small and Medium Scale Enterprises in the Republic of Zimbabwe and entrusted the study to Japan International Cooperation Agency (JICA).

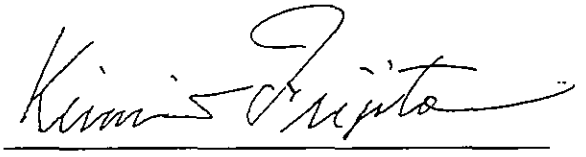
JICA sent a study team, led by Mr. Michifumi Abe of The Materials Process Technology Center and constituted by members of The Materials Process Technology Center and CYES Corporation, to the Republic of Zimbabwe four times from March 1997 to November 1998.

The team held discussions with the officials concerned of the Government of the Republic of Zimbabwe, and conducted related field surveys. After returning to Japan, the team conducted further studies and compiled the final results in this report.

I hope this report will contribute to the promotion of small and medium scale enterprises in the Republic of Zimbabwe and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation the official concerned of the Government of the Republic of Zimbabwe for their close cooperation throughout the study.

November 1998



Kimio Fujita
President
Japan International Cooperation Agency

Mr. Kimio FUJITA
President
Japan International Cooperation Agency

Letter of Transmittal

We are pleased to submit Final Report of the Master Plan Study on the Promotion of Small and Medium Scale Enterprises (SMEs) in the Republic of Zimbabwe.

This Report is composed of the Main Text, which compiles analysis of the field survey results and gives various recommendations for the promotion of SMEs, and two Supplement Reports covering records from the survey of enterprises and cases of diagnosis and improvement in the four priority industries (metal processing, food processing, textiles and furniture) that were targeted by the Survey Team.

The Survey Team was divided into two groups, namely the policy group and the technical group. The first field survey was commenced in March 1998, and the fourth and final survey was completed in October 1998. During this period the Policy Group visited 56 institutions, such as governmental, financial, educational institutions and business organizations, and conducted hearing surveys concerning promotion policies in practice and impediments to promotion. At the same time, the technical group visited 84 SMEs belonging to the four priority industries, and conducted fact-finding studies together with diagnoses on management and technology.

Comprehensive analysis, then, is made on the findings and various advice and recommendations are given on policies to promote SMEs, including legislative and institutional measures which should be taken by the Government and various institutions. At the same time, advice on improvement of technical and managerial skills is given to enhance the competitiveness of SMEs for survival.

Meantime, an orientation seminar was held during the second field survey to give relates persons a thorough understanding of the survey techniques, and a summing-up seminar was conducted in fourth field survey to give an outline report on the results of the Survey to relevant persons in government and business circles.

Finally, we would like to express our gratitude for the kind help and support, that was given to the Team by the Ministry of Foreign Affairs, the Ministry of International Trade and Industry and Japan International Cooperation Agency. Also, we would like to express our heartfelt gratitude to the Ministry of Industry and Commerce and the many officials of the enterprises and business groups who rendered their cooperation to our survey in Zimbabwe.

November, 1998

M. Abe

Michifumi Abe

Team Leader
Study Team for the Master Plan Study on
the Promotion of Small and Medium Scale
Enterprises in the Republic of Zimbabwe

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CHAPTER 1

PREFACE

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1.1 Background

The first phase of economic reform in Zimbabwe was initiated in 1991 under ESAP (Economic Structure Adjustment Programme). Reforms are continuing under a new government programme named ZIMPREST 1996-2000 (Zimbabwe Programme for Economic and Social Transformation 1996-2000).

The basic objectives of ZIMPREST 1996-2000:

- a steady reduction of the government budget deficit (from nearly 10% to under 5% of GDP) accompanied by fall in inflation (from over 20% at the start of the programme to a single digit by the year 2000).
- a sustained improvement in saving and investment performance.
- continuous growth in exports
- maximization of employment through economic growth arising from
  - indigenization of the economy
  - development of small-scale enterprises
  - and other measures

The important point to be emphasized is that increasing employment through economic growth arising from development of small and medium scale enterprises (SMEs), is one of the core objectives of ZIMPREST 1996-2000.

Under these circumstances, the governments of Zimbabwe and Japan have agreed to undertake a study on the promotion of SMEs. The details of the study are recorded in the agreement signed on December 10, 1997 between the Ministry of Industry and Commerce (MOIC) and the Japan International Cooperation Agency (JICA).

Following this agreement, JICA organized the Study Team consisting of eight experts which commenced the first field survey in March, 1998 and completed the fourth field survey in October, 1998. The present report compiles recommendations to promote small and medium scale enterprises (SMEs) based on the facts established by analysis of the field survey findings.

1.2 Scope and Objectives of the Study

The scope and objectives of the Study are as follows:

a) To formulate a Master Plan for the Promotion of SME's

b) To formulate an Action Plan for the four priority industries which are being studied, i.e. metal processing, food processing, textile (clothing) and furniture (wooden).

To achieve these objectives, a study team of eight (8) specialists has been organized. Its activities are shown on the attached flow diagram.

1.3 Study Method

The Study Team was composed of the Policy Group (four members) and Technical Group (four members) as outlined below, both of which, in principle, conducted independent work.

- Policy Group : Team leader (coordination of the study) and experts in (i) business management, (ii) finance and (iii) manpower development
- Technical Group : experts in (i) metal processing, (ii) food processing, (iii) textiles and (iv) furniture manufacturing

The Policy Group firstly visited government agencies and various organizations believed to be related to the promotion of SMEs (total of 56 bodies) to conduct interviews in order to establish facts and then considered desirable policies to promote SMEs by analysing such facts.

The Policy Group also considered feasible as well as preferable directions for policy implementation with a view to solving the problems currently faced by SMEs in Zimbabwe as reported by the Technical Group and then compiled recommendations on immediate actions to be taken. Members of the Policy Group participated in the field surveys conducted by the Technical Group when necessary to obtain first-hand knowledge of the current conditions of SMEs.

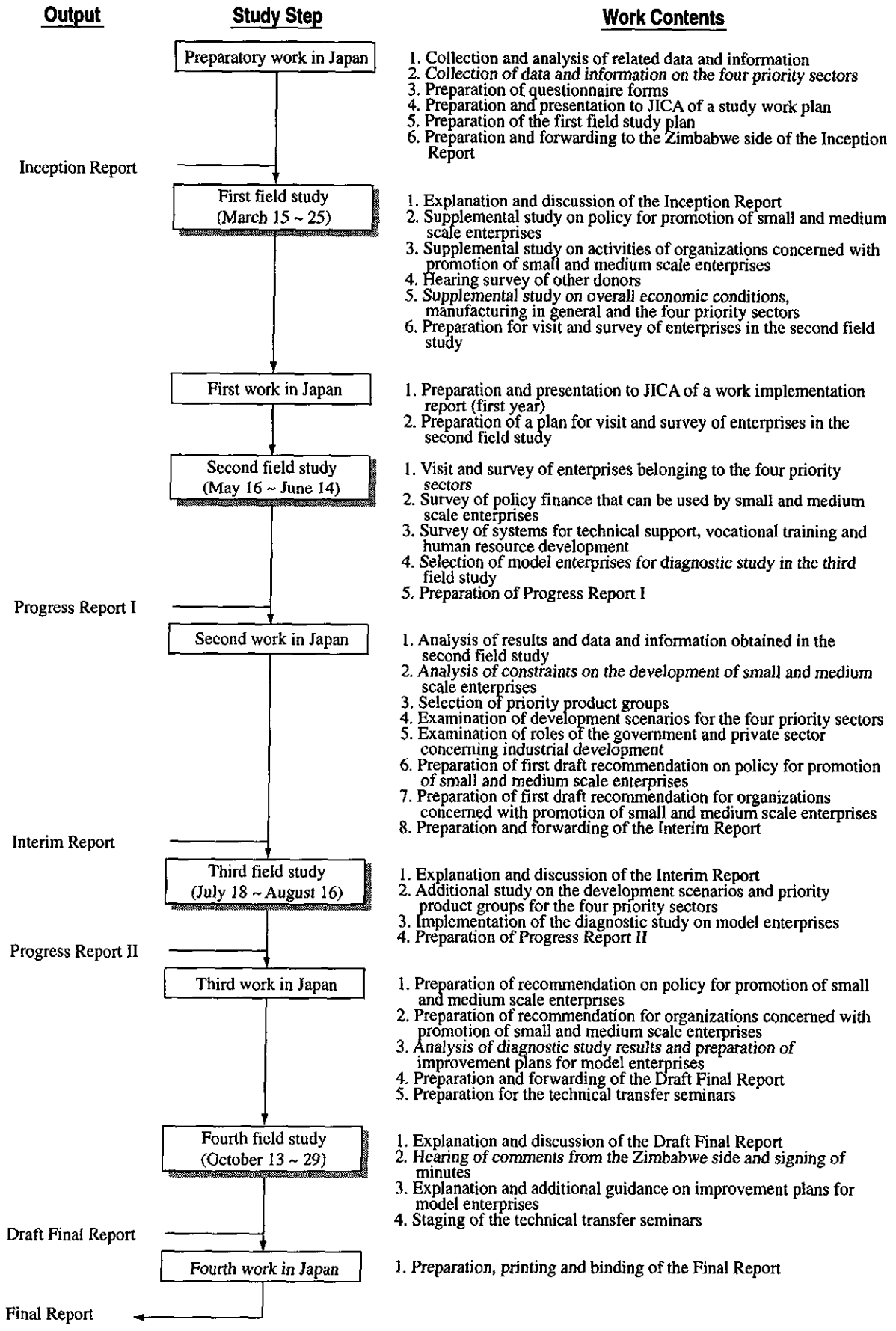

Fig. 1-1 Flow Chart of Study Work

Meanwhile, the Technical Group visited a total of 84 enterprises in the four priority industries in six major cities (Harare, Bulawayo, Masvingo, Gwerw, Kwekwe and Mutare) and analysed their current business conditions by means of interviews. It then selected 10 model enterprises from the 84 enterprises and conducted a detailed diagnosis of the managerial and technical situations to provide useful guidance.

Based on the survey and analysis findings, the Technical Group identified the problems currently faced by SMEs and compiled recommendations on measures designed to solve such problems.

On their part, members of the Technical Group joined the Policy Group on visits to organizations related to the study objectives when necessary to obtain necessary knowledge of policies related to the promotion of SMEs. In addition, they visited several enterprises classified as "large enterprises" in the four subject industries to study the differences and gaps between large enterprises and SMEs.

CHAPTER 2

ECONOMY OF ZIMBABWE AND SMEs PROMOTION POLICIES

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2.1 Trends of Macroeconomy

Since independence in 1980, the economy of Zimbabwe has shown average annual growth of some 4%. The pace of growth has slowed down in the 1990's, partly because of the progress of the economic liberalisation policy as well as the economic growth of neighbouring countries and partly because of two severe droughts in 1992 and 1995. The manufacturing sector even recorded negative growth.

Table 2-1 National Income Statistics

	1985	1990	1993	1996
GDP (at factor cost) (million Z$)	8,316	19,349	38,802	76,242
GDP (at constant 1990 prices)	15,908	19,349	19,265	21,696
Ratio Vis-a-Vis 1990 Figure (%)	82.3	100.0	99.6	112.1
GDP Share of Industrial Sector (constant prices, %)	22.4	22.8	19.9	17.9
Employment in Industrial Sector (1,000)	189.1	205.5	187.7	183.5

Source: CSO "Quarterly Digest of Statistics, March, 1998"

The rise of the GDP figures in the 1990's shown in Table 2-1 can be attributed to hyper-inflation (compared to 1990: 516% as of February, 1998) due to the rapidly increasing fiscal deficit and trade imbalance, in turn caused by the poor performance of the ESAP. Zimbabwe's entire economy is currently in turmoil. The manufacturing sector has been heavily influenced by the deterioration of the business environment due to the inflow of foreign products caused by liberalisation of the economy, sharp price increases of raw materials, and pressure of rising wages, etc. as well as a tightening of the monetary policy intended to control inflation and there have been many reports of corporate failure and the curtailment of business activities.

This poor state of the domestic market is assumed to be the result of the reform of the entire economic mechanism (including the manufacturing sector) which has been in existence since the introduction of the UDI regime, forced by the promotion of structural adjustment under the ESAP.

2.2 History of Structural Reform Policies

(1) Prior to ESAP

The manufacturing sector in Zimbabwe can generally be characterised as follows.

- The structure of the manufacturing sector in the period of the UDI (1965 - 1980) where a small number of large enterprises produced a vast number of different products (said to be some 6,500) virtually ensured self-sufficiency. As a result, various types of manufacturing industries with corresponding production equipment still exist today.

- Following independence in 1980, the new government adopted socialist economic management characterised by the nationalisation of private enterprises, price control, introduction of a minimum wage and regulated labour conditions, etc. During this period, the vested interests of white people were preserved to a large extent, relying on their market and managerial know-how. Consequently, the transfer of managerial as well as production skills to the indigenous people has been rather slow.

As the economic development prospects under the government-led economic policies were limited, the scale of investment did not increase in the 10 year period after independence. The annual labour absorption rate of some 18,000 people was less than 10% of the required job creation level to provide realistic job prospects for the country's workforce. In order to rectify the situation, economic reform under the ESAP commenced in 1991 to rely on the private sector, including individuals, to increase employment and income.

(2) Results of ESAP (1991 - 1995)

1) Insufficient Reform of Fiscal Policies

The declined revenue due to a tax shortfall, drought, running deficit of state enterprises and delay of the reform of public sector employment, etc. have increased government borrowing, making the government deficit exceed the target (currently running at 13.5% of the GDP). At the same time, the increased expenditure due to expanded subsidies for education and welfare has accelerated inflation. Therefore, in order to control inflation, a tight monetary policy has been adopted, in the form of high interest rates (official rate: 31.5% upto June, 1998 and 35.0% since August, 1998), pushing up the open market rate (37 - 45%/year as of June, 1998).

2) Necessity to Continue Other Reforms

The government has set wide-ranging targets, including the promotion of the rationalisation and improved efficiency of state enterprises and public sector employers, further reform of the financial sector, i.e. stock market and stock exchange, etc., and of the fiscal sector, reduction of subsidies for agricultural products, full-scale introduction of market principles and implementation of the Poverty Alleviation Action Plan (PAAP, 1994) designed to alleviate the negative impacts of the transition from a controlled economy to a market economy on the economically poor. Particularly emphasised for the period of the ZIMPREST are the following three policies.

① Reform of state organizations

② Reform of the financial and fiscal sectors

③ Reform of public sector employment

What is particularly stressed is prudent fiscal management as a lesson learned during the ESAP period.

(3) Principal Vision of ZIMPREST (Zimbabwe Programme for Economic and Social Transformation: 1996 - 2000)

A nationwide poverty survey conducted in 1995 found 62% of the total population to be below the modest poverty line (1995 Poverty Assessment Study, annual income under Z$2,213 – approx. US$250) defined by the survey. The ratio of 72% in rural areas was high compared to 42% in urban areas.

In view of this finding, the ZIMPREST, which followed the ESAP in 1996, emphasises the necessity to expand employment opportunities to eradicate poverty in order to ensure sustainable development and to create a strong as well as sustainable economy to create employment opportunities, to encourage labour-intensive industries and to achieve the market-led redistribution of existing productive resources.

Moreover, the ZIMPREST calls for the creation of an entrepreneurial culture in society, the provision of the productivity improvement of technologies for people to assist national economic development and investment in manpower development.

Table 2-2 Comparison Between ESAP and ZIMPREST

	ESAP (Economic Structural Adjustment Programme)	ZIMPREST (Zimbabwe Programme for Economic and Social Transformation)
Background	- Necessity to vitalise the economy by shifting from a highly controlled economy to a market-led economy	- Inherited from the ESAP while making the best use of the lessons learned
Targets	- Loosening of government control of the economy for economic liberalisation by means of emphasis on market principles, encouragement of productive investment by the private sector, improved efficiency of both the public and private sectors and export promotion	- Strengthening of international competitiveness - Manpower development: technical education and vocational training - Employment promotion: fostering of labour-intensive industries - Control of inflation: increase of savings and investment
Period	1991 - 1995	1996 - 2000
Concrete Policies	- Trade liberalisation - Fiscal reform - Privatisation of state enterprises - Reform of the monetary and financial systems - Eradication of price control - Mitigation of the social conflict caused by structure adjustment and relief for socially weak persons	- Reduction of the fiscal deficit, export increase, reduction of the external debt and price stabilisation - Fostering of the mining and manufacturing industries and commerce, featuring SMEs - Establishment of EPZs to promote the export of industrial products - Promotion of the land redistribution policy and the privatisation of agriculture-related enterprises - Creation of productive employment opportunities
Management Targets	- Continual GDP growth of 5%/year	- Real economic growth: 6%/year - Creation of employment opportunities: approximately 44,000/year
Expected Benefits	- Liberalisation of the market will increase the GDP, resulting in export growth, increased employment and an improved standard of living	- Creation of SMEs with international competitiveness, creation of secured jobs and fostering of engineers and skilled workers
Outcome	- The high inflation and high interest rates substantially weakened the business strength of enterprises while competition with imported products became harsh in the domestic market - Deterioration of the economy due to drought in 1992 and 1995 - The ending of the trade agreement with the Republic of South Africa in 1992 led to a loss of the regional trade market due to the introduction of a high tariff policy by South Africa	- Privatisation of state enterprises • Diary Marketing Board (June, 1996) • Cotton Marketing Board (September, 1996) • Cold Storage Commission • Electric Supply Authority • Post and Telecommunication Agency - A revised trade agreement with South Africa was signed and came into force (April, 1997). South Africa revised the import tariff as well as quota for textile products with a gradually lowering of the import tariff upto 2002

Sources: - Government of Zimbabwe: "ZIMPREST (1996 - 2000)
- JETRO: "Framework of Economic Reform in Zimbabwe (1991 - 1995)"
- Others

(4) Minimum Targets of ZIMPREST

1) Continual reduction of the fiscal deficit (from the current 10% of the GDP to less than 5%).

2) Control of inflation together with a reduction of the fiscal deficit (from more than 20% at the start of the Programme to one digit inflation by the year 2000). Apart from the official figure, the real level of inflation is believed to exceed 30% by many observers (for example, the National Chamber of Commerce).

3) Continual improvement of savings and the investment performance (increase of the domestic savings ratio and more efficient investment to achieve an average figure of 23% of the GDP).

4) Export growth (annual growth rate of 9% on the US dollar base).

5) Maximisation of employment in parallel with economic growth (indigenisation, development of SMEs and other measures to maximum an increase of employment) (past experiences shows that the GDP growth rate is not necessarily followed by an increase of the employment rate).

2.3 Current Financial Situation

At present, the government is maintaining a tight monetary policy as described earlier and the base rate of the RBZ increased to 35% in August, 1998 from 31.5% which was introduced at the beginning of 1998. Consequently, the lending rate in the financial market has been hiked to around 40%. The monthly money supply figure on the previous year in terms of M3 gradually declined from 34.9% in December, 1997 to 33.7% in January, 1998, 29.4% in February, 25.4% in March and 20.1% in April but the annual increase rate is still as high as more than 20%. Meanwhile, the consumer price index increased by 29.31% in May, 1998 on the previous year and 29.8% in June. Food prices showed a particularly high increase rate of 36% in May, 1998 on the previous year and 39% in June (RBZ Monthly Report: May, 1998).

The RBZ summarises the current situation in that (i) the payment of wages in the public sector substantially increased in 1997, (ii) the price of energies (fuels) and drinking water, etc. sharply increased due to adjustment to the market price following the withdrawal of price control and (iii) the changes of import duties in 1997 included a policy to protect certain domestic industries contrary to the spirit of trade liberalisation, resulting in increased borrowing by the private sector due to private sector investment in unprofitable sectors. This became the main factor in the increase of money supply (the monthly private sector borrowing increased by 32.8% in December, 1997 on the previous year, 50% in January, 1998, 48.3% in February, 41.4% in March and 44.7% in April).

Under these economic circumstances, the Government of Zimbabwe was given stand-by credit by the IMF as part of the policy adjustment agreement with a credit limit of SDR 130.8 M approximately US$ 175 M). The Government of Zimbabwe immediately withdrew SDR 39.2 M approximately US$ 52 M) while reserving the right to withdraw the remaining sum each quarter based on the performance of the agreed policies. The Government of Zimbabwe is also negotiating with the World Bank (as of August, 1998) for a SAL (structural adjustment loan) believed to be US$ 50 M.

< Main Points of Policy Agreement with IMF >

According to the IMF Harare Office and RBZ, the main points of the policy agreement are as follows.

1) To reduce the fiscal deficit to less than 5% of the GDP by the end of 1998 (currently 12 - 14%).
2) To reduce government borrowing to less than Z$ 8,659 M (ZS 8.3 B as of June, 1998).
3) To reduce the DSR to less than 20% (currently approximately 20%).
4) To maintain foreign reserves at a healthy level. Zimbabwe's foreign reserves as of July, 1998 are US$ 300 M, equivalent to 1.5 month's import value and indicating a crisis situation. They are expected to further decline to US$ 200 M in the third quarters, equivalent to 1.1 month's import value, further worsening the crisis.
5) To reduce public sector employees from 225,000 to 200,000 (public sector wages currently account for 15% of the GDP compared to 6% in South Korea and 3% in Japan). This has not yet been implemented due to political reasons.
6) To sell/privatise government assets (organizations). This has hardly been implemented, again due to political reasons).

A joint mission of the IMF, World Bank and AFDB visited Zimbabwe at the beginning of August, 1998 for approximately two weeks to check the state of implementation of the agreed policies.

As outlined above, the present economic situation of Zimbabwe deters any optimism and much attention is being paid to the findings of this joint mission and their implications vis-a-vis further funding by these organizations (the final conclusions are scheduled to be announced in October, 1998).

2.4 SMEs Promotion Policies

(1) Competent Ministry: Ministry of Industry and Commerce (MOIC)

The competent ministry for the four priority industries surveyed is the Ministry of Industry and Commerce (MOIC). The organizational structure of the MOIC is shown in Fig. 2-1 and the divisions responsible for the four priority industries of the Study are listed below.

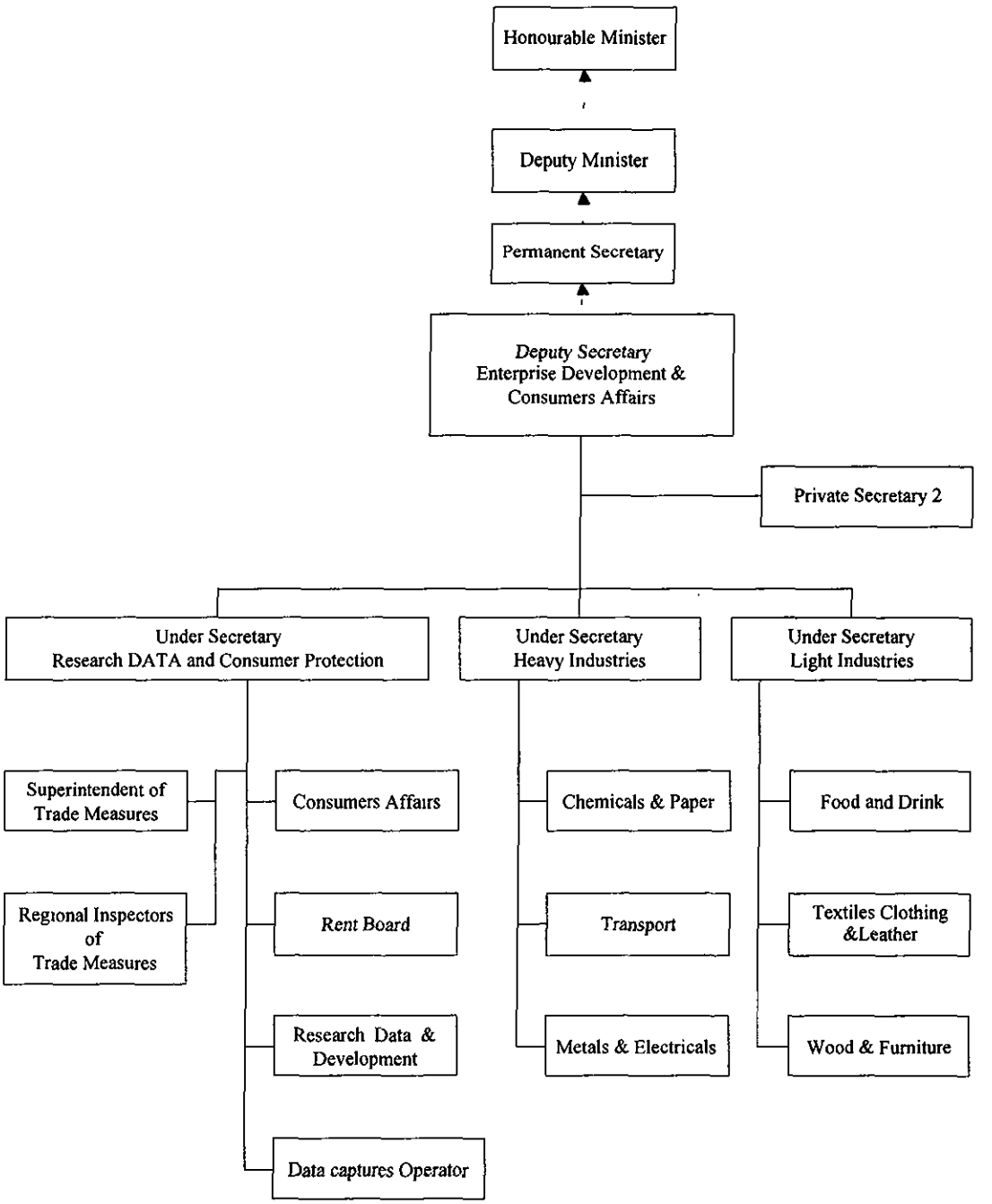

Fig. 2-1 Organizational Structure of Ministry of Industry and Commerce

1) Food processing : Food and Drinks Division

2) Textiles : Textiles, Clothing and Leather Division

3) Furniture : Wood and Furniture Division
(The three divisions above belong to the Light Industries Bureau)

4) Metal Processing : Metals and Electrical Division
(This division belongs to the Heavy Industries Bureau)

Both the Light Industries Bureau and Heavy Industries Bureau belong to the Directorate-General of Enterprise Development and Consumer Affairs.

(2) Institutional/Organizational Problems

1) Current State of Administrative Bodies Responsible for SMEs

The Ministry of Industry and Commerce (MOIC) is responsible for affairs relating to SMEs and its internal structure is vertically divided to deal with individual industries. When discussing issues with members of the Study Team, representatives of the Consumer Affairs Division, Textiles, Clothing and Leather Division, Wood and Furniture Division, all of which belong to the same directorate-general, acted as counterparts albeit of a temporary nature. Moreover, there is currently no central administrative body within the MOIC to coordinate affairs relating to SMEs in all fields (or four priority industries) and to formulate general policies. Given this situation, the implementation of the following measures is deemed necessary.

① A single central body should be established to be responsible for the "formulation and implementation of policies covering all types of SMEs".

② The said body should constantly collect opinions and information on its SMEs related policies from related administrative bodies with a view to quickly formulating revised or new policies when deemed necessary.

③ Based on the above-described administrative arrangements, the said body should decide concrete measures for wide-ranging issues to solve the problems faced by SMEs, including the priority ranking of various policies, necessity to introduce administrative, financial and fiscal measures, necessity to request foreign aid (loans, grants, technical cooperation, acceptance of experts and dispatch of trainees, etc.) and coordination with other departments, etc. involved in the acceptance of foreign aid.

④ The said body should implement these measures in coordination with the Coordination Department responsible for the nationwide coordination of development policies and measures when these measures are made official by the MOIC.

2) Establishment of Institutional Building Steering Sub-Committee

The Institutional Building Steering Sub-Committee was established to examine necessary measures to promote SMEs under steering Committee of the Study. The Sub-Committee conducted a series of interviews and discussions with people related to the specific issues involved and reached the conclusions described in the following section (3). As the process and opinions of the people consulted to reach such conclusions are believed to be useful for the formulation of policies designed to promote SMEs in the future, the minutes of the Sub-Committee's discussions are included in the Appendices of this report.

(3) Important Items Regarding SMEs Related Policies/Measures (cf. Fig. 2-2)

1) The meeting's participants unanimously agreed to establish a body to formulate SMEs promotion policies within the MOIC.

2) The MOF will continue to be responsible for the domestic macroeconomy, fiscal policies and policy coordination with foreign/international aid organizations, including the IMF, and its coordination function should be further strengthened.

3) The RBZ will coordinate the financial policies affecting SMEs together with the MOF.

4) The departments of the MOF and MOIC to be responsible for the formulation of SMEs related policies will coordinate such policies in a highly transparent manner.

5) The MOIC will gather information related to the formulation of policies from both the public sector and private sector (including NGOs) and will coordinate policies during the process of their implementation. Needless to say, the information providers in each sector will include financial institutions belonging to these sectors.

6) The body responsible for the formulation of SMEs related policies will determine the priority order of administrative, financial and fiscal measures and will implement these measures in accordance with their priority.

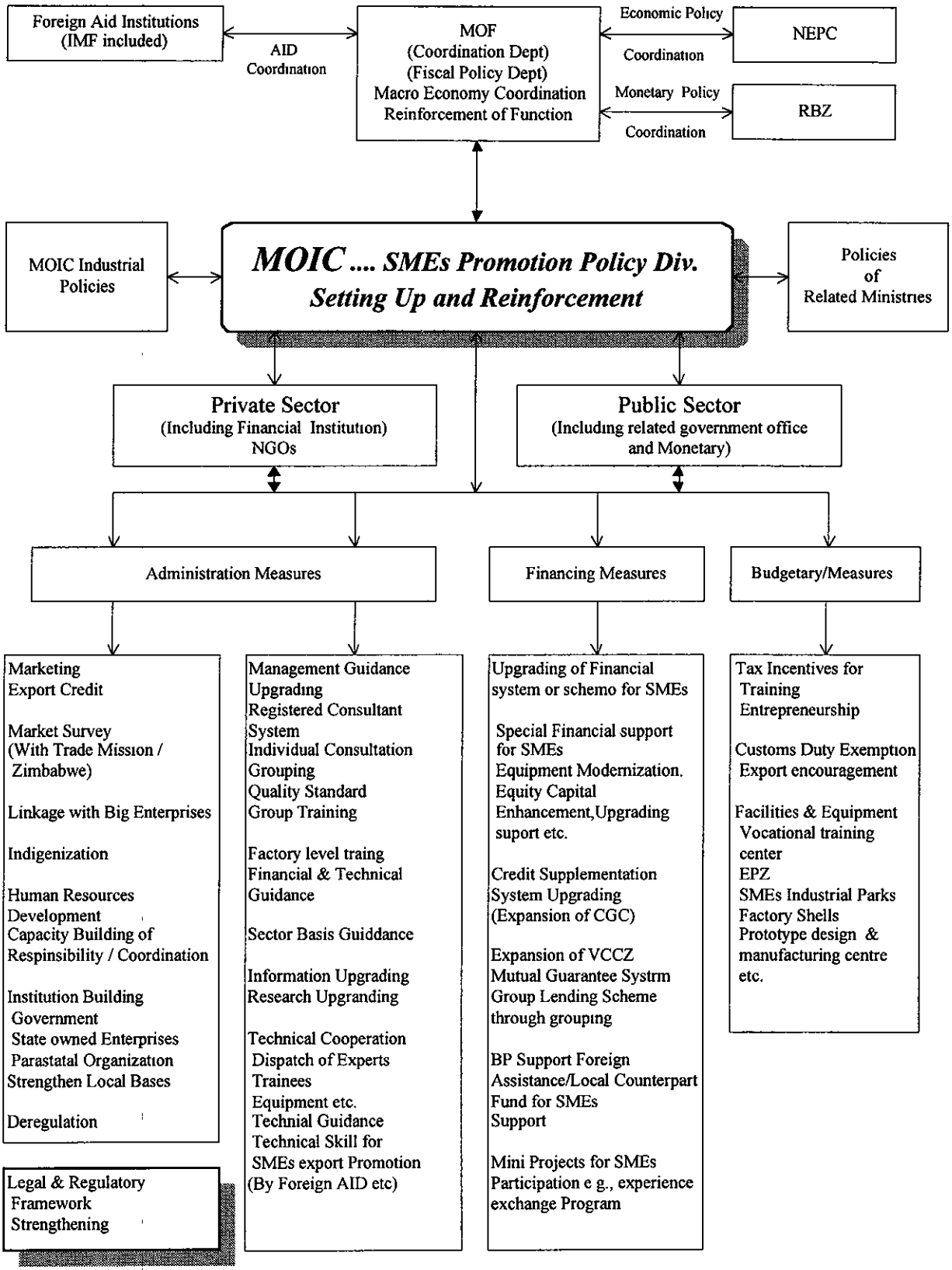

Fig. 2-2 SMEs Promotion Policies

7) Administrative Measures

a) The existing overlapping in terms of the organizational and institutional arrangements will be rectified to improve the administrative capacity of the people belonging to such organizations.

b) The local offices of the MOIC and other organizations will be consolidated to ensure the implementation of policies which truly reflect the local conditions.

c) Deregulation will be facilitated to provide opportunities for vigorous activities by SMEs.

d) It is pointed out that it will be necessary for the policy formulation body of the MOIC to establish certain criteria regarding the training system, contents and method in order to maintain a certain qualitative standard of training to improve the management capability of staff members.

e) While the SEDCO currently provides small-scale group lending facilities, the number and amount of loans will be increased. It is emphasised that the insufficient collateral capability of individual SMEs or persons should be supplemented by group lending which can improve creditability and increase the opportunities to share ideas to develop SMEs through the exchange of experience within groups.

f) The MOIC will explore the possibility of establishing a body to facilitate the grouping of SMEs. This body will focus on this particular issue and its internal structure should be as simple as possible to avoid any duplication with existing organizations.

g) The consultation services for SMEs currently provided by the BESA and SEDCO should be further expanded.

h) The following two points regarding group training are agreed.

- A programme to exchange experiences will be implemented within groups to improve the technical expertise of all group members.
- The MOIC will introduce SMEs training criteria for different types of training to ensure effective training results.

8) Financial Measures

Under Zimbabwe's current fiscal situation which is characterised by a huge fiscal deficit, it appears extremely difficult for the government to introduce new budgetary measures to assist SMEs.

However, if Zimbabwe can continue to receive concessional and Balance of Payment support counterpart funds, etc. from various foreign aid organizations, it may be possible to use these funds for loans or other forms of funding to procure equipment and tools to improve the business performance of SMEs. It is agreed that the most realistic way of pursuing this possibility is to make the RBZ, which has experience of receiving foreign aid, receive aid with a view to providing loans through the existing local banking system.

It is agreed that financial measures should be implemented under the guidance of both technical and management experts. In addition, the operation of the Credit Guarantee Company (CGC) should be improved to enable wide-ranging SMEs to benefit from its services. Furthermore, the SEDCO should expand the scope of its operation to enable lending to more SMEs.

- The group lending system should be improved to give many more SMEs access to loans with less collateral. In other words, it should be made possible for a group to provide joint collateral based on a mutual guarantee.
- The group guarantee system should be further developed. One of the critical problems facing SMEs at present is the virtual absence of assets which can be used as collateral on the part of SMEs. The group guarantee system could lead to the successful financing of all members of a group through mutual assistance and pressure arising from the mutual observing of members.
- The credit guarantee system should be strengthened through the existing CGC.
- All of the above plans should be prepared under the initiative of the MOIC. At present, the division of responsibility between the MOIC and SEDCO is blurred in certain areas.

9) Budgetary (Fiscal) Measures

a) The tax exemption included in the original plan should be absorbed in tax incentives. When considering budgetary measures, an improved tax collection regime must be assumed.

b) Tax incentives should be provided for the following activities.

- Training of management skills
- Training of technical skills
- Training to develop entrepreneurship
- Investment to modernise equipment and/or to consolidate the capital base of SMEs

c) The range of equipment, etc. of vocational training centres (including the Project proposed under Chapter 6 of this report) should be expanded.

SMEs small-scale industrial parks, in which the SEDCO has been involved, should be constructed near large enterprises to provide the opportunity to facilitate the grouping of SMEs and to promote linkage as well as a sub-contracting relationship between SMEs with large enterprises (including the establishment of EPZ). This type of industrial park, which already exists in some areas, should be extended throughout the country.

The grouping of SMEs by sector in SMEs industrial parks should prove very convenient for the formation of sector-based groups and the use of machinery through leasing.

In relation to the promotion of linkage and a sub-contracting relationship between SMEs and large enterprises, it is pointed out that the introduction of currency stabilisation measures will be required to prevent the occurrence of negative situations, including the abandonment of contracts with SMEs, as a result of currency instability.

It was also pointed out at the meeting that strengthening of the legal and regulatory frameworks regarding SMEs will be very important as part of the efforts to formulate and implement the above-mentioned measures. Given its importance, it is agreed that this issue will be treated as an independent item for consideration. (cf. Fig. 2-2)

(4) Strengthening of General Policy Coordination

The insufficient fiscal management under the ESAP (1991 - 1995) in Zimbabwe has led to the substantial fiscal deficit, high inflation, high interest rates and high unemployment seen today, forcing the government to apply for the IMF's stand-by credit facility and to further implement structural adjustment policies under the ZIMPREST through policy dialogue with the IMF and World Bank.

Under these circumstances, the MOIC and all other administrative organizations in Zimbabwe are required to strengthen their coordination in regard to the formulation and implementation of their administrative policies with those bodies responsible for domestic fiscal and financial affairs and also the general policy coordination with the IMF and other international/foreign aid organizations.

The Ministry of Finance (MOF) in Zimbabwe is responsible for general policy coordination (for example, foreign aid is dealt with by the Aid Coordination, Domestic and International Finance Department of the MOF). In reality, however, the wanton distribution of funds for education and social welfare was not corrected under the ESAP, causing inflation to accelerate due to failure to reduce the fiscal deficit. In regard to foreign aid, it cannot be said that Zimbabwe has fully performed the functions expected of a recipient country. This has led to an admission that the policy coordination function of Zimbabwe must be strengthened (the MOF hopes for the dispatch of an expert(s) to provide assistance as part of the measures to improve the situation).

As Zimbabwe's National Economic Planning Commission (NEPC of the President's Office) is responsible for macroeconomic planning in addition to the MOF, it will be necessary to examine appropriate cooperation, adjustment of the responsible fields and division of the roles to be played between the NEPC and above-mentioned department of the MOF for the formulation of a microeconomic plan. The NEPC's opinion in this regard is that a policy formulation department should be established by each policy implementation ministry/agency, that the strengthening of macroscopic policy coordination should apply to all central policy-making ministries/agencies, including the MOIC and that the NEPC and MOF should intensify their cooperation to strengthen their function of formulating comprehensive economic policies.

(5) Implications Regarding Administrative Reform

The Government of Zimbabwe has already agreed with the IMF to simplify its administration, including a reduction of personnel as well as positions, as part of the fiscal rebuilding process. Meanwhile, the promotion of SMEs to mitigate poverty and to create employment is one of the highest priority policies. Although simplification of the administration and reduction of the fiscal burden may appear to be contradictory on the surface to the establishment of a strong central body to promote SMEs related policies, the lack of such a central body could result in SMEs promotion measures being a mere gesture. The implementation priority of these policies and related measures was fully discussed and recognised at the earlier-mentioned meeting attended by officials responsible for SMEs. The establishment of a small but highly capable division, even on a temporary basis, in the course of the administrative re-organization may be a good idea.

2.5 Outline of Manufacturing Sector and Four Priority Industries

The manufacturing sector occupies an important position in Zimbabwe's GDP as shown in Table 2-3.

Table 2-3 Industrial Composition in Zimbabwe

(Unit: Z$ million, 1990 prices)

	1985		1990		1993		1996	
GDP	15,908	100%	19,349	100%	19,265	100%	21,696	100%
Agriculture	3,031	19.0%	3,188	16.5%	3,145	16.3%	3,798	17.5%
Mining	815		845		859		936	
Manufacturing	3,560	22.4%	4,403	22.8%	3,825	19.9%	3,875	17.9%
Electricity and Water	327		543		443		469	
Finance	978		1,336		1,578		1,876	
Real Estate and Construction	710		1,089		1,182		1,252	
Transport and Distribution	3,444	21.6%	4,450	23.0%	4,550	23.5%	5,789	26.7%
Education	1,045		1,269		1,307		1,358	
Others	1,998		2,226		2,376		2,343	

Source: CSO "First Quarter Statistics, 1998"

Table 2-4 shows the actual conditions of the four priority industries and the status of SMEs in the manufacturing sector using statistics compiled by a survey conducted in fiscal 1993/94.

Table 2-4 Number of Employees by Business Size in Manufacturing Sector (Excluding Informal Sectors)

Business Size (Number of Employees)	- 10	10-20	20-100	100-300	300-1,000	-1,000	Total
Number of Enterprises	105	138	404	187	87	35	966
Total Number of Employees	602	2,117	20,500	33,113	50,955	66,200	173,549
Production Value (Z$ M)	49	232	2,056	3,615	6,500	9,754	23,505
Added-Value (Z$ M)	22	104	1,044	1,437	3,248	4,351	10,203
Share in Number of Enterprises	10.9	14.3	41.8	19.3	10.1	3.6	100
Share in Number of Employees	0.4	1.2	11.8	19.1	29.4	38.1	100
Share in Added-Value	0.2	1.0	10.2	14.1	31.8	42.7	100

Source: CSO "Manufacturing Sector Statistics for Fiscal 1993/94"

Table 2-4 clearly shows that the ratio of SMEs (number of employees: 10 - 100, real assets: Z$ 2 million or less) subject to the Study is very small, illustrating the overwhelming dominance of large enterprises. However, the actual composition of SMEs and large enterprises varies from one industry to another and the main characteristics of the four priority industries are outlined below based on the field survey findings.

① Metal Processing Industry

- The number of SMEs involved in both casting/forging and sheet metal processing is extremely small.
- The number of SMEs run by indigenous owners has been increasing since 1986.

② Food Processing Industry

- Vegetable processing and tinned food manufacturing are monopolised by large enterprises run by white people.
- SMEs are the majority in terms of the number of enterprises involved in flour milling and bakeries, etc.

③ Textile/Clothing Industry

- Large enterprises and SMEs coexist in a well-balanced manner.
- The number of SMEs run by indigenous owners has been increasing since 1986.

④ Wood Furniture Industry

- Large enterprises and SMEs coexist in a well-balanced manner.
- Enterprises established in 1985 or before and those established in more recent years share the market with little conflict.

One general trend worthy of note is the conspicuous increase of very small enterprises in the informal sectors in Harare where the urban population has been rapidly increasing.

CHAPTER 3

REALITY OF SMEs IN FOUR PRIORITY INDUSTRIES

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REALITY OF SMEs IN FOUR PRIORITY INDUSTRIES

The reality of SMEs in each of the four priorities industries, i.e. the priority industries of the Study, are generalised in this chapter. The findings of the interview survey at the visited enterprises and the diagnosis of individual model enterprises are compiled in a separate volume (Annex 1: "Field Survey Report and Diagnostic Study Report").

3.1 On-Site Survey of SMEs

(1) Subject Enterprises

1) Selection Criteria

The enterprises selected for the Study mainly consisted of SMEs (although some large enterprises were also included) in the four priority industries. The definition of a SMEs in Zimbabwe is not the same as that in Japan and there is no legal or customary definition of a SMEs. Consequently, the following criteria were used to select the SMEs which were the main subjects of the Study.

① An enterprise in one of the four priority industries subject to the Study

② A small enterprises with upto 100 employees and judged to be a formal business entity

③ An enterprise recommended by the Study counterpart as having a positive management attitude or judged by the Study Team to have a promising future

④ An enterprise run by an indigenous owner in line with the indigenisation of Zimbabwe's economy

The breakdown of the 84 surveyed enterprises by industry and location is shown in Table 3-1.

Table 3-1 Industrial Background and Location of Visited Enterprises

Location	Metal Processing	Food Processing	Textiles / Clothing	Wood Furniture	Total
Harare	8	8	6	7	29
Bulawayo	6	6	4	6	22
Masvingo	3	2	2	0	7
Kwe Kew	3	2	1	2	8
Gweru	3	2	3	2	10
Mutare	2	2	2	2	8
Total	25	22	18	19	84

From among the visited enterprises, 10 model enterprises (three in metal processing, two in food processing, two in textiles/clothing and three in furniture) were selected for diagnosis with a view to identifying as well as providing advice on managerial problems and providing guidance to achieve technical improvement.

2) Survey Method

The main component of the survey was interviewing of the owner or top executive of each enterprise, spending approximately half a day per enterprise. The survey results were classified in a format and were then analysed. (Please refer Annex 1: Field Survey Report and Diagnostic Study Report.)

The general picture of the four priority industries in Zimbabwe is described below based on the findings of the interview survey at the 84 enterprises and the diagnosis of the model enterprises.

(2) General Characteristics and Management Situation of Visited Enterprises

The general characteristics of the visited enterprises are listed below.

- Most of the visited enterprises were established in 1991 or thereafter and are, therefore, newish enterprises.
- Partly because of the short history, the accumulation of own capital is not yet satisfactory.
- Despite plans to renew equipment and/or to expand business operation, fund raising is difficult.

- Compared to large enterprises, most of the visited enterprises are burdened with many handicaps, including a reluctance to provide finance on the part of possible lenders, disadvantageous payment conditions (cash payment required), gaps in terms of equipment and technology, difficulty to enter markets and difficulty of access to various types of information.

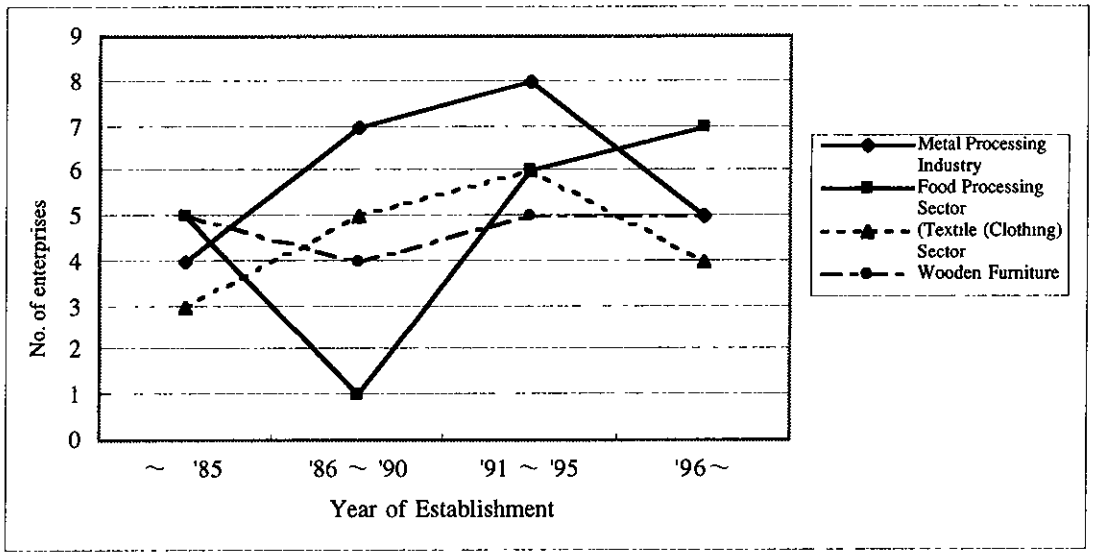


Fig. 3-1 Shift in the Year of Establishment of Enterprises in the Four Selected Industries

The general management situation is described below.

- Those enterprises which are managed by the owner, who has some managerial and technical expertise accumulated through the experience of working for a large enterprise, are generally performing well and enjoy steady growth.
- The predominance of dictatorial owners has prevented the emergence of reliable middle management, obstructing business development.
- Those enterprises where the white-led management has been indigenised tend to fall within the following descriptions.
  - Those with only inherited equipment (whole or part) are not doing well in most cases.
  - Those with inherited equipment as well as market are showing a reasonable business performance.
- Those enterprises which produce unique products (for example, reproduction furniture resembling antiques) or which specialise in certain products (for example, uniforms) are successful.

3.2 Problems Faced by Four Priority Industries

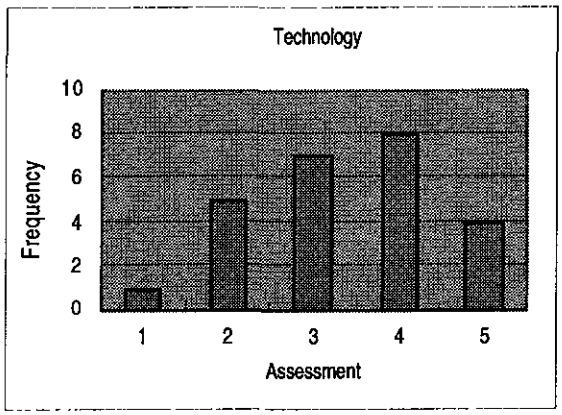
The visits to various enterprises found the problems outlined below. As problems which hinder development slightly vary from one industry to another, further details are given in 3.3 which deals with these industries separately.

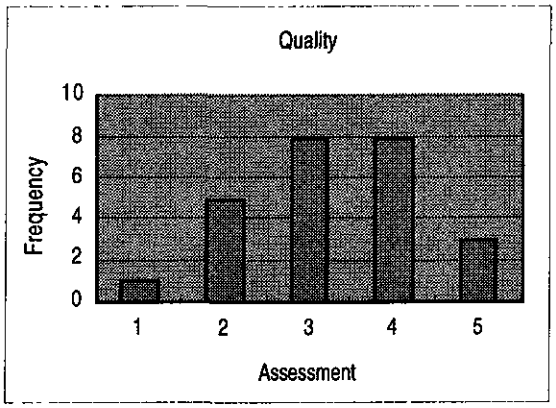
- Because of the small domestic market, there is an ongoing process of bipolarisation into medium quality products (for the middle class in urban areas) and lower quality products (for the general public in rural areas).
- There has been a conspicuous increase of vary small enterprises in the informal sector in large cities (particularly in Harare). As a result, SMEs are felling pressure in such fields as wood furniture and the processing of thin metal (window frames and other products).
- The gaps between large enterprises and SMEs are particularly noticeable in the metal processing, food processing and wood furniture industries.
- Following market and trade liberalisation, the principal of the survival of the fittest has begun to penetrate industries due to changes of the previous industrial structure. Even large enterprises are facing a crisis of factory closure and/or production reduction.
- The business start-up and closure ratio of SMEs of 20 - 40% is currently high depending on the type of business which is two or three times higher than that of industrialised countries. This high business start-up and closure ratio may indicate the dynamism of SMEs but is still a dangerous sign from the viewpoint of the stable development of SMEs. The introduction of administration measures designed to stabilise business operation by the government is desirable.

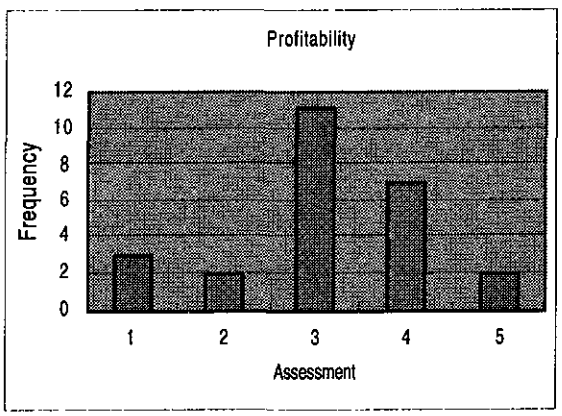
3.3 Metal Processing Industry

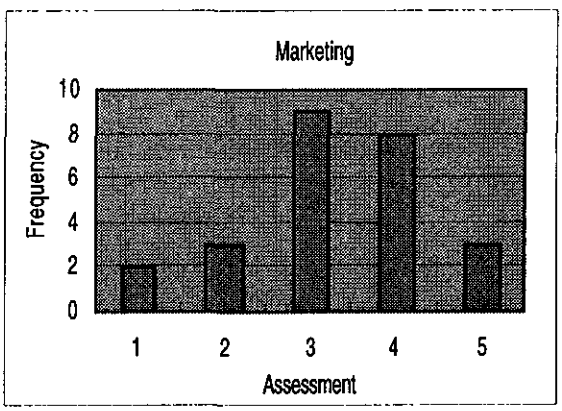
3.3.1 Analysis of Field Survey

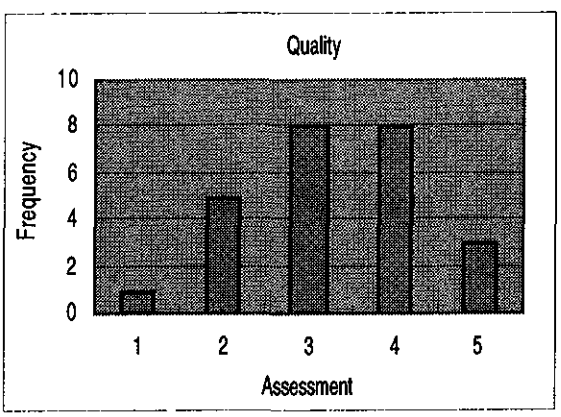
25 factories in this sector were visited. The results of this survey are analyzed below.











* Assessment comprises a relative evaluation of local enterprises based on the experience of the team expert assigned to the subject discipline. Assessment grade values range from 1, very poor to a highest of 5, very good.

* Evaluation criteria are specified in the "Field Survey Report and Diagnostic Study Report"

(1) Technology

1) Factory management technology

a) There is no specific control system in effect for factory management technology: i.e. quality control, cost control, production control, equipment and facility control, etc. No enterprise was observed to operate under control conditions of "plan ⇒ do ⇒ check ⇒ action". Present level of management technology is as discussed from section 2) below.

b) Activities pertaining to operational and production management of the enterprise are performed directly by the managing director in the case of SMEs in Zimbabwe. Although some enterprises are staffed with professional engineers and a formal administrative department, in almost all cases the factory top management directly carries out all management activities.

2) Production technology

Production technology in the metal processing sector is examined by product category, since the technology involved differs depending on the type of product.

a) Sheet and section metal products under standard and individually fabricated

① Products under light industry standards, and individually fabricated sheet and section metal products (Photo 3-1)

Products of relatively simple shape are fabricated, and the majority of enterprises generally employ the same fabrication process in this regard. Based on past manufacturing experience, the fabrication process to be adopted can be determined from visual inspection of a sample product. This experience and level of technology is the average level of technology in Zimbabwe.

② Technological superiority is noted in enterprises which craft attractive products incorporating design innovations and careful finishing. (Photo 3-2)

③ A portion of the surveyed enterprises were seen to innovate in use of measuring jigs (gauges), work tables, press dies, etc. to achieve high efficiency through line production. (Photo 3-3)

④ However, there were also enterprises observed which achieve poor production efficiency through failure to innovate in the fabrication process.

Photo 3-1
Manufacturing of Door Flame
- Repeating Production

Photo 3-2
Manufacturing of Gates and
Window Flame
- Individual Production

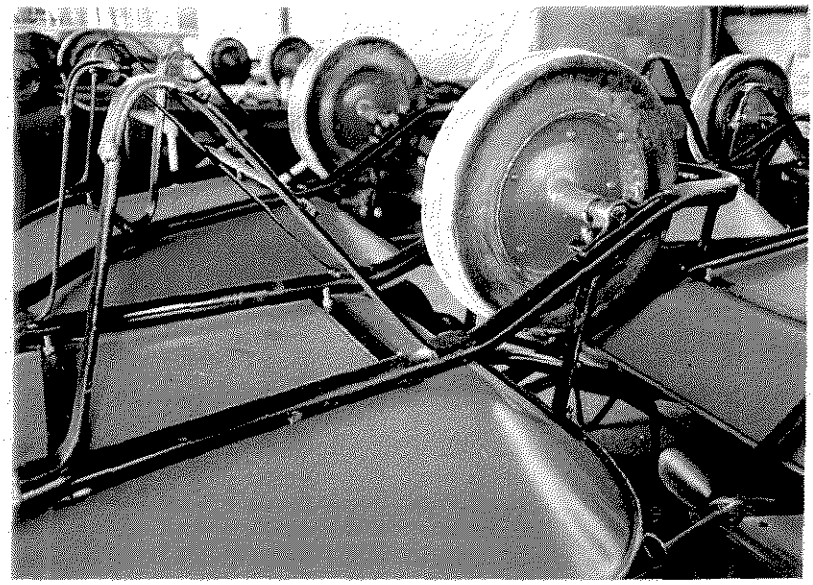


Photo 3-3
Manufacturing of Wheel-barrow
- Made by Specialized Production
Line

b) Machinery processing · piping · vehicle axles

① A portion of the surveyed enterprises were seen to be utilizing well maintained equipment capable of high precision machining operations; however, most enterprises showed poor machinery and tool maintenance.

② Generally, no dimensional check is carried out. Dimensional tolerances are not strictly adhered to, and general production technology is at a poor level.

c) Steel fabricated products

① Most enterprises engaged in steel fabrication carry out manufacture based on past experience rather than drawings submitted by the customer.

② However, it should be noted that some enterprises possess the production expertise to fabricate individually produced steel structural components, pressure containers, etc., in line with customer supplied drawings and approved specifications.

d) Cast iron and cast steel products (Photo 3-4, 3-5)

① Production of good cast products requires adherence to all necessary conditions throughout the entire casting process. In the case of large enterprises, it should be noted that proper production facilities and procedures are being utilized.

② In the case of SMEs, most of the work is done by hand, making it difficult to meet the conditions for good quality products in a steady manner. For example, while the green sand for casting should be mixed in a special mill, it is mixed by hand or using a concrete mixer. The use of inappropriate machinery or poorly maintained machinery fails to meet the required conditions for the production of good quality products. In Zimbabwe, however, even if a production process is problematic, skilled workers generally manage to make products which can be sold on a commercial basis.

③ Temperature measurement and chemical component analysis is not performed. Instead, quality control at each stage of the casting process is done on the basis of a visual check by factory staff with previous experience in that type of product fabrication. In the case of melt for cast iron and cast steel works, temperature measurement, material test and chemical component

analysis are essential exercises, and in this regard the melt control level of the surveyed enterprises is low.

e) Non-ferrous cast products (Photo 3-6)

① It should be noted that some enterprises manufacture cast products of high precision in terms of dimension and shape applying gravity die cast methods which innovate with regard to mold and core, as well as utilizing their own spin-cast techniques.

② Temperature measurement and molten metal chemical component analysis is not performed. Instead, quality control at each stage of the casting process is done on the basis of a visual check by factory staff with previous experience in that type of product fabrication. However, non-ferrous alloy is of generally good castibility, and a standard level of product is generated due to the fact that adequate quality can be achieved alone through visual inspection by experienced worker or staff.

(2) Quality

① Although product quality does not generally meet international criteria, it is sufficient for local market requirements in Zimbabwe and is thus deemed to be at a standard level.

② However, there are observed some products which are of sufficiently high quality to compete in the international market due to innovations in fabrication process to upgrade product design and appearance.

③ Overall problems are seen in product performance

- Items requiring overall design improvement:
  Formed steel chairs : excessively heavy
  Piped steel chairs : excessively weak (deformation and breakage of chair legs)
- Items requiring component improvement (elemental components, i.e. bolts, nuts, gears, bearings, etc.)
- Items requiring use of upgraded materials (utilization of recycled materials, mild steel for rotor or shaft parts, etc.)

④ No enterprises were observed with a quality control in place. Most enterprises carry out no product inspection at all.

Photo 3-4
Gray cast iron
Brake drum for traylers
- Casting defects and thickness un-balance are found

Photo 3-5
Cast steel part for tractor
- Poor mechanical property (Net annual ed)
- Sand seizings and found on the cast surface

Photo 3-6
Brass part for water sink
- Made by gravity die casting
- Good shape and cast quality

(3) Profitability

① Government agencies and public entities order standard products in large quantity, and this results in higher profit due to greater productivity.

② Some enterprises are observed to achieve a high profitability by added value to individually produced items through original design and good product finish.

③ On the one hand, there are enterprises which although lacking mechanical equipment increase profits by relying on labor to expand production. On the other hand, there are enterprises saddled with debt repayment as a result of high interest loans for machinery purchase which in the end did not improve productivity or production volume.

Of particular note are enterprises which have been able to expand production without hiring additional skilled labor. This was done by innovations in necessary mechanical equipment and metal working tools to increase work efficiency and productivity.

(4) Marketing

① The majority of enterprises are tightly tied to, and supply only to local customers. In such case, no special marketing strategy is required. This is considered as comprising the standard level of marketing in Zimbabwe.

② Some enterprises pursue expanded sales beyond the local market by displaying products in exhibitions, newspaper advertising, direct public relations to trading houses (forwarding of product photos, etc.)

③ It is necessary that factories adopt a responsive structure in order to expand marketing beyond local customers. Some enterprises achieve this by quick delivery of products, others achieve it by having delivery trucks on hand.

(5) Labour

① General work skills level is high, and work attitude is good. However, motivation is lacking in efforts to improve existing work procedures. This situation is considered as comprising the standard in Zimbabwe.

② It is recommended that workers take individual responsibility for orderliness and cleanliness in the work place, the proper storage of items and materials, disposal of debris, and putting away of cap-tires and gas hosing.

③ It is recommended that the factory personnel-in-charge take responsibility for maintaining avenues of access inside the factory, disposal of equipment and materials no longer needed, and guidance in the wearing of safety devices.

④ None of the surveyed enterprises were seen to have in-house programs for systematic OJT (On the Job Training) or multi-task training, although such training may be provided in outside facilities.

3.3.2 Factors Constraining the Development of SMEs

(1) Management mind-set

In almost every case, management makes all decisions concerning manufacture. Prior to enterprise establishment, management has gained its expertise through employment in either government organizations or private industry, and emulates past fabricating experience in the new enterprise after start-up. It is concluded that little effort is made to introduce new manufacturing technology, and that management simply adheres to methods learned in the beginning of their careers.

1) Support is necessary by public agencies, etc. in making technological and other related information available to management.

2) It is necessary to broaden the range of management experience (training abroad, joint-venture training, etc.).

(2) Labor mind-set

Labor work earnestly and well at assigned tasks. However, they lack motivation in effort to improve existing work procedures. Improvement of work place orderliness, equipment maintenance and inspection, and better work methods are ultimately achieved under worker self-initiative, and are essential to upgrading work efficiency.

(3) Customer · consumer mind-set

Customers and consumers accept shoddy products. When submitting orders, customers make no stipulations with regard to required product quality. It is necessary that the customer and consumer lodge complaint in the case of product non-conformity.

(4) Limited selection of raw materials and elemental components, and difficulty in procuring the same

This applies in particular to special steel, various types of tools, bearings, nuts, bolts, screws, hinges, etc., as well as casting production materials such as sand binders, refractories, mold castings, etc.

This is due to underdeveloped domestic distribution system, and absence of elemental component manufacturers.

(5) Marketing relies on local customers and consumers, which constrains quantity production. Advertising techniques are lacking to push sales on a nation-wide scale.

(6) Others

① Iron and steel products are bulky and heavy, resulting in high transport cost.

② Production design engineers are lacking.

③ There are no industrial facilities, making it impossible to (i) fabricate and test prototypes (ii) develop new products and production methods, and (iii) certify materials such as mill sheeting, etc.

④ In the absence of sufficient technical training programs, it is impossible to upgrade the skill levels and versatility of labor.

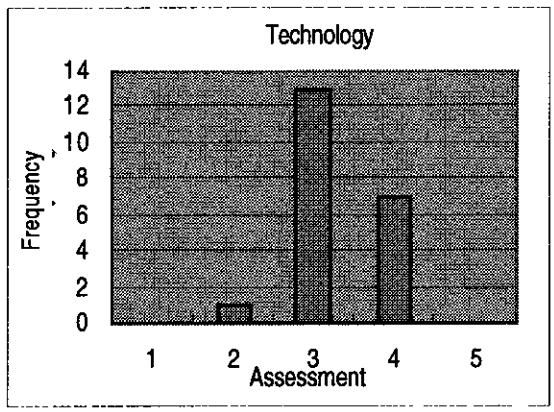
⑤ Factories are not equipped with lifting equipment (overhead crane, hoist, forklift, etc.) due to high cost, which limits production of heavy items.

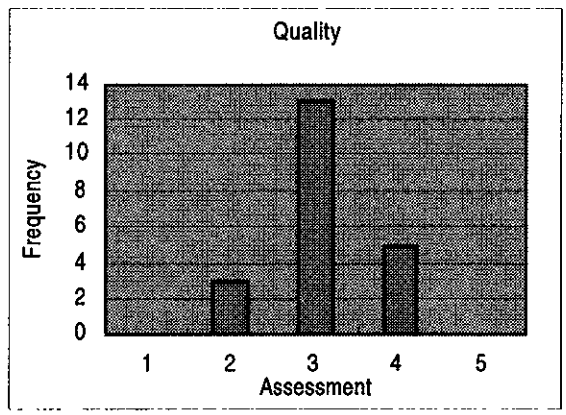
⑥ Investment for enterprise expansion and rationalization is not possible due to the investment risk in plant and equipment as a result of high interest rates and inflation, as well as a general lack of available funding.

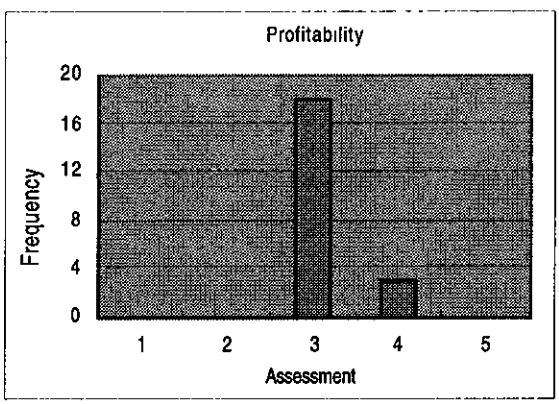
3.4 Food Processing Sector

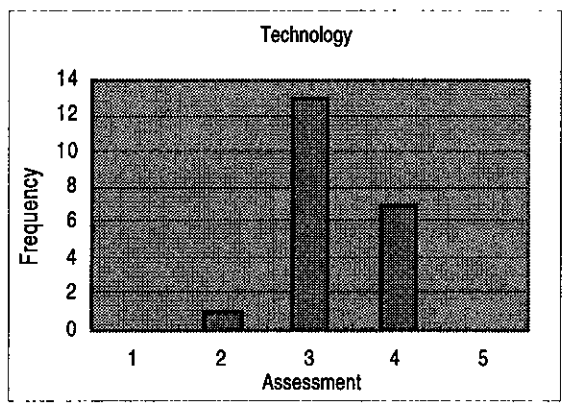
3.4.1 Analysis of Field Survey Results

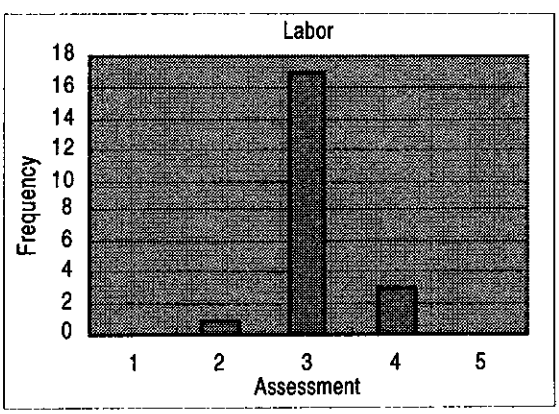
22 factories in this sector were visited. The results of this survey are analyzed below.











* Assessment comprises a relative evaluation of local enterprises based on the experience of the team expert assigned to the subject discipline. Assessment grade values range from 1, very poor to a highest of 5, very good.
* Evaluation criteria are specified in the "Field Survey Report and Diagnostic Study Report"

(1) Technology

① On average, the basic technology required for food processing is appropriate. For example, maize and wheat are crushed with the use of roll mills without any technical difficulties, and bread is baked efficiently in electric ovens.

② Peripheral technologies are inadequate. Peripheral technologies such as packaging, bottling, measuring, etc. are still at the lower stages of development.

③ Maintenance of machinery and equipment is poor.

④ Some factories are employing advanced automatic production systems and they are showing higher productivity. A majority of the factories, however, are still using conventional machinery.

⑤ Many factories do not have enough engineers to cope with the increasing workload. At the same time, they cannot afford to employ qualified engineers because of a lack of funds.

(2) Quality

① On average, the quality of the products from the factories visited is good. However, there are some products which show unfavourable problems with regard to hygiene, size differences, etc.

② Product inspection methods are inadequate

- Most of the factories do not possess the necessary inspection equipment and instruments. The workers check their own products with their eyes and hands, resulting in the sale of low quality products to customers.
- Only a few factories have set up their own quality standards. The rest have none.

(3) Profitability

① Due to the lack of working capital, most factories are unable to operate the machinery as required and therefore they fail to maximize enough profits. This is especially true for maize mills, cooking oil factories, bakeries, etc.

② Some factories which produce high quality products are enjoying good profits. Some cooking oil factories, soybean meat factories, and soft drink factories belong to this group.

(4) Marketing

① Most factories do not have a suitable sales plan. For example, their production plans are made without any relation to sales. As a result, these factories operate at random and consequently have only marginal profits.

② A few factories, however, have set up medium and long term development plans and operate according to designed schedules. These factories have obtained considerable profits.

(5) Labour

① Most factories have 2 to 3 working shifts a day and the workers seem to be treated favourably in terms of working hours, wages, working conditions, etc.

② The workers are not fully motivated to make improvements in production technology and production processes.

3.4.2 Factors Constraining the Development of SMEs

(1) Inadequate Funds for Purchase of Raw Materials

In the case of the milling of maize for example, payment to the maize supplier must be made immediately or even in advance while payment by customers is often made 30 - 90 days after the delivery of maize meal.

(2) Dependence of Raw Materials (Agricultural Products) on Weather

① The supply of raw materials is tight and the price sharply increases at the time of a drought.

② There are few processing facilities for surplus agricultural products while storage and transport facilities are not readily available.

(3) Scarcity of Qualified Engineers and Technicians

At many factories, the owner is the only engineer/technician or there is no engineer / technician at all.

(4) Inadequate Technical Ability

In relation to (3) above, some factories are incapable of changing the ingredient mixing ratio of the current products.

(5) Lack of Self-Reliant Quality Control

① Although the quality of raw materials and products is checked by means of visual inspection and/or tasting, most factories lack inspection instruments and technical ability. Physical, chemical and micro-bacterial analysis is conducted at only a few factories.

② Quality standards have not been established at most factories.

(6) Absence of Domestically Manufactured, High Performance Food Processing Machinery

Imported machinery from South Africa and Indonesia dominate the maize milling industry while machinery from European countries, India and Japan dominate the wheat milling, bread-making and vegetable oil industries. Few domestically manufactured machines are observed. At present, it appears that local producers have no option but to rely on imported, high performance machinery despite its high cost and the difficulty of procuring spare parts.

(7) Lack of Modern Management System (Particularly Corporate Management, Production Management and Financial Management)

① Many factories fail to conduct systematic production, partly because of insufficient funding. Some are engaged in active marketing but the general picture is that systematic production with a goal is lacking.

2) Integrated factory management, taking all aspects of production into consideration, still appears to be some time away.

(8) Absence of Peripheral Technologies and Materials

① There are cases where the main material is available but auxiliary materials are in short supply or appropriate packing materials are lacking.

② In many cases, the technical ability is insufficient due to inadequate equipment and/or employee education, etc.

(9) Inadequate Education/Training of Employees

(10) Heavy Dependence on Large Enterprises and Imports

Some industries only require one machine to start a business (for example, maize milling) while others have grown into strong local industries (for example, traditional beer). In the case of canned food production and others, there are few SMEs and the market is heavily dependent on large enterprises (Heinz and Caian, etc.) There are not many processing bases in the production areas of raw materials.

(11) Low Level of Awareness as Food Processing Factories

Some factories are unclean and untidy. A spider's web was even found in one factory.

(12) Insufficient Distribution System (Particularly Transportation of Raw Materials and Products)

① Apart from trunk roads, the road network is not adequately developed.

② The trucking system is insufficient.

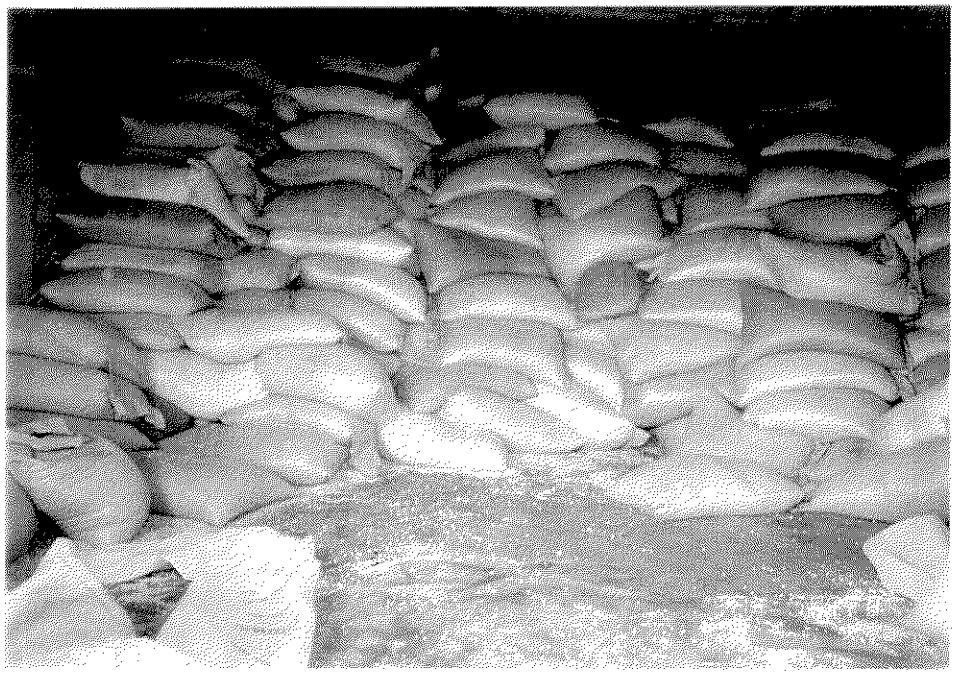


Photo 3-7 Cargo Stacked Up in an Untidy and Disorderly Manner

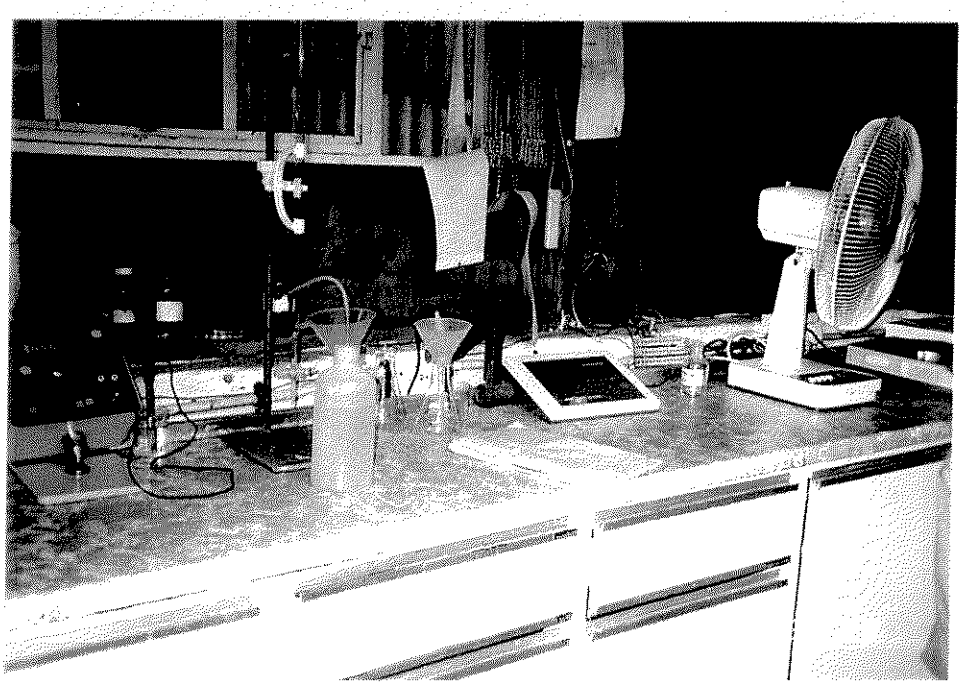


Photo 3-8 Analytical Instruments (few factories have analytical instruments such as these)

Photo 3-9 Expeller Made in India
(domestically manufactured equipment in Zimbabwe is seldom seen)

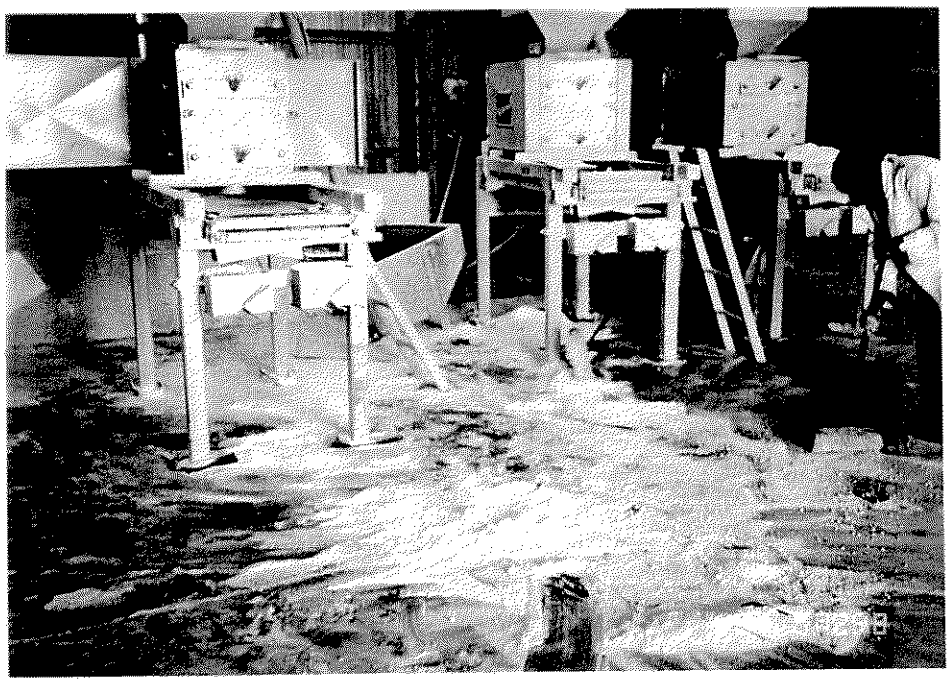


Photo 3-10 Inside of a Food Processing Factory
(the creation of a hygienic environment is required)